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Filing date: **10/04/2019**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

|                        |  |
|------------------------|--|
| Proceeding             | 91213597   |
| Party                  | Plaintiff<br>Caterpillar, Inc.   |
| Correspondence Address | CHRISTOPHER P FOLEY<br>FINNEGAN HENDERSON FARABOW GARRETT & DUNNER LLP<br>901 NEW YORK AVENUE NW<br>WASHINGTON, DC 20001<br>UNITED STATES<br>christopher.foley@finnegan.com, laura.johnson@finnegan.com, docketing@finnegan.com, ttab-legal-assistants@finnegan.com, naresh.kilaru@finnegan.com<br>202-408-4000  |
| Submission             | Plaintiff's Notice of Reliance   |
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| Signature              | /Christopher P. Foley/   |
| Date                   | 10/04/2019   |
| Attachments            | 2019.10.04 Caterpillar's Notice of Reliance No. 11- Cat Publications.pdf(146798 bytes )<br>Exhibit 1-8.pdf(3807583 bytes )<br>Exhibit 9-12.pdf(4398258 bytes )<br>Exhibit 13-16.pdf(4873423 bytes )<br>Exhibit 17-26.pdf(4241554 bytes )<br>Exhibit 27-30.pdf(4671122 bytes )<br>Exhibit 31-34.pdf(5043664 bytes )<br>Exhibit 35-39.pdf(2688996 bytes )<br>Exhibit 40-48.pdf(3591493 bytes )<br>Exhibit 49-58.pdf(3737406 bytes )<br>Exhibit 59-77.pdf(3373991 bytes )<br>Exhibit 78-91.pdf(4900027 bytes )<br>Exhibit 92-103.pdf(4745247 bytes )<br>Exhibit 104-115.pdf(3735118 bytes ) |

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

|  |  |
|--|--|
| <p>CATERPILLAR INC.,</p> <p style="text-align: center;">Opposer,</p> <p style="text-align: center;">v.</p> <p>TIGERCAT INTERNATIONAL INC.,</p> <p style="text-align: center;">Applicant.</p> | <p style="text-align: center;">Opposition No. 91213597</p> <p style="text-align: center;">Application Serial No. 85/814,584<br/>Mark: TIGERCAT<br/>Application date: January 3, 2013</p> |
|--|--|

**OPPOSER’S NOTICE OF RELIANCE NO. 11 UNDER 37 CFR §§ 2.122(e)**

Pursuant to Trademark Rule 2.122(e) and TBMP § 704.08, Opposer Caterpillar Inc. submits of record in connection with this opposition proceeding a representative sample of unsolicited articles from printed publications available to the general public in libraries, on the NEXIS database, and in publications of general circulation. *See In re Cell Therapeutics, Inc.*, 67 USPQ2d 1795, 1798 (TTAB 2003).

This evidence is relevant to the issues of likelihood of confusion and dilution, showing, among other things, the nature and extent of the public exposure that Opposer’s CAT brand has received over many years. As such, the evidence supports the strength and fame of the CAT mark.

| Exhibit No. | Publication             | Date       | PUBLICATION TITLE                           |
|-------------|-------------------------|------------|---|
| Exhibit 1   | Time                    | 1967.07.07 | AGILE CAT                                   |
| Exhibit 2   | Engineering News Record | 1981.01.15 | CONEXPO COUNTDOWN                           |
| Exhibit 3   | Engineering News Record | 1981.02.05 | CONEXPO: EXHIBITION REFLECTS CHANGING TIMES |
| Exhibit 4   | The New York Times      | 1981.06.21 | THE BIG YELLOW CAT POUNCES ON ENGINES       |

| <b>Exhibit No.</b> | <b>Publication</b>                    | <b>Date</b> | <b>PUBLICATION TITLE</b>   |
|--------------------|---------------------------------------|-------------|--|
| Exhibit 5          | The New York Times                    | 1981.06.21  | CAT PURRS JUST SHY OF RECORD \$61  |
| Exhibit 6          | Engineering News Record               | 1982.04.22  | CATERPILLAR INTRODUCES NEW TRACTOR AND SCRAPER   |
| Exhibit 7          | Engineering News                      | 1986.12.11  | EQUIPMENT ROLLING TO CENTER STAGE; MACHINERY EXTRAVAGANZA TO SPOTLIGHT NEW PRODUCTS, IDEAS, IMAGES |
| Exhibit 8          | Boating                               | 1988.03.01  | A LIGHTER, STRONGER CAT  |
| Exhibit 9          | Newsday                               | 1988.05.22  | NO WIMPS HERE: IT'S AMERICA'S LAST FRONTIER  |
| Exhibit 10         | Chicago Tribune                       | 1989.07.23  | CAT'S BACK IN THE FARM MARKET  |
| Exhibit 11         | The Wall Street Journal               | 1990.05.02  | HERE, IN THE PEACEABLE KINGDOM, DEER SHOW NO FEAR OF BIG CATS                                      |
| Exhibit 12         | Los Angeles Times                     | 1990.06.17  | CAT LANDS ON ITS FEET IN COMPETITIVE GLOBAL MARKETPLACE  |
| Exhibit 13         | U.S. News & World Report              | 1991.12.09  | CAT CLAWS ITS WAY TO THE FUTURE  |
| Exhibit 14         | Los Angeles Times                     | 1992.02.19  | HIGH PAY AND ALL, CAT IS A GLOBAL LEADER   |
| Exhibit 15         | The Wall Street Journal               | 1992.04.14  | TALES OF THE CAT AND GM, JOINED BY A UNION   |
| Exhibit 16         | Engineering News Record               | 1993.03.29  | TIRE-KICKERS SHOW NEW LIFE AT CONEXPO  |
| Exhibit 17         | Kiplinger's Personal Finance Magazine | 1993.10.01  | ALL ABOUT A BIG CAT THAT'S KICKING UP LOTS OF DIRT   |
| Exhibit 18         | Financial World                       | 1993.11.23  | CAT-APULT THE CHEAP DOLLAR HELPED, BUT CATERPILLAR'S TURNAROUND WAS ENGINEERED IN PEORIA.          |
| Exhibit 19         | Engineering News Record               | 1995.01.23  | MACHINERY MAESTROS   |
| Exhibit 20         | The Star-Ledger (Newark)              | 1996.04.16  | THERE'S BIG MONEY TO BE MADE IN THE IRON AND DIRT BUSINESS   |
| Exhibit 21         | The Star-Ledger (Newark)              | 1997.09.14  | NEWS AND NOTES   |

| <b>Exhibit No.</b> | <b>Publication</b>                       | <b>Date</b> | <b>PUBLICATION TITLE</b>  |
|--------------------|--|-------------|---|
| Exhibit 22         | Engineering News-Record                  | 1998.08.31  | CAT'S NEW HIGH PRODUCTION COMPACTOR   |
| Exhibit 23         | Fortune                                  | 1998.12.19  | THIS CAT IS ACTING LIKE A TIGER   |
| Exhibit 24         | Engineering News-Record                  | 1999.04.05  | CONEXPO ROUNDUP   |
| Exhibit 25         | Mining Engineering                       | 2000.04.01  | CATERPILLAR DOZERS ADD PERFORMANCE FEATURES   |
| Exhibit 26         | Newsday                                  | 2000.12.13  | WIRED AT BIRTH/BETTER-MADE ELECTRONIC AND COMPUTER-BASED PRODUCTS FOR 'GEN W' FLOOD THE MARKETPLACE |
| Exhibit 27         | Progressive Farmer                       | 2001.04.01  | CAT'S NEW CLAWS   |
| Exhibit 28         | New York Times                           | 2001.05.22  | CASHING IN ON THE WORLD'S ENERGY HUNGER; CATERPILLAR IS RIDING HIGH ON DEMAND FOR DIESEL GENERATORS |
| Exhibit 29         | The Wall Street Journal                  | 2001.08.08  | IN EUROPE, HOT NEW FASHION FOR URBAN HIPSTERS COMES FROM PEORIA                                     |
| Exhibit 30         | Engineering News                         | 2001.12.17  | COMPACT RUBBER-TRACKED LOADER GOES WHERE SKID STTERS FEAR TO TREAD                                  |
| Exhibit 31         | Chicago Tribune                          | 2002.02.02  | CAT UNIT TO ACQUIRE FINANCING COMPANY   |
| Exhibit 32         | Progressive Farmer                       | 2002.03.01  | CAT SHEDS COMBINES  |
| Exhibit 33         | Chicago Tribune                          | 2002.03.31  | FALLING SALES FOR MOUNTAINOUS MACHINES  |
| Exhibit 34         | Chicago Tribune                          | 2002.09.24  | CAT LANDS ENGINE DEAL   |
| Exhibit 35         | Chicago Tribune                          | 2002.10.22  | CAT SELLS 'CLEAN' DIESELS   |
| Exhibit 36         | Chicago Tribune                          | 2004.03.03  | CAT SEES REVENUE SURGE  |
| Exhibit 37         | Forbes                                   | 2004.03.15  | CAT'S IN THE BAG  |
| Exhibit 38         | The New York Times                       | 2004.07.10  | CAT LOGISTICS TO BUY MG ROVER FOR \$185 MILLION   |
| Exhibit 39         | Construction Bulletin; Arlington Heights | 2004.08.01  | CAT MILESTONE   |
| Exhibit 40         | Chicago Tribune                          | 2004.10.01  | FULL-THROTTLE GROWTH FOR CAT  |

| <b>Exhibit No.</b> | <b>Publication</b>            | <b>Date</b> | <b>PUBLICATION TITLE</b>   |
|--------------------|-------------------------------|-------------|--|
| Exhibit 41         | California Builder & Engineer | 2004.12.05  | CAT UNVEILS NEW SCRAPER  |
| Exhibit 42         | Engineering News              | 2004.12.06  | CATERPILLAR CHALKS UP 100 YEARS OF TRACKS BY INSTRODUCING THREE NEW CRAWLER DOZERS                             |
| Exhibit 43         | Crain's Chicago Business      | 2005.04.25  | CAT LEAPS OFF TO ANOTHER GOOD YEAR   |
| Exhibit 44         | Chicago Tribune               | 2005.08.11  | BUSH DELIVERS BOOST FOR TRANSIT PROJECTS   |
| Exhibit 45         | Chicago Tribune               | 2005.10.06  | CAT, HONEYWELL CREATE ALLIANCE   |
| Exhibit 46         | Chicago Tribune               | 2005.11.01  | CAT CHIEF FORECASTS 5 YEARS OF GROWTH  |
| Exhibit 47         | Crain's Chicago Business      | 2006.02.27  | CAT BRAND GROWS IN TREES   |
| Exhibit 48         | Crain's Chicago Business      | 2006.04.03  | CAT ANSWERS CRITICS WITH GLOBAL AD PUSH; AS PROFITS ROLL IN, EQUIPMENT MAKER TAKES ON ITS GLOBAL IMAGE PROBLEM |
| Exhibit 49         | Chicago Tribune               | 2006.04.25  | CAT POUNCES ON STRONG DEMAND   |
| Exhibit 50         | Chicago Tribune               | 2006.07.22  | CAT BULLDOZES PROFIT MARK  |
| Exhibit 51         | Crain's Chicago Business      | 2006.10.16  | BILLION-DOLLAR TRAIN TRIP FOR CAT; CEO OWENS' BIG DIVERSIFICATION PLAY PLEASES WALL ST., PUZZLES RAIL INDUSTRY |
| Exhibit 52         | Chicago Tribune               | 2006.11.04  | CAT CHIEF SEES 15% ANNUAL PROFIT RISE  |
| Exhibit 53         | CBS News                      | 2006.12.05  | CATERPILLAR IS NUMBER ONE MAKER OF TRACTORS AND EARTH-MOVING MACHINES ALL OVER THE WORLD                       |
| Exhibit 54         | CBS News                      | 2006.12.06  | CATERPILLAR, NUMBER ONE IN TRACTORS AND EARTH MOVING MACHINES, IS SUCCESS OF "MADE IN AMERICA" PRODUCTS        |
| Exhibit 55         | Chicago Tribune               | 2007.02.16  | CAT PLANS \$7.5 BILLION BUYBACK OF STOCK   |
| Exhibit 56         | Engineering News              | 2007.06.18  | LOOK, FEEL OF MACHINES AS CAT REFINES ITS BRAND  |

| <b>Exhibit No.</b> | <b>Publication</b>                          | <b>Date</b> | <b>PUBLICATION TITLE</b>   |
|--------------------|---|-------------|--|
| Exhibit 57         | Chicago Tribune                             | 2007.07.20  | CAT BUILDS A STRONG FOUNDATION OVERSEAS  |
| Exhibit 58         | Western Builder                             | 2007.08.27  | CAT COMPUTERIZED TRAINING FOR MIMI EXCAVATOR OPERATORS   |
| Exhibit 59         | Crain's Chicago Business                    | 2007.10.08  | CAT STALKING DEERE   |
| Exhibit 60         | CBS News                                    | 2008.02.17  | HEAVY METAL; CATERPILLAR, A SUCCESSFUL AMERICAN COMPANY IN AN INTERNATIONAL MARKET             |
| Exhibit 61         | Chicago Tribune                             | 2008.03.12  | CAT EYES 30% SURGE IN SALES  |
| Exhibit 62         | Chicago Tribune                             | 2008.03.30  | CAT, CME GAIN; MOTOROLA FALTERS  |
| Exhibit 63         | The Wall Street Journal                     | 2008.04.09  | COLOMBIA AND CAT   |
| Exhibit 64         | Chicago Tribune                             | 2008.04.19  | CAT STOCK SURGES AS PROFIT BEATS FORECASTS   |
| Exhibit 65         | Crain's Chicago Business                    | 2008.04.28  | CAT TESTS RENTALS AT HOME DEPOT  |
| Exhibit 66         | Chicago Tribune                             | 2008.06.12  | CAT CEO PREDICTS RECORD PROFITS  |
| Exhibit 67         | Chicago Tribune                             | 2008.07.26  | CAT'S GAIN BUILT UPON STRENGTH OVERSEAS  |
| Exhibit 68         | St. Paul Pioneer Press                      | 2009.02.07  | GOOGLE, VERIZON MAY BENEFIT FROM STIMULUS  |
| Exhibit 69         | Associated Press                            | 2009.02.12  | OBAMA PLANS TO PITCH STIMULUS AT CAT PLANT   |
| Exhibit 70         | Construction Bulletin;<br>Arlington Heights | 2009.03.02  | CAT REPLACES HYDRAULIC EXCAVATOR   |
| Exhibit 71         | Engineering News Record                     | 2009.04.06  | CATERPILLAR CRAWLS INTO AUCTION TERRITORY  |
| Exhibit 72         | Engineering News Record                     | 2009.07.13  | WORLD'S FIRST HYBRID BULLDOZER KEEPS UP WITH THE BIGGER CATS                                   |
| Exhibit 73         | New York Times                              | 2010.01.24  | A NEW HEAVYWEIGHT AMONG HYBRIDS  |
| Exhibit 74         | SmarTrend                                   | 2010.08.15  | TOP 5 COMPANIES IN THE CONSTRUCTION & FARM MACHINERY INDUSTRY WITH THE HIGHEST DIVIDEND YIELDS |

| <b>Exhibit No.</b> | <b>Publication</b>                     | <b>Date</b> | <b>PUBLICATION TITLE</b>  |
|--------------------|--|-------------|---|
| Exhibit 75         | The Newberry Advisor                   | 2010.11.05  | CAT'S \$15 MILLION INVESTMENT (SIC) STILL TO ADD 500 JOBS   |
| Exhibit 76         | Winston-Salem Journal (North Carolina) | 2010.11.07  | CAT PLANS WORK START  |
| Exhibit 77         | The Asphalt Contractor                 | 2011.01.01  | CAT DEALERS EMBRACE SUSTAINABILITY  |
| Exhibit 78         | The Associated Press                   | 2011.01.07  | EXCHANGE: CAT PLANT MAKES 10000 <sup>TH</sup> MINING TRUCK  |
| Exhibit 79         | The Washington Post                    | 2011.01.16  | BIG MACHINERY WITH GLOBAL FOCUS REBOUNDS BRISKLY  |
| Exhibit 80         | Asphalt Contractor                     | 2011.04.01  | CAT'S 1 <sup>ST</sup> VOCATIONAL TRUCK  |
| Exhibit 81         | El Paso Times                          | 2011.12.24  | CATERPILLAR MILESTON: EL PASO COMPANY CF JORDAN BUYS 250,000 <sup>TH</sup> BACKHOE LOADER   |
| Exhibit 82         | The Wall Street Journal                | 2012.08.21  | THE TRUTH ABOUT CAT AND JOBS  |
| Exhibit 83         | Gulf Construction; Manama              | 2012.09.01  | CAT'S HYBRID SYSTEM SLASHES FUEL USAGE  |
| Exhibit 84         | Chicago Tribune                        | 2012.11.11  | SPY HAUL/SKYFALL IS JUST THE LATEST BOND MOVIE TO FEATURE A HOST OF BRAND PLACEMENTS. BUT THEY HELPED MAKE THIS 007 FILM POSSIBLE |
| Exhibit 85         | Trains                                 | 2013.03.01  | LETTING THE CAT OUT OF THE BAG  |
| Exhibit 86         | Chicago Tribune                        | 2013.04.02  | CAT CEO ON SIDE OF IMMIGRATION REFORM   |
| Exhibit 87         | Engineering News-Record (ENR)          | 2013.04.22  | LARGE VINTAGE TRACTOR SALE HAULS IN MORE THAN \$800,000   |
| Exhibit 88         | The Associated Press                   | 2013.04.30  | PLAYING WITH CATERPILLARS MACHINES, NOT INSECTS   |
| Exhibit 89         | Engineering News Record (ENR)          | 2014.02.24  | PRODUCTS TO WATCH   |
| Exhibit 90         | Engineering News Record (ENR)          | 2014.03.03  | CATERPILLAR BRINGS TELEMATICS SOLUTION TO CONEXPO   |

| <b>Exhibit No.</b> | <b>Publication</b>                    | <b>Date</b> | <b>PUBLICATION TITLE</b>  |
|--------------------|---------------------------------------|-------------|---|
| Exhibit 91         | Chicago Tribune                       | 2014.04.25  | CAT TOPS EXPERTS' FORECASTS, RAISES YEAR'S PROFIT OUTLOOK   |
| Exhibit 92         | Gulf Construction;<br>Manama          | 2014.12.01  | CAT EXCAVATOR IS POWERFUL PERFORMER   |
| Exhibit 93         | Engineering News Record               | 2015.04.06  | CATERPILLAR IS QUICK ON THE UPTAKE  |
| Exhibit 94         | The Bradley Scout: Bradley University | 2015.10.16  | CAT BUILDS STUDENT PROFESSIONALS AT COMPETITION   |
| Exhibit 95         | Chicago Tribune                       | 2017.02.01  | CAT'S NEW HQ GOAL: CHANGE CULTURE   |
| Exhibit 96         | Chicago Tribune                       | 2017.03.07  | CHARITIES EAGER FOR CAT'S ARRIVAL   |
| Exhibit 97         | Chicago Tribune                       | 2017.04.21  | IN PICKING DEERFIELD, CAT SHOWS SUBURBS CAN STILL DRAW TOP CORPORATIONS                                       |
| Exhibit 98         | Engineering News Record               | 2017.05.16  | 3D CONTROLS LEVEL THE PLAYING FIELD AT THE NEW VIKINGS STADIUM  |
| Exhibit 99         | Chicago Tribune                       | 2017.10.15  | NEXT BUSINESS FRONTIER: OUTER SPACE; TECHNOLOGY COMPANIES AREN'T THE ONLY ONES SEEING POTENTIAL BEYOND EARTH. |
| Exhibit 100        | Chicago Tribune                       | 2017.11.16  | WHEN IT COMES TO RESTRUCTURING, GE CAN LEARN FROM CAT   |
| Exhibit 101        | The State Journal Register            | 2018.03.19  | ADM, DEERE, CAT NAMED ILLINOIS' TOP BUSINESSES  |
| Exhibit 102        | Build Green (UAE)                     | 2018.04.29  | CAT UPS PERFORMANCE AND SAFETY ON NEW PIPE LAYER  |
| Exhibit 103        | Chicago Tribune                       | 2018.05.24  | CAT PLANS \$73.6M INDIANA INVESTMENT  |
| Exhibit 104        | Energy Monitor Worldwide              | 2018.07.30  | CAT SALES IN THE OIL AND GAS INDUSTRY GROW  |
| Exhibit 105        | The Peoria Journal Star               | 2018.09.15  | CAT SEES ROOM FOR MORE GROWTH: COMPANY'S ROBUST RECOVERY CONTINUES  |
| Exhibit 106        | Build Green (UAE)                     | 2018.10.09  | CAT EXPANDS ARTICULATED HAULER LINE-UP WITH 740 GC  |



| <b>Exhibit No.</b> | <b>Publication</b>                           | <b>Date</b> | <b>PUBLICATION TITLE</b>                                |
|--------------------|--|-------------|---|
| Exhibit 107        | ThreeBL Blogs                                | 2018.11.14  | CAT ELECTRIFIED EQUIPMENT                               |
| Exhibit 108        | Basic Materials & Research Monitor Worldwide | 2018.11.23  | CAT LAUNCHES BEST IN CLASS UNDERGROUND R1700            |
| Exhibit 109        | Engineering News Record                      | 2019.01.09  | PRODUCT SNAPSHOT: LIGHT TOWER AND BACKHOE LOADER        |
| Exhibit 110        | iCrowdNewswire                               | 2019.02.05  | UNUSED CONSTRUCTION MACHINERY MARKET 2019-2025          |
| Exhibit 111        | Chicago Tribune                              | 2019.02.09  | CAT TO EXPAND IN CHICAGO                                |
| Exhibit 112        | Associated Press                             | 2019.02.18  | EQUIPMENT COMPANY CATERPILLAR INC. TO EXPAND IN CHICAGO |
| Exhibit 113        | Gulf Industry                                | 2019.03.05  | RAK GROUP STEVIN ROCK BUYS GIANT CAT SHOVEL             |
| Exhibit 114        | Gulf Construction                            | 2019.03.12  | TECH-LOADED CATS BOOST PRODUCTIVITY                     |
| Exhibit 115        | Midwest Contractor                           | 2019.04.05  | CAT 101 SUMMERS SCHOOL: A GLIMPSE AT CATERPILLAR...     |

Dated: October 4, 2019

Respectfully submitted,

/Christopher P. Foley/  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing OPPOSER'S NOTICE OF RELIANCE NO. 11 UNDER 37 CFR §§ 2.122(e) was served via electronic mail, on October 4, 2019 upon counsel for Applicant:

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# EXHIBIT 001

BURTON BERINSKY



RHEINGOLD'S RELIN

*Formula for weight watchers.*

beer named after Gablinger. On the bottle is an inscription, "Doesn't fill you up," a pitch that Rheingold hopes will make Gablinger's a bestseller among weight-weary beer lovers.

Sold in parts of New York State, New Jersey and New England, the new beer is being pushed by a saturation advertising campaign that Rheingold estimates will expose most of the area's beer drinkers to Gablinger's advertising 60 times over a four-week period. The ads are the work of the Doyle Dane Bernbach agency, which has previously turned out copy ("We must be doing something right") for the company's Rheingold brand. For Gablinger's, Doyle Dane makes the point that a bottle of ordinary beer has a carbohydrate content equivalent to that of a slice of bread, but Gablinger's drinkers can "save the bread for a sandwich . . . where it belongs."

**Mysterious Enzyme.** Thanks to Relin's management, Rheingold has the resources to back up the new product. Founder of a successful Manhattan public relations firm still bearing his name, Relin took the reins of Blair Holdings Corp. ten years ago. While the company went through several name changes, Relin quietly built it into the world's largest independent Pepsi-Cola bottler and bought out two New York breweries, Liebmann (maker of Rheingold beer) and Jacob Ruppert. The company has used its acquisitions to increase sales from \$26 million in 1962 to \$187 million last year.

Rheingold figures that it will be able to keep that level rising with what it proudly calls the world's first no-carbohydrate beer. The company insists that Gablinger's is a genuine beer with no ingredients—neither hops, malt nor alcohol—removed. Instead, it says, a mysterious carbohydrate-destroying enzyme has been added.

Gablinger's is the kind of brew that

a hearty beer fancier might find rather thin, but Rheingold officials feel that the broader taste trend is toward lighter lager. Moreover, says President Relin, no-carbohydrate Gablinger's is "a definite response to a weight watcher's need." He should know. Though careful not to give his new product credit for the feat, Relin has pared his own weight from 280 lbs. two years ago to 185 lbs. today.

## CORPORATIONS

### Agile Cat

William Blackie, 61, board chairman of Caterpillar Tractor Co., stood in shirt-sleeves under a light rain last week, watching a giant yellow tractor rumble through dense woods near Peoria, Ill. As the machine darted and bucked, its blade ripped into an expanse of full-grown oak trees, toppling them like so many toothpicks. Within 40 minutes, an area the size of a football field was cleared for farming. "Our machines are kind of dramatic," allowed Blackie, and the 50 other spectators could only agree. On hand for a three-day land-development conference sponsored by the Peoria-based company, they were witnessing the kind of prowess that has made Cat a \$1.5 billion-a-year operation and the world's biggest manufacturer of earth-moving equipment.

Behind the conference, attended by consulting engineers and World Bank and United Nations representatives, lay Caterpillar's high-minded—and shrewd—concern with the plight of developing nations, which must start clearing their underdeveloped land if they are to meet the food needs of their burgeoning populations. Dramatizing the role it can play, Cat recently completed a test project in Costa Rica demonstrating that modern equipment can clear the densest jungle thicket for about \$50 an acre; with older methods, the cost can run as high as \$500. Beyond immediate clearing jobs, Caterpillar can expect to reap long-range benefits from seeing foreign countries become agriculturally self-sufficient. Explains Blackie: "If they don't have to import wheat, they can import machinery."

**Scottish Burr.** Concern with foreign markets is a hallmark of Caterpillar's recent management. A decade ago the company did no manufacturing overseas; today it has plants in eleven foreign countries. With foreign sales now accounting for 45% of its business, Cat has become the U.S.'s second biggest exporter after General Motors, last year helped shore up the nation's strained balance of payments with \$444 million in foreign-earned revenue. The company now manufactures 250 different pieces of heavy-duty equipment, from pipelayers (cost: \$96,000) capable of lifting 100 tons to giant scrapers (cost: \$148,000) that can gulp 54 cubic yards of earth in a single sweep.

Such muscular diversification is all the more impressive since Caterpillar

traces its origins to a single product. The original steam-driven Cat was developed in 1904 by a Californian named Benjamin Holt, who got the novel idea of mounting a tractor on its own tread-mill tracks. So successful was Holt's "crawler" concept that it inspired the British invention of the armored tank during World War I.

In 1930, when Caterpillar was slowing down with the rest of the economy, Bill Blackie left his native Scotland for the U.S., where he became an accountant with Price Waterhouse & Co. in Chicago. Since Caterpillar was one of his clients, the urbane Blackie found himself spending plenty of time at the company's headquarters. "Peoria," he recalls with a slight Scottish burr, "was something I'd not quite experienced before." He evidently liked the experience, for in 1939 he quit Price Waterhouse to become Cat's controller. He moved to president in 1962, and last year, when Harmon Eberhard stepped down after four years as Cat's chairman and chief executive officer, Blackie took over the top job.

**Tapping the Oyster.** Having more than tripled its earnings in five years (to \$158 million in 1965), Caterpillar slipped slightly last year. As a capital-goods manufacturer susceptible to economic swings, Cat suffered during the recent downturn from lagging construction, tight credit and curtailment of federal road-building projects. By 1970, however, a four-year, \$600 million expansion program will be completed to meet an anticipated surge in worldwide construction and land development. Says Chairman Blackie: "We have adapted our organization in a manner which treats the world as our oyster."

FRED SCHNELL



BLACKIE

*Better machines than wheat.*

# EXHIBIT 002

## CONEXPO countdown: Houston prepares for blast-off; Business, plus fun and games

Engineering News-Record

January 15, 1981

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**Section:** FEATURES; Pg. 48

**Length:** 1483 words

### **Body**

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Houston is bracing for CONEXPO '81, the biggest industrial show the city has ever hosted. When the doors open on Jan. 25, the estimated 130,000 show-goers will have 270 exhibits to see, 66 more than at the last show in 1975, and it will take more than a day to cover it all. While the action will be centered in the Astrodome complex, some manufacturers will be flying visitors to other locations for proving ground demonstrations. Many exhibitors will have hospitality suites in nearby hotels.

CONEXPO is not the only drawing card in town. Just before the exposition begins the American Road and Transportation Builders Association will hold its annual meeting in a Houston hotel. And the International Road Federation will conduct a symposium in conjunction with the show.

CONEXPO-goers from all over the world are expected to pump more than \$50 million into Houston's economy by the time the show ends Jan. 30, according to the Greater Houston Convention & Visitors Council.

The shape of things to come. Besides testing Houston's hospitality, visitors will be able to spot trends in construction equipment design, including a number of innovations. Visitors will see evidence of the trend toward fewer and larger equipment makers. But those manufacturers will be turning out many more small and medium-sized *machines*. IBH Holding AG, Mainz, West Germany, which recently acquired TEREX, will show its European line of moderate-sized crawler and wheel loaders for the first time in the U.S., together with TEREX's existing line.

Smaller, more fuel-efficient four-cylinder diesel engines for smaller streamlined equipment are being developed, the prototypes of which will be on display at CONEXPO. In some new *machines*, the engine is positioned to act as a counterweight. In general, show-goers will note continued application of microprocessors to engines, transmissions and controls to enhance production, fuel economy and reliability of equipment of all types and sizes.

Also on display at CONEXPO will be *machines* that are more versatile; easily mounted attachments will enable one *machine* to handle a variety of jobs. Other equipment may feature internal adjustments. Barber-Greene Co., Aurora, Ill., for example, recently introduced a variable width screed for asphalt finishers.

Continued emphasis on recycling asphalt pavement will spur development of new systems for street and highway replacement, as the show will indicate.

Show-goers can expect materials handling in particular to be easier with automated onsite batch and aggregate plants. Such plants are designed to be easily dismantled and whisked from one job site to another.

For materials hauling, both electric and mechanical drive are available in off-highway trucks. But "there's a definite trend back to mechanical drive due to its simplicity. It's cheaper to buy and cheaper to operate," says Richard M. Davis, president of truck-maker Rimpull Corp., Olathe, Kan. People are going toward mechanical drive right now, agrees Derek Kaufman, director of product marketing at show exhibitor Euclid, Inc., Cleveland, which makes both types of haulers.

JENNY REILLY

## CONEXPO countdown: Houston prepares for blast-off; Business, plus fun and games

Hydrostatic drive will proliferate in earthmoving equipment, as CONEXPO will show, enabling operators to exact more performance from *machines*.

Operator comfort, too, is on the upswing, as manufacturers concentrate more on ergonomics (biotechnology) as a means to improve efficiency. More cabs will have air conditioning and heating, and will be pressurized to keep out dust. There is a trend -- which will be evident at CONEXPO -- toward greater operator visibility and standardized controls.

The future is now. There's nothing standard about a new transmission to be unveiled at the show by Clark Equipment Co., Benton Harbor, Mich. Clark will offer a hydro-dynamic transmission as an option on its 12 cu-yd-capacity Model 475 wheel loader. The new fluid transmission enhances reliability and productivity, and is designed for ease of operation, according to Clark. "A baby -- a well-trained baby -- can operate it," says Clark v.p. Charles A. Kiorpes. "There's nothing that competes with it. It's as smooth as silk, says David O. Lee, Clark's general sales development manager. An unprecedented warranty will accompany the new option, since "most customers are suspicious of dramatic breakthroughs," maintains Kiorpes. Although Clark will not reveal details before CONEXPO, the company's show exhibit will explain the transmission.

Harnischfeger Corp., Milwaukee, promises to set the industry on its ear with a 100-ton-capacity roadable crane. Instead of a truck, the 90,000-lb crane -- dubbed "Alpha Liftcraft" -- sits on a single transport beam with variable-angle telescoping outriggers. A single 335-hp diesel engine powers both the transport mechanism and upper crane functions. The engine acts as a counterweight that swings with the load. And the crane's 132-ft main boom and 42-ft swing-around lattice extension can be paired with 60 ft of optional jib. Reinforced rectangular sections with thin steel sideplates make up the boom, resulting in a high strength to weight ratio, according to Karl H. Rathmann, Harnischfeger's marketing communications director. A boom telescoping screw system and jack-screw supported outriggers replace cylinders, further distinguishing the Liftcraft from conventional cranes. Harnischfeger says its new *machine* can reach highway speeds of 50 mph.

CONEXPO-goers will also see a 250-ton-capacity roadable hydraulic crane. The telescopic crane, made by Grove Manufacturing Co., Shady Grove, Pa., has a tower luffing jib that can be positioned horizontally -- an industry first, according to a Grove spokesman. Maximum reach with the jib is 323 ft.

To get a better look at the entire equipment extravaganza, visitors will be able to ride 100 ft above show level to the platform of a tower/gantry crane. In addition to its observation crane, FMC Corp., Cedar Rapids, Iowa, will show several other *machines*, including a 400-ton-capacity crawler lift crane.

Hands-on. But show-goers will have a chance to do more than just look at equipment. Both Warner & Swasey, New Philadelphia, Ohio, and J I Case, Racine, Wis., will allow people to operate *machines* in simulated jobsite conditions at the show.

Although no sales are permitted at CONEXPO, many of the \$500-million-worth of *machines* that will be on display already have owners. These units have a much better finish than normal, according to Greg T. Towles of *Caterpillar* Tractor Co., Peoria, Ill. Over 60% of *Cat's* exhibit of existing models has been spoken for, he says.

The show itself may not directly generate many sales, though. "I'm one that doesn't think CONEXPO is a magic way to sell *machines*," says Craig B. Reynolds, industrial marketing vice president of Deere & Co., Moline, Ill. "I think a strong dealer network is the way," he says. "I have a good hunch that people pull back on their other promotional efforts when they go to CONEXPO," says a spokesman for another manufacturer. Nevertheless, Deere will be at the show, since "you'd sure be noticed by your absence," And, like some others, the firm plans to fly contractors from CONEXPO to a proving ground in Phoenix.

Visitors who get tired of construction *machinery* can climb into a car provided by Fiat-Allis Construction *Machinery*, Inc., Deerfield, Ill. and test their skills on a video-projection of the Monte Carlo race track.

What, no reservation? After the races, and after operating the joysticks of some *machines*, visitors must find somewhere to spend the night. Hotel room availability in Houston during CONEXPO will be tight. Those who plan to attend but still haven't made reservations may try to get hotel rooms in outlying areas, especially Austin and Dallas. There is a waiting list for Houston hotels, and vacancies could occur due to overbooking and cancellations, according to the Construction Industry

CONEXPO countdown: Houston prepares for blast-off; Business, plus fun and games

Manufacturers Association (CIMA). At least one person who sent a hotel reservation request to CIMA last May had not received room confirmation some two weeks before the show.

So far advance registration for CONEXPO '81 itself -- more than 44,000 -- is higher than before any previous show, according to Ralph E. Keidel, CONEXPO's general chairman. Experience indicates that advance registration will make up less than a third of total attendance, he says.

Keidel notes that Houston's entire civic community has cooperated fully, although "the show magnitude is such that any place you go has to be a compromise."

Show-goers will be able to travel to and from the Astrodomain and Houston restaurants and entertainment spots via a free bus service linking more than 100 hotels.

The show is "on target and on schedule," according to Keidel. "It's now the responsibility of the exhibitors," he says.

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## Graphic

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Cover Illustration, no caption, Liam Roberts for ENR; Illustrations 1 through 3, no caption. Liam Roberts for ENR

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# EXHIBIT 003

## CONEXPO: Exhibition reflects changing times

Engineering News-Record

February 5, 1981

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**Section:** NEWS; Pg. 15

**Length:** 1129 words

### **Body**

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The huge International Construction Equipment Exposition that dominated Houston last week was stunning in its impact on those attending and probably on the future of machinery marketing in this country. Exhibitors basked in the south Texas sunshine and hospitality -- rejoicing that they did not have to put up with the labor and climate problems of recent shows in Chicago. At the same time, some major U.S. manufacturers wondered if the extravaganza was worthwhile, raising the question of whether there ever would be another show this big, this grand.

CONEXPO '81, blanketing the entire Astrodome complex, was the biggest industrial equipment show ever held in the world. It was one-third larger than the last one in Chicago six years ago. It was Texas size and Texas style. Probably the world's largest yellow bow decorated the Astrodome to celebrate the return of the hostages from Iran -- a backdrop for a fantastic array of cranes (see picture).

After years of planning, U.S. companies were there with new machines, some exciting -- but major kudos went to the foreign makers, represented at the show only for the second time and obviously meaning to dig into the American market. Almost all prizes for "biggest" go to the West Germans and Japanese, including the largest machine shown. Germany's IBH Group (showing under the Terex name) rivaled some totally U.S. makers in breadth of line, and foreign manufacturers showed some highly versatile mid- sized machines, now demanded by American contractors. The message was not missed.

New configurations. Despite the grandeur of the show, a number of contractors complained that "there weren't some things that we haven't seen before," as L. Evans Hubbard, executive vice president of Hubbard Construction Co., Orlando, Fla., put it.

There were few radical breakthroughs, such as the tremendous advances in hydraulics and automation evident at earlier shows. But there was much to please. "What gets me is the mobility and versatility of these machines," said Richard R. Stander, president of Mansfield Asphalt Paving Co., Mansfield, Ohio, which handles a rather broad assignment of road and utility work. He was also impressed by advances in pavement recycling equipment, such as a large new CMI Corp. profiler that processes asphalt for as little as 40 cents a ton.

A major attraction was Harnischfeger's 100-ton-capacity telescopic crane that travels over the road fully equipped. The company calls it a "lifecraft." IT has no truck chassis, only a carrier beam. A single engine in the crane's upper drives the 90,000-lb machine over the road through a disconnecting linkage. It reflects four years and \$9 million worth of aerospace-like design and development.

Another new configuration -- an American first -- is embodied in Caterpillar's two rear-engine crawler loaders with hydrostatic drive. They represent 10 years of trying to figure out how to locate the drive shaft under a relatively low crawler machine so the engine acts as a counterweight, while visibility and performance are vastly enhanced. Said Bill Stone, equipment manager for Houston- based Continental Constructors, "Advantages I see in these machines are tremendous breakout force and their fast dumping speeds."

Along the higher productivity, contractors were looking for highly mobile, multifunction machines to get more work out of a single operator. U.S. manufacturers are heading more in that direction, but foreign ones are right beside them. With its

JENNY REILLY

## CONEXPO: Exhibition reflects changing times

background of serving European contractors with smaller, diverse projects, Germany's Liebherr showed a small wheel excavator that not only mounts the normal range of digging attachments, but a short telescopic crane boom as well.

Beyond technical innovations, however, a major concern among potential buyers is rapidly increasing equipment costs against a background of declining business in this country. "It's like a woman looking in a jewelry store window," said Robert E. Hirschman, president of H. J. Williams Co., Inc., York Pa. "You see stuff you can't afford and don't need anyway."

Foreign invasion. That reservation and the strong foreign presence blend into a complaint by John M. Harbert, chairman of Birmingham-based Harbert Corp., a general construction and coal mining company: "I can tell you something I don't like -- all this foreign equipment. And the worst part is that it may be better and it may be cheaper."

Indeed, some may at least be cheaper. Grove Manufacturing Co. introduced the largest hydraulic boom crane made in the U.S., a 250-ton rig that can reach 232 ft. But it was surpassed by a 272-ton Liebherr *machine* shown in the U.S. for the first time. While the Liebherr crane mounts a maximum 270 ft of boom and jib, at \$1.1 million, it is priced \$200,000 below Grove's.

As to size, representatives from both *Caterpillar* and Japan's Hitachi were checking the dimensions of a 1,000-hp Komatsu bulldozer. That is about 20% larger than *Cat's* D-10, the biggest made in the U.S. Nearby was Komatsu's 176-ton rear dump, by far the world's largest hauler with a mechanical drive. Both *machines* are prototypes, however, that may not be in production for two years. The ribbon for the biggest-in-show goes to Germany's Demag for an 880-ton lattice boom crane -- not a new *machine*. With a full 600 ft of boom and jib, the rig sells for \$3.5 million.

Fighting back. U.S. manufacturers may not try to rival that kind of bulk, but they are fighting back in quality and durability. Clark Equipment showed a new type of hydromechanical transmission for its wheel loaders that attracted even more attention than the company's huge singing troop: It carries a 10,000-hour warranty, allows a *machine* to operate at constant engine speed without spinning wheels and reduces cycle time by 20%.

Looking down the road, Deere & Co. announced an integrated, computer-aided design and manufacturing system that it expects will cut development time in half and reduce costs appreciably. "We'll make all our bad mistakes on the screen before going into experimental builds," said William J. Lux, director of construction equipment engineering.

Even with promises of exciting things to come, there was the nagging question of whether there would be a CONEXPO '87. There were some major defections from this year's show, and suggestions that there would be more next time. With one exhibitor spending a reported \$12 million on all shows activities many questioned whether the intangible benefits were worth the expense. But based on past experience, an executive of one major manufacturer may have summed it up with: "Is it worth it from a purely cost point of view? No. Will we be here next time" Probably."

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## Graphic

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Picture 1, Outside displays were almost half the space, with foreign makers showing largest *machines*. Oscar & Associates, Inc.; Picture 2, Inside were three halls packed with more. Richard M. Hoppe for ENR; Picture 3, Foreign visitors made up 25% of viewers. Oscar & Associates, Inc.

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# EXHIBIT 004

FRANCE'S SOCIALISTS ARE FAVORED TO WIN RUNOFF VOTE TODAY

ASSEMBLY MAJORITY POSSIBLE

Final Round of Legislative Election Expected to Confirm Party's Victory in 3 Recent Tests

By RICHARD KREIER... PARIS, June 20—France will wind up its long and complicated electoral process tomorrow in a final vote that is expected to confirm the solid control of the Government by President Francois Mitterrand and his Socialist Party.

Gaullists Were Runners-Up

This was almost twice the score of the other candidates... The Gaullists, however, were important, because of the complicated workings of the French electoral law.

38 Percent Voters Abstained

The proportion for Mitterrand's vote estimates that the Socialist group will receive roughly 279 seats in the 461-seat Assembly... The Gaullists, followers of Jacques Chirac, and their more widely conservative allies...

Continued on Page 11, Column 1

McNamara Warns U.S. of Perils In Reducing Aid to World's Poor

By LEONARD SIKLE... Robert S. McNamara, who will retire this month after 11 years as president of the World Bank...

Today's Sections

Table with 2 columns: Section and Page. Includes sections like Section 1 (10 Pages), Section 2A (4), Section 3 (2), etc.

Index to Subjects

Table with 2 columns: Subject and Page. Includes subjects like Assassinations, Around the Nation, Budget, etc.

The Daily News



Iranian Parliament Begins Proceedings To Oust Bani-Sadr

TEHERAN, Iran, June 20—The Iranian Parliament began formal impeachment proceedings today against President Abolhasan Bani-Sadr.

Many Supporters Boycott Debate

Under Investigation Since March

Under Investigation Since March... Bani-Sadr has been under investigation since March on charges of inciting violence.

Continued on Page 11, Column 1

Continued on Page 11, Column 1... The doctor's decision to readmit the Pope to the hospital was made on Friday because of the need for diagnostic equipment.

Continued on Page 12, Column 1

IRANIAN PARLIAMENT BEGINS PROCEEDINGS TO OUST BANI-SADR

Vote on Impeachment May Come Today—19 Reported Killed in Teheran Street Battles

By RICHARD MITKIN

TEHERAN, Iran, June 20—The Iranian Parliament began formal impeachment proceedings today against President Abolhasan Bani-Sadr.

Secretary of Transportation Drew Lewis leaving talks in Washington.

E.P.A. Restricts Regional Orders On Toxic Wastes

By RALPH BLUMENFELD

The Federal Environmental Protection Agency has told its regional offices to stop ordering cleanups of alleged hazardous waste sites without prior approval from Washington.

Under Investigation Since March

Under Investigation Since March... Bani-Sadr has been under investigation since March on charges of inciting violence.

Continued on Page 11, Column 1

Continued on Page 12, Column 1

Continued on Page 12, Column 1

Weather: Period of sunshine today; steady tonight. Chance of rain tomorrow. Temperature: High today, 84; low, 64. Forecast for June 21.

AIR CONTROL UNION AND U.S. FAR APART AS DEADLINE NEARS

WAGES AND BENEFITS AT ISSUE

Little Progress Reported in Efforts to Avert Monday Strike That Would Have Wide Effect

By RICHARD MITKIN

WASHINGTON, June 20—The Reagan Administration and the air traffic controllers' union remained far apart today with only slightly increased hopes of averting a threatened air industry "lockout" that would severely curtail air travel and have serious economic effects.

Under Heat Not Optimistic

Under Heat Not Optimistic... "We're not more optimistic," he said, and his demeanor reflected it.

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Woodhull Hospital in Brooklyn. The view here is from the corner of Throop Avenue, left, and Park Avenue.

New Delays For \$200 Million Hospital, Empty 3 Years

By RONALD SULLIVAN... The World's most innovative and virtually unshakable hospital, completed three years ago, is now empty to open by 1983, according to New York City officials.

FOR MORE DELIVERIES OF THE NEW YORK TIMES... (Small text at the bottom of the page)

"All the News  
That's Fit to Print"

# The New York Times

**LATE CITY EDITION**

Weather: Periods of sunshine today; cloudy tonight. Chance of rain tomorrow. Temperature range: today 68-83; yesterday 69-81. Details on page 37.

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NEW YORK, SUNDAY, JUNE 21, 1981

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"All the News  
That's Fit to Print"

The New York Times

VOL. CXXX . No. 44,986

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# The Big Yellow Cat Pounces on Engines

## Caterpillar, pride of Peoria, has Wall Street doubting for the first time in years. Did it pay too much for Solar?

BY WINSTON WILLIAMS

It is the largest running, most productive asset ever today in Peoria, and it is used to pushing things around. The Caterpillar Tractor Company, or Cat, as it is known from Wall Street to diary construction sites, is the world's largest maker of giant earth-moving equipment. Some 40 American exporters, second only to the Boeing Company.

Self-sufficient, inbred, tight-lipped and conservative, Caterpillar has deeply sunk its roots in Peoria, and in the manufacture and marketing of its diesel engines and fit trucks. It has done so with considerable success: Caterpillar now commands not only one-half the world market for construction equipment but also the respect of Wall Street as a well-run if unglamorous company.

But the giant earth mover is suddenly receiving its first real criticism from the investment community. In years past, that same skepticism centers on Caterpillar's aggressive decision to plunge deeper into the diesel engine business. But it also reflects growing developments in Caterpillar's markets. Current sluggish demand in the construction industry, as well as new and rejuvenated foreign competition, threaten to slow its historically strong growth.

Last month Caterpillar started Wall Street and some of its competitors when it agreed to pay \$60 million in cash for Solar Turbine International, a division of the International Harvester Company, in effect bringing to heel one of Caterpillar's fiercest rivals. Harvester's most profitable operation is a California-based maker of gas turbines and compressor sets that are selling like hotcakes in the oil and gas drilling industry.

The price tag was what shocked analysts. What Caterpillar paid was more than the total market value of all Harvester's common shares at the time of the deal and twice the book value of the company's assets.

To add to Caterpillar's frustration, while Lee L. Morgan, the company's 61-year-old chairman, was negotiating the acquisition of Solar, some investment and advertising executives were voicing "serious concerns" over the deal. "I don't know what the Soviet Union 100 pipelaying machines valued at \$40 million. The threat to the deal comes at a time when the company's export business is feeling pressure from the strengthening dollar, which drives up the price of United States exports and the Reagan Administration's plan to sharply curtail funding for the Export-Import bank, which will restrict credit available to overseas buyers of Caterpillar equipment.

"It is quite common for a company to react as they're doing," said Alexander Pierce, former analyst at Merrill Lynch, Pierce, Fenner & Smith. "When you're generating more cash than you can use, you're expanding your product line or acquiring new assets." But Mr. Blanton questioned whether the purchase was the best use of Caterpillar's funds.

In addition, the Merrill analyst warned of the pitfalls of entering a new area of business. "The credit always increase as these companies go outside their areas of expertise," Mr. Blanton said. "They have expertise in diesel engines but not in gas turbines."

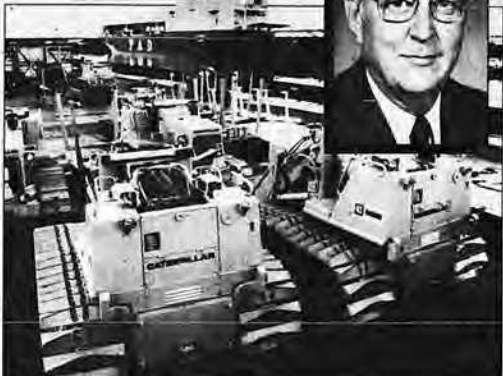
But general criticisms of Caterpillar's deal for Solar, which has a book value of \$40 million, has led to new theories in the investment community. Some of the most vocal critics of the company showed its ignorance of the gas turbine business by making such a large offer and that such a move may be a harbinger of mistakes to come in other similar businesses.

**A**NOTHER theory is that Caterpillar, an offshoot of Harvester's presence in the construction business, is about to head Harvester's bid for a vacation for Deere & Company, which, like Caterpillar, has a large real-estate investment business. That theory's major domestic competitor is Caterpillar's rival in the diesel engine business.

Mr. Morgan of Caterpillar says the purchase was based on strict financial considerations. "The words that need to be said," he said, "are that during a rare interval, it is appropriate to acquire a company that can pay for itself."

"We're talking about the difference between the value of a going concern and an accounting number called book value. It's like paying \$3 million for a house that the market demands," he said.

Caterpillar, Deere and Harvester, along with Massey-Ferguson, J.I. Case and so on, it went bankrupt last year, the White Motor Company, and the leading participants in the heavy vehicle industry. Their main products include farm equipment, heavy-duty trucks, construction machinery and engines. Each company makes some combination of two or more of these products. Deere, however, dominates 90 percent of its farm tractor construction use in the late 1970's and has since expanded into full line of products. Last year, its construction value reached \$811 million.



Caterpillar tractors for export. Lee L. Morgan, inset, company chairman

John Morgan, Caterpillar's chief executive, is shown in a black and white photograph. He is wearing a suit and tie, and is looking towards the camera. The photo is a head-and-shoulders shot.

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Series 51

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| \$40,000                        | 19.45%                           |
| \$60,000                        | 24.10%                           |

### AND THINK ABOUT THESE OTHER FEATURES:

1. It consists of a portfolio of investment grade municipal bonds and units of existing series of the Trust selected by experienced professional bond specialists who have purchased over one billion dollars of municipal bonds for this and preceding series of the Trust.
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3. Broad diversification: professionally selected portfolio consists of 24 different issues of tax-exempt securities from 17 states and units of preceding series of the Trust.
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## CAT AND THE RUSSIAN BEAR

They face a fantastic distribution network, and when the machines' break down, they get them fixed better than anyone else.

Caterpillar's first order from the Russians came in the 1920's, shortly after the Bolshevik revolution. It was for equipment for the large steel plants. During the 20's and 30's exports continued to increase from Peoria into what were then international waters.

The Cold War cut off all trade between American companies and the Soviet Union, but the trade resumed in the advent of détente operations between the two nations. Caterpillar in the early 1970's.

The company still says the Soviets represent the most important market for Caterpillar, and that the Soviet market is the most important. But the Soviet market is the most important. But the Soviet market is the most important.

The perception among the world's investment analysts is that the Soviet market is the most important. But the Soviet market is the most important.

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The latest controversy over Caterpillar's proposed sale of 100 pipelaying machines to the Soviet Union for \$40 million is but one in a series of on-again, off-again trade deals.

The snag that developed in the pipeline sale is its involvement in a 1974 Carter ban on the Arms Export Control Act, which prohibits the United States Government from selling arms to Communist nations.

In some of that despite Caterpillar's proposed sale was not to ask for permission to export 200 of the machines to help the Soviet Union's gas pipeline from Siberia to Western Europe.

But the pipeline plans never materialized, and this year the export request was scaled down to 100 machines. In the meantime, the Soviet Union's gas pipeline from Siberia to Western Europe.

The perception among the world's investment analysts is that the Soviet market is the most important. But the Soviet market is the most important.

The perception among the world's investment analysts is that the Soviet market is the most important. But the Soviet market is the most important.

### AT A GLANCE

| Year | Revenue | Assets | Debt    | Equity  | EPS    | Dividend | Dividend Yield |
|------|---------|--------|---------|---------|--------|----------|----------------|
| 1980 | \$2,537 | \$56.8 | \$3,222 | \$3,222 | \$1.91 | \$1.42   | 11.6%          |
| 1979 | 7,112   | 41.1   | 1.33    | 1.33    | 1.20   | 1.00     | 8.3%           |
| 1978 | 7,212   | 24.5   | 1.20    | 1.20    | 2.25   | 1.99     | 8.8%           |
| 1977 | 7,112   | 14.5   | 1.20    | 1.20    | 2.16   | 1.93     | 9.0%           |
| 1976 | 5,242   | 19.2   | 4.42    | 4.42    | 1.90   | 1.42     | 7.5%           |

52 Weeks Ending Dec. 31, 1980: \$6,098,000,000  
 52 Weeks Ending Dec. 31, 1979: \$1,183,200,000  
 52 Weeks Ending Dec. 31, 1978: \$1,212,000,000  
 52 Weeks Ending Dec. 31, 1977: \$1,212,000,000  
 52 Weeks Ending Dec. 31, 1976: \$1,212,000,000

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# The Big Yellow Cat Pounces on Engines

Caterpillar, pride of Peoria, has Wall Street doubting for the first time in years. Did it pay too much for Solar?

By WINSTON WILLIAMS

IT is the longest running, most profitable act ever to play in Peoria, and it is used to pushing things around. The Caterpillar Tractor Company or Cat, as it is known from Wall Street to dusty construction sites, is the world's largest maker of giant earth-moving equipment and, among American exporters, second only to the Boeing Company.

Self-confident, inbred, tight-lipped and conservative, Caterpillar has depended on tried-and-true business in the manufacture and marketing of its bright yellow construction equipment, diesel engines and lift trucks. It has done so with considerable success. Caterpillar now commands not only one-half the world market for construction equipment but also deep respect on Wall Street as a well-run if unglamorous company.

But the giant earth mover is suddenly receiving its first real criticism from the investment community in years. In part, that new skepticism centers on Caterpillar's aggressive decision to plunge deeper into the diesel engine business. But it also reflects troubling developments in Caterpillar's markets. Current sluggishness in the construction industry, as well as new and rejuvenated foreign competition, threaten to slow its historically strong growth.

Last month Caterpillar startled Wall Street and some of its customers when it agreed to pay \$603 million in cash for Solar Turbines International, a division of the International Harvester company, in effect helping to bid on Caterpillar's crippled rival, Solar. Harvester's most profitable operation, is a California-based maker of gas turbines and compressor sets for the selling like hot cakes in the oil and gas drilling industry.

The price tag was what concerned analysts. What Caterpillar paid was more than the total market value of all Harvester's divisions at the time of the deal and twice the book value of Solar itself.

To add to Caterpillar's frustration, while Lee Morgan, the company's 48-year-old chairman, was negotiating the acquisition of Solar, some Congressmen and Administration officials were voicing "serious concerns" over Caterpillar's deal with the Soviet Union 100 pipelaying machines valued at \$40 million. The threat to the deal comes at a time when the company's export business is feeling pressure from a strengthening dollar, which now drives up the price of United States exports, and the Reagan Administration's plan to sharply curtail funding for Export-Import bank, which will restrict credit available to overseas buyers of Caterpillar equipment.

"It's quite common for a company to react as they're doing," said Alexander G. Berman, an analyst at Pierce, Frenner & Smith. "When you're generating more cash than you can use in your existing businesses, you either expand your product line or acquire new investments. But Mr. Berman questioned whether the purchase was the best use of Caterpillar's funds.

In addition, the Merrill analyst warned of the pitfalls of entering a new business. "The risks are not as great as when companies go outside their areas of expertise," Mr. Berman said. "They have expertise in diesel engines, not in gas turbines." The general opinion was that Caterpillar paid for Solar, which has a book value of \$240 million, has led to many theories in the investment community. One line of reasoning holds that the company showed its ignorance of the gas turbine business by making such a large offer and that such a move may be a harbinger of mistakes to come in an unfamiliar business.

ANOTHER theory is that Caterpillar, afraid of Harvester's presence in the construction business, wanted to keep Harvester alive as a vexation for Deere & Company, which is turning command of the farm equipment business, has recently become more dominant competitor of Caterpillar in the construction business.

But Mr. Morgan of Caterpillar says the purchase was based on strict financial considerations. "It's worth that much to us," he said during a rare interview at corporate headquarters. "We're talking about the difference between the value of a going concern and an accounting number called book value. It's like paying \$5 million for a Renoir. It's what the market demands," he said.

Caterpillar, Deere and Harvester, along with Massey-Ferguson, J. Case and, until it went bankrupt last year, the White Motor Company, are the leading participants in the heavy machinery industry. Their main products include farm equipment, heavy-duty trucks, construction machinery and engines. Each company makes some combination of two or more of these products. Deere, however, is regarded as its farm tractors for construction use in the late 1960's and has since expanded into full line of products. Last year, its construction volume totaled \$141 million.



Caterpillar tractors for export. Lee L. Morgan, inset, company chairman

For years, Caterpillar had been working in its own gas turbines and compressors, which are more suited to offshore drilling than diesel engines. But the company maintains that buying Solar's plants and expertise was a better way to get into the market.

It is all part of the company's new emphasis on engines and power generation, currently about 25 percent of Caterpillar's revenues, which are expected to reach \$9 billion this year. An engine plant containing 1.1 million square feet is under construction in Lafayette, Ind., that will significantly expand its capacity to make diesel engines.

"The industrial engine business is strong all over the world," Mr. Morgan said. "It's growing much more rapidly than our other businesses. We want to grow as rapidly as we have in the past — about 18 percent to 17 percent in revenues and profits — and we'll be coming on the engine business for much of that growth."

Some analysts warn that Caterpillar is headed down a perilous road, taking on such formidable adversaries as the Cummins Engine Company and Detroit Diesel Allison, a subsidiary of the General Motors Corporation, in the diesel business. Others say that its acquisition of Solar could turn into the kind of embarrassment the company has suffered since acquiring Tomcovator, a maker of lift trucks, several years ago.

Tomcovator had far not achieved the kind of pre-eminence enjoyed by Caterpillar tractors abroad the world. Jeopardy by aggressive Japanese manufacturers and improvements in the technology of materials handling, the domestic lift-truck industry is operating at about half of capacity and Caterpillar is a poor third in the market in which it participates.

No everyone believes, however, that buying Solar will turn out to be a mis-

take. Citing Caterpillar's efforts to build its own gas turbine-driven compressor set, Ed Lautgarten, an analyst at Paine Webber Mitchell Ditchburn, said, "They know a lot more about these products than people give them credit for." Most securities analysts do expect, however, that the acquisition will dilute earnings for the next few years.

WITH profits increasing at the rate of 14.7 percent a year since 1971 and with nine dividend increases in the same period — to \$2.40 a share (triple the payout of 19 years ago) — Caterpillar stock has been a favorite of bank trust departments. Currently institutions hold about 90 percent of the shares.

In this year's first quarter, while construction was severely depressed in the United States and Western Europe, Caterpillar earned \$142.4 million on revenues of \$2.19 billion, down slightly from \$143 million a year earlier on revenues \$2.16 billion. For 1980, the company reported a 15 percent jump in profits to \$564.8 million on revenues of \$5.10 billion.

In order to keep its numbers at such respectable levels while most domestic vehicle makers linger at death's door, Caterpillar has always paid strict attention to the efficiency of its plants, the products of its competitors and the strength of its dealer network.

Its repertoire of earth moving equipment includes 120 products — various models of bulldozers, tractors, loaders, excavators and pipelayers — most looking like mechanical prosthetic creatures of monstrous proportions. Many of the bright yellow machines have tires that are six feet in diameter and shovels as tall as the tallest basketball players.

Much of the company's production capacity, like that at its foundry on the

outskirts of town here, employs state-of-the-art technology, such as robots and automatic assembly lines, to cut down on pollution and to reduce productivity. "I don't believe there's a foundry in the country that's as clean as this one or that has closer metallurgical control than we do," said Ross Clausen, the plant manager, as he toured the foundry floor.

Workers at the local equipment demonstration center are equally proud, even a bit smug, with drive-train components about the Fiat-Allis Chalmers and Harvester equipment that they test drive. The attitude seems almost impudent in the up with industry and politicians that constantly stress beating the competition. Signs throughout the company's offices and factories have slogans read: "Stay No. 1 in 1981" and "Outperform the industry."

All the attention to low costs and morale boosting may be of limited value in a wobbling construction market, however. Sales have been down in the United States for several quarters, as a construction slump followed a maturing of demand for earth-moving equipment after the heyday of the interstate road-building program. That growth was replaced largely by booming markets in the Middle East, Africa and Latin America.

Now even these markets may be ready to soften. "Because of high interest rates the whole general construction market isn't expected to do that well in the 1980's," Mr. Lautgarten of Paine Webber said.

And while the construction market is slowing down, foreign competitors are gaining muscle: Komatsu Ltd., the world's second-largest producer of earth movers, although commanding only 15 percent of the market, has adopted the slogan "Embrace Caterpillar." IBM of West Germany has acquired a share of West Germany and Fiat now owns Allis-Chalmers's tractor business.

Mr. Morgan, who once drove the tanks to head the engine division before he became president in 1972 and chairman in 1977, says that to turn back these threats Caterpillar will rely on its traditional strength, especially the high productivity of its people.

His people suffered a big job last year, when the company laid off more than 5,000 workers after a strike of several weeks — its first large-scale layoffs in memory. But in general, Caterpillar's workers are mostly in semi-rural areas which favor the strong work ethic, comes very close to the Japanese practice of giving workers a job for life. Moreover, it believes in promoting from within the company and recruits executive talent at no-name colleges, refusing to hire newly minted M.B.A.'s from prestigious schools.

"There's a tremendous reservoir of good will toward this company by its people," Mr. Morgan said. "It's a self-energizing process." He added that Caterpillar's workers are mostly in semi-rural areas which favor the strong work ethic, comes very close to the Japanese practice of giving workers a job for life. Moreover, it believes in promoting from within the company and recruits executive talent at no-name colleges, refusing to hire newly minted M.B.A.'s from prestigious schools.

But things change even at Caterpillar. Speaking of the profits, David L. Harman, vice president of the United Auto Workers Local 309, said there was long enmity between us even though many workers are now being recalled. "It paid overtime," he said. "It hit everybody like a ton of bricks. They had said the week before they weren't going to lay off anybody."

And a Duffin job. "The resentment is more substantial than ever. They ride the guys on the line awfully hard. They ought to let up. That's not sure way of improving the product."

## CAT AND THE RUSSIAN BEAR

"They have a fantastic distribution network, and when the machines break down, they get them fixed better than anyone else."

Caterpillar's first order from the Russians came in the 1920's, shortly after the Bolshevik Revolution, for water-pumping equipment for the large state farms. During the 20's and 30's exports continued to trickle from Peoria until they were interrupted by World War II.

The Cold War cut off all trade between American companies and the Soviet Union, but the thawing of relations and the advent of détente opened the Soviet market again to Caterpillar in the early 1970's. The company still sells the Soviet equipment not covered by the ban such as tractors and loaders. But the Soviet business has never been very significant for Caterpillar, amounting to about \$50 million a year, recently. Some of the disputed sale, Lee L. Morgan, company chairman, and some State Department analysts warned that having the sale may only end up hurting American workers, since Komatsu of Japan can easily supply similar pipelayers and other turbine products.

The latest controversy over Caterpillar's proposed sale of 200 pipelaying machines to the Soviet Union for \$40 million in Luf jobs in a series of on-again, off-again trade deals.

The snag first developed in the pipeline sale has its roots in the 1978 cartel ban by the Carter administration on shipments of high technology equipment to the oil and gas industry. The United States Government said that equipment like the pipelayer could only be shipped with special licenses.

In spite of the obstacles, Caterpillar and the Russians decided last year to ask for permission to ship 200 of the machines to help build a natural gas pipeline from Siberia to Western Europe. But the pipeline plan never went anywhere, and this year the export license was scaled down to 100 machines for use on projects inside the Soviet Union, a typical example of how the Russians have repeatedly burned Caterpillar since the early days of the Communist party.

The pipeline project around the world is still Caterpillar's last hope. The price of equipment, says James McGinty, an analyst at First Boston, said.

## AT A GLANCE

### Caterpillar Tractor

| Year | Revenue   | Net Income | EPS   | Dividend   | Market Price | Dividend Yield |
|------|-----------|------------|-------|------------|--------------|----------------|
| 1980 | \$2,197.8 | \$574.6    | 16.22 | Mar 1981   | \$2.19       | 14.24          |
| 1979 | 2,115.7   | 511.8      | 14.82 | Dec 1980   | 2.05         | 14.61          |
| 1978 | 2,119.2   | 503.3      | 14.52 | Oct 1980   | 2.05         | 14.61          |
| 1977 | 2,048.0   | 445.1      | 13.02 | June 1980  | 2.12         | 14.61          |
| 1976 | 2,042.3   | 383.2      | 11.51 | March 1980 | 2.10         | 14.61          |

First Initial Dec 31, 1980: \$8,099,200,000  
 Common Shares: 1,162,300,000  
 Dividend Yield: 1,221,400,000  
 Book Value: 3,452,000,000

| Stock Price               | High   | Low   | Open  | Close |
|---------------------------|--------|-------|-------|-------|
| Jan 18, 1982              | 48.00  | 46.00 | 47.00 | 47.00 |
| Nov 5, 1981               | 48.00  | 46.00 | 47.00 | 47.00 |
| Stock Price 52-week range | 48.00  | 46.00 | 47.00 | 47.00 |
| Employees, Dec 31, 1981   | 48,350 |       |       |       |

Stock Price, June 18, 1982: 48.00  
 47.50 - 48.00 - 48.50  
 Stock Price 52-week range: 43.00 - 48.00  
 Employees, Dec 31, 1981: 48,350

# EXHIBIT 005

**ALI SAYS 'NO' TO SURGERY**  
EX-CHAMP FIGHTING PARKINSON'S, 1C, 4C

**BO JACKSON DEALS WITH RAIDERS** 1C, 6C

**WATSON EYES 6TH BRITISH OPEN TITLE** 1C

By Barbara Hall USA TODAY  
TOM WATSON: Tees off at British Open Thursday

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WEDNESDAY

WEDNESDAY, JULY 15, 1987

# NEWSLINE

A QUICK READ ON THE NEWS

**WEATHER:** Cloudy in Northeast, cooler in Southwest, clearing in Midwest, North Central, thunderstorms in South Central, Rockies, West. Full color page, 10A.

**WALL STREET UP:** Dow shares 25.33 points to 2491.25, new closing high. 1B. Market highlights, 3B.

**TRUCK SAFETY:** Company negligence accounts for 35 percent of serious truck accidents, study says; bad drivers, unsafe equipment blamed. 3A.

**BIG BLUE:** IBM chairman John Akers, left, pitches "wholehearted and concerted strategy," reforms on customers to help firm regain computer field dominance, new school. FC, 1B.



**AIDS UPDATE:** "Managing it on the job" was throughput 25 percent of samples pooled avoid routine sex because they're afraid of AIDS, new study says. 1D.

**DESERT DEATHS:** Border Patrol finds three illegal aliens dead after trying to cross desert into USA near Yuma, Ariz.; 22 others rescued. 2A.

**NATION:** Florida Supreme Court, judges proposed 5 percent salary cut on services, three cuts filed. 3A.

■ Minorities, cities eye 1990 census adjustment. 3A.

■ CIA chiefs' widow endures "outrage" crisis. 2A.

■ Panel examines libel laws of Congress nominee. 2A.

■ Animal trainer denies mistreating his charges. 2A.

**WASHINGTON:** Perjury defense of ex-White House aide Michael Dwyer will be provocative. 4A.

**ABROAD:** "It's a done deal." First of 11 Kuwaiti tankers to U.S. Bays says July 23 in Persian Gulf. 4A.

**TODAY'S DEBATE:** Trouble in the Gulf. In USA TODAY's opinion, the United Nations, not the USA, should protect shipping in the Persian Gulf. 6A.

■ Other U.S. "peacekeeping" forces have proven ineffective, says Heritage Foundation's Kim Helbock. 5A.

**MONEY:** Iowa adds \$3,000-plus filter cars; faces "tremendous marketing challenge." 1B.

■ United Airlines exec vows to lead Allegis. 2D.

■ Caterpillar's new strength spills to other firms. 2D.

■ Real estate auctioneer offers tips for good deals. 4B.

**SPORTS:** IOC this week may clarify North Korea's role as a co-host of 1988 summer games. 1C.

**LIFE:** "All of Hollywood is breathing easier today," director, guild reaches tentative three-year contract. 1B.

■ People-meter ratings put networks in uproar. 1B.

■ Honey-bunker Dwight Yoakam turns hilariously chic. 1D.

■ Celebrities help Snow White celebrate 50th year. 2D.

■ CD's "continue to be puzzled" with low ratings. 2D.

**COMING THURSDAY:** Advice from investment services, new writers.

Compiled by Florencia Parred

**Inside USA TODAY**

|                      |     |                |          |
|----------------------|-----|----------------|----------|
| Editorial opinions   | 8A  | Baseball       | 14C      |
| Nation at large      | 3A  | Boxing         | 1C       |
| State-by-state       | 7A  | Football       | 1C, 1E   |
| Washington/World     | 4A  | Golf           | 1C, 7-8C |
| Weather              | 10A | State-by-state | 9C       |
| U.S. News            |     | U.S. News      |          |
| American/OTC trading | 7B  | Classified     | 6-8D     |
| Insiders             | 3B  | Classified     | 8D       |
| Investor Advice      | 3B  | People         | 2D       |
| New York Exchange    | 6B  | Television     | 1D       |

## USA SNAPSHOTS

A look at statistics that shape the nation

### Young populations

The USA's five metropolitan areas with the smallest percentages of residents 25 years of age and older



# Lively baseball lays All-Star goose eggs

By Jack Carey USA TODAY

The lively arm, not the lively ball, was the key to baseball's 50th All-Star Game Tuesday. Montreal's Tim Lincecum's two-run triple in the 12th inning gave the National League a 2-0 win in the third-longest All-Star game ever.

But while home runs are being hit at a record pace this season:  
■ There were only 11 home runs in the game.  
■ It was the lowest-scoring All-Star Game since 1968 when the National League won 1-0.  
■ The 17 strikeouts snuffed

many the longest such streak in All-Star history.  
■ Every player except the AL's Mike Witt of California and Bruce Hurst of Boston got into the game.  
A special batch of balls were made for the game, leading to joking speculation by the NBC-TV broadcast team that the

balls weren't as lively as the ones in the regular season.  
NBC's Bob Costas, holding up a ball, noted Commissioner Peter Ueberroth's signature and the special All-Star logo.  
"Everybody, that's made it a heavier ball," Costas said. "They've taken the rebound out of it tonight."

Another big factor in hitting down hits: The Oakland Athletics' "Twilight Zone." Shadows swept across the infield in the early innings, putting pitchers in the sun and batters in the shade, making seeing the ball tough.

■ All-Star coverage, 1-4C

# McFarlane: North went 'over line'

By Leslie Phillips USA TODAY

## USA goes Ollie-mania



THE DARTER: (In Soledad says North stuck with me for 12 years — that says a lot.)

## North's barber: Ollie never fusses, tips well

Ollie North is in another busy season — literally. The USA is not only going wild over Ollie — but also over his rugged, no-nonsense Marine haircut. Originator of the look, Las Soledad, operator of an old-fashioned, three-chair barber shop in Arlington, Va., and cutter of North's hair every week for 25 years, "It's very sweet, he never fusses, he always smiles and he's a good tipper," said Soledad, 56, of his famous client. And his hair? It's thick and would be "very curly if it let it grow." Soledad said North's hair is actually a little longer than it used to be. "When he started working at the White House, I decided it would be a little longer on the sides," Soledad said. "I think he is getting the truth," he said of his friend, adding, "He needs another haircut." More Ollie-mania. 4A



AN IMITATOR: North fan Paul Tashima, 22, gets an Ollie cut from Washington, D.C. barber George Panabato. Cost: \$9.

## Pointdexter in hot seat today

By Leslie Phillips USA TODAY

It Col Oliver North — who said he always acted on authority from his superiors — missed six days of questioning testimony Tuesday even as his former boss disputed his version of the facts.

North "went over the line from advice to — an operational role" in support of the contra, said ex-federal security adviser Robert McFarlane. North's story will be further tested today when McFarlane's successor — Rear Adm. John Boardman — appears before the panel.

The critical question for Boardman: Who approved the diversion of Iran arms deals to the contra? North insisted Pointdexter sanctioned the scheme, President Reagan says he never knew.

McFarlane, in an unusual second appearance before the Iran-contra panel, denied he authorized North to falsify the documents, also dismissed discrepancies of roughly the Nicaraguan contra.

North's TV coverage of the hearings began at 9 a.m. EDT. In his final day before the committee, North received three requirements.

"I am impressed that policy was driven by a series of lies," said House chairman Rep. Joe Hamilton, D-Ill. "It is to the Iranians, lies in the Central Intelligence Agency, lies to the attorney general, lies to his friends and allies, lies to the Congress and lies to the American people."

In a dramatic final twist of anger, North's attorney, Brentan Sullivan, announced the level of confidence he has displayed since the first day.

Sullivan — interrupting Senate chairman Daniel Inoué — protested to an admission made by the Hawaii Democrat to the Navy war crime trials in Nuremberg, Germany.

"These don't constitute these hearings on this unfair note," Sullivan exploded.

Claiming North had received 20,000 telegrams of support Monday morning, Sullivan shouted, "The American people have spoken."

■ Million-dollar bribe, 4A  
■ Exports, 6A  
■ TV scales back, 3D

## Dow hits high; 2500 'in cards'

By Anne Kates USA TODAY

The bull roared back on Wall Street Tuesday, pushing stock prices to new highs. The Dow Jones industrial average surged 24 1/2 points to a record 2481.35, beating last Wednesday's high of 2461.87.

"2000 to 2500 is in the cards," said Dreyfus Corp. trader George Pirose.

Traders who had been in the sidelines for weeks flocked back to stocks Tuesday. Judging from the number of trades of big blocks of stock — 100 lots or more — and 1981 Trade Letter at J.P. Morgan & Co. said the appetite for stock among big investors "was greater than I've seen since the end of the quarter."

Fueling the rally Blackboard, or second quarter earnings from technology companies, and hopes that today's May balance of trade report will show the USA's trade deficit is shrinking faster than expected.

While climbing on good news, the market also is shaking off bad news reports. ■ A lower-than-expected IBM profit report Tuesday couldn't hold the market back.

■ Retail stocks faded even though the June USA retail sales figure, reported Tuesday, reflected a surprising slowdown. And again, it's a contrast to a rise in spite of a record of weak early-July sales.

Still, the strong optimism has some experts cautious. ■ Every day high brings the market closer to a correction that could take the Dow down to 2250 in short order, says January 1987 Investor's Digest, Montgomery Scott Inc.

"The ball market is still very much intact," Dreyfus Pirose said. "But at these levels, I'd have to be a fool to say there's no possibility of a pullback."

■ Tech stock surge, 1B  
■ Market highlights, 3B

## Disposable contacts on the way

By Kim Parler USA TODAY

Contact lens users soon will be able to pick up six packs of disposable lenses. The lenses, introduced Tuesday by Vaukoff, Inc., a subsidiary of Johnson & Johnson, are intended to be worn one or two weeks and thrown away. Advantages on cleaning and a reduced risk of infection from dirty lenses.

Yearly cost, \$20, if replaced weekly, compared to \$30 for fitting, buying and cleaning regular lenses, says Vaukoff. The lenses are made using a new process and so far only can be used for nearsightedness. Test marketing began in Florida next month.

Eye doctors have become alarmed by infections and corneal ulcers caused by dirty or misused lenses. But weekly replacement may be overkill, says Dr. Perry Rindler, president of the National Vision Research Institute.

Other manufacturers are studying bi-weekly, monthly or quarterly replacement.

## COVER STORY

# A storm hits, and air traffic goes berserk

A voice on the air traffic control tower radio earlier for countless pilots, flight attendants, gate workers and others: "Welcome to our nightmare. It's going to be a delay city today." No severe weather swept the Southeast this week, even more delays plagued the airport.

For hours, weary-eyed travelers besieged gate attendants with questions and lined up at airport pay phones to report they'd be late. Airline workers across the USA went without dinner or breaks, many staying well past midnight.

It was an all-too-familiar scenario: A chain reaction of down the nation's busiest airport for more than an hour. A voice on the air traffic control tower radio earlier for countless pilots, flight attendants, gate workers and others: "Welcome to our nightmare. It's going to be a delay city today." No severe weather swept the Southeast this week, even more delays plagued the airport.

For hours, weary-eyed travelers besieged gate attendants with questions and lined up at airport pay phones to report they'd be late. Airline workers across the USA went without dinner or breaks, many staying well past midnight. It was an all-too-familiar scenario: A chain reaction of

## Anti-drug plugs debut

By Jeanne Williams USA TODAY

Coming soon to a theater near you: Anti-drug messages from top stars. "You'll go to die for something, this sure as hell ain't it."

Bette Midler: "Ted, you where to show it." First lady Nancy Reagan: "The drill can kill." These anti-drug messages from top stars, including Ray Davis, George Peck, and Roy Scheider — will appear at the start of virtually every new movie this year.

Rocked will be Friday, with the first lady and

## Anti-drug plugs debut

By Jeanne Williams USA TODAY

Postcard inquiries in a message opening Jaws: The Revenge.

The messages have been added to movie prints with theater owners' approval. Originator of the idea for the Motion Picture Association of America was Jerry Weintraub, chairman of Weintraub Entertainment Group.

The movie came after the first lady's appeal had led to the movie industry. Weintraub said the stars were chosen to appeal to audiences of various ages. Jack Valenti, MPAA president, said he expects "an avalanche" of similar messages on movies, TV and videocassettes.

VIA SATELLITE

THE NATION'S NEWSPAPER

50 CENTS

### ALI SAYS 'NO' TO SURGERY

EX-CHAMP FIGHTING PARKINSON'S, 1C, 4C

BO JACKSON DEALS WITH RAIDERS 1C, 6C

WATSON EYES 6TH BRITISH OPEN TITLE 1C



By Barbara Resek, USA TODAY  
**TOM WATSON:** Tees Off at British Open Thursday

WEDNESDAY, JULY 15, 1987

# NEWSLINE

A QUICK READ ON THE NEWS

**WEDNESDAY**

**AIR TRAVEL HEADACHES**  
WHEN YOU'RE BUMPED 6A  
CONGRESS ACTS, 3A

**WEATHER**  
WIDES COVER, 1A  
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**USA TODAY**

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## Lively baseball lays All-Star goose eggs

By Jack Carey  
USA TODAY

The lively arm, not the lively ball, was the key to baseball's 58th All-Star Game Tuesday.

game ever. But while home runs are being hit at a record pace this season:

There were only 14 base hits in the game.

marked the longest such streak in All-Star history.

Every player except the AL's Mike Witt of California and Bruce Hurst of Boston got into the game.

balls weren't as lively as the ones in the regular season.

NBC's Bob Costas, holding up a ball, noted Commissioner Peter Uebberoth's signature and the special All-Star logo.

Another big factor in holding down hits: The Oakland Coliseum's "Twilight Zone." Shadows swept across the infield in the early innings, putting pitchers in the sun and batters in the shade, making seeing the ball

# Inside USA TODAY

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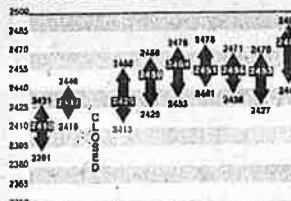
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USA TODAY'S MARKET SCOREBOARD

MARKETLINE

AN INVESTOR'S GUIDE TO WHAT'S HAPPENING IN THE MARKET

Dow Jones 30 Industrial: 2481.35, up 28.39



STREET TALK

Street ignores Australian

Australian financier Robert Holmes & Court Tuesday said he wants to boost his stake in Texaco Inc. to between 10% and 15%...

Xerox Corp. made a small — but prestigious — acquisition Tuesday of New York-based Furman Selz Holding Corp. for \$110 million cash payable over three years.

INVESTOR ADVICE

DAILY ADVICE FROM INVESTMENT NEWSLETTERS AND SERVICES COMPILED BY DAVID CRAIG

Coleman fishes for buyers

A.G. EDWARDS & SONS INC. advises buying stock in Coleman Co. (CLN), which makes outdoor and recreational equipment such as lanterns, coolers and tents.

INVESTMENT STRATEGIST recommends buying stock in Bay Bank Int. (BBNK), a \$1.1 billion stock New England bank.

Table with columns: Company, Last, High, Low, P/E, Div. Yield, etc.

MONEY RATES

Table with columns: Prime lending, Fed discount, Broker call loan, etc.

Money market accounts, latest 7-day averages

Table with columns: Treasury securities, 3-month Fed discount, etc.

THE DOLLAR

Table with columns: Foreign currency per dollar, New York rates, Australian dollar, etc.

Cat purrs just shy of record \$6

By Neil Budde USA TODAY

A revived U.S. economy comes on a little hot for some investors here.

Caterpillar Inc. stock has been creeping up most of this year on rising hopes for an improved economy and a weaker dollar would boost sales of heavy equipment.

Tuesday, the stock hit a six-year high of \$61 before closing at \$60 1/2.

INDUSTRY SPOTLIGHT

A DAILY LOOK AT A COMPANY, INDUSTRY OR MARKET TREND

Yan analysts caution against digging too deeply into this big red field.

The dollar's slide in value against the yen has become a main rival, Kentucky of Japan, to raise prices 25% in the past 18 months.

KEY INDICATORS TUESDAY

Table with columns: Indicator, Tues. Mon., % chg. from Mon., Indicator, Tues. Mon., % chg. from Mon.

SHARES TRADED TUESDAY

The top issues by percentage of outstanding shares traded

Table with columns: New York Stock Exchange, American Stock Exchange, Over-the-counter

MOST ACTIVE SHARES TUESDAY

The top stocks by number of shares traded

Table with columns: New York Stock Exchange, American Stock Exchange, NASDAQ Over-the-counter

LEADING GAINERS TUESDAY

New York Stock Exchange American Stock Exchange NASDAQ Over-the-counter

Table with columns: Last, Chg., % chg., Last, Chg., % chg., Last, Chg., % chg.

LEADING LOSERS TUESDAY

New York Stock Exchange American Stock Exchange NASDAQ Over-the-counter

Table with columns: Last, Chg., % chg., Last, Chg., % chg., Last, Chg., % chg.

STOCK MARKET SUMMARY

NEW YORK STOCK EXCH. NASDAQ OVER-THE-COUNTER AMERICAN STOCK EXCH. 30-INDUSTRIAL

Table with columns: New Highs, Low, High, Low, High, Low, High, Low

Trading volume: NYSE 1,195,000, NASDAQ 306,000, AMEX 1,195,000

Market highlights: Tech stocks once again led the market even on word of disappointing second-quarter earnings.

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COMMODITY FUTURES PRICES

Commodity, Tues. Close, Daily Chg.

Table with columns: Commodity, Tues. Close, Daily Chg.

Wheat (July contract) \$2.6150 bushel -0.0050

Corn (July) \$1.6475 bushel +0.0150

Soybeans (July) \$5.4620 bushel +0.0275

Soybean meal (July) \$61.85 bushel -0.0075

High粱 (July) \$2.2475 bushel -0.0075

WTI Crude Oil \$24.92 +0.12

WTI Heating Oil \$1.2875 +0.0025

WTI Natural Gas \$1.88 -0.02

WTI Gasoline \$1.0875 +0.0025

WTI Diesel \$1.1875 +0.0025

WTI Jet Fuel \$1.1875 +0.0025

WTI Kerosene \$1.1875 +0.0025

WTI Fuel Oil \$1.1875 +0.0025

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MUTUAL FUND PERFORMANCE

Average total return, period ending July 7

Table with columns: Fund Name, Return, % chg.

Capital appreciation 10.4% +120.2%

Growth 10.4% +120.2%

World & Income 10.7% +120.2%

International 10.7% +120.2%

Fixed Income 10.6% +120.2%

Source: Lipper Analytical Services Inc.

STOCK INDEX TRENDS

Weekly pct. changes in key stock market indexes

Table with columns: Index, 7 days, 1 mo., 3 mo., 6 mo., 1 yr.

Dow Jones Ind. +1.0% -0.7% -0.1% +0.9%

NYSE comp. +1.2% -0.1% -0.5% +0.9%

SP 500 +1.2% -0.1% -0.5% +0.9%

Amer. Ind. +1.2% -0.1% -0.5% +0.9%

NASDAQ OTC +0.9% -0.0% -0.2% +0.1%

Value Line 1.1% -0.1% -0.2% +0.1%

Source: Lipper Analytical Services Inc.

Gillette buy reported

Irwin Jacobs has been buying more Gillette stock, possibly raising his stake to 3% of the personal products company.

Jacobs may try to win control of Boston-based Gillette, maker of razor blades, deodorant and Paper Mate pens.

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LOOKING AHEAD

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A TODAY'S MARKET SCOREBOARD

# Cat purrs just shy of record \$61

By Neil Budde  
USA TODAY

A revived USA economy comes on little Cat feet. Or so some investors believe.

Caterpillar Inc. stock had been creeping up most of this year on rising hopes that an improved economy and a weaker dollar would boost sales of heavy equipment. Then, last Friday, the stock leaped 3% to \$58 1/4 after Caterpillar's second-quarter earnings report bulldozed over all but the most optimistic forecasts.

Tuesday, the stock hit a six-year high of \$61 before closing at \$60 1/2, up 3/8.

Cat's strength has spilled over to other makers of farm, construction and mining equipment. Also boosting the group: Buyout bids at Becor Western (pending) and Harnischfeger Industries (rejected), and Giant Group's purchase of a 6.3% stake in Clark Equipment.

Yet analysts caution against digging too deeply into this battered field. They say Cat's earnings have benefited mainly from two factors that will aid others to a much lesser extent:

■ The dollar's slide in value against the yen has forced Cat's main rival, Komatsu of Japan, to raise prices 25% in the past 18 months. Result: Cat was able to boost prices 2% in May without fear of losing market share.

The dollar isn't as big a help to firms such as Deere and Varsity Corp. (the successor to farm-machinery maker Massey-Ferguson), analysts say.

■ Plant closings have dramatically reduced Cat's costs. As business picks up, much of the increase in income flows straight to the bottom line.

But still lacking, analysts say, is a big surge in demand. "To

make a broad-based case for the entire group, you really need (a pickup in) volume," says Mitchell Quain, analyst at Wertheim Schroder & Co.

Many USA companies and farmers need to replace aging equipment, but have been delaying purchases because of the uncertain economy. The question: When will they buy?

Steven Colbert at Prudential-Bache Securities Inc. thinks the answer is soon. "There is greater confidence that the economy in the next 12 months is not about to fall off a cliff," he says.

Stepped-up spending on highway construction and other "infrastructure" repairs also should raise demand for heavy equipment, says John Carey, portfolio manager of Pioneer Fund in Boston.

But Shearson Lehman Bros.

## INDUSTRY SPOTLIGHT

A DAILY LOOK AT A COMPANY, INDUSTRY OR MARKET TREND

| Company         | Exchg | Close  | Yest  |       | Change |         | % Change |       | 52-week |     |        | P-E Ratio* |
|-----------------|-------|--------|-------|-------|--------|---------|----------|-------|---------|-----|--------|------------|
|                 |       |        | Yest  | Chng  | Yest   | Chng    | High     | Low   | High    | Low | Ratio* |            |
| American Hoist  | N     | 11 1/4 | - 1/4 | + 3/4 | -2.17  | +55.17  | 11%      | 6%    | 11%     | 6%  | —      | —          |
| Becor Western   | N     | 15 1/4 | - 1/4 | + 4   | -0.81  | +35.56  | 16       | 9%    | 16      | 9%  | —      | —          |
| Caterpillar     | N     | 60%    | + 1/4 | + 20  | +0.63  | +49.64  | 61       | 36%   | 61      | 36% | —      | —          |
| Clark Equipment | N     | 27%    | + 1/4 | + 7%  | +0.92  | +36.61  | 28%      | 15%   | 28%     | 15% | —      | —          |
| CMI Corp.       | A     | 4      | + 1/2 | + 1%  | +14.29 | +68.42  | 6        | 2%    | 6       | 2%  | —      | —          |
| Deere & Co.     | N     | 31%    | + 1/2 | + 8%  | +1.61  | +38.25  | 33       | 21%   | 33      | 21% | —      | —          |
| Harnischfeger   | N     | 21     | + 1/4 | + 6%  | +0.80  | +41.18  | 21%      | 13    | 21%     | 13  | 53     | —          |
| Ingersoll-Rand  | N     | 35%    | + 1   | + 13% | +2.89  | +60.11  | 35%      | 20%   | 35%     | 20% | 19     | —          |
| Manitowoc Co.   | O     | 21     | + 1/4 | + 2%  | +1.21  | +12.00  | 21%      | 16%   | 21%     | 16% | —      | —          |
| Raymond Corp.   | O     | 18     | unch. | + 1%  | unch.  | +4.35   | 22%      | 13%   | 22%     | 13% | 15     | —          |
| Varsity Corp.   | N     | 2%     | - 1/4 | + 1%  | -5.26  | +20.00  | 2%       | 1%    | 2%      | 1%  | —      | —          |
| S&P 500         |       | 310.7  | +3.1  | +66.5 | +0.89  | +28.290 | 310.7    | 228.9 | 21      | 21  | —      | —          |

Compiled by USA TODAY

\* based on most recent 12 mos. earnings

analyst Barry Mannis says: "I just don't see it yet." Sales of lighter machinery have risen, but high-profit-margin heavy equipment is still slow selling.

Another worry: Any rise in interest rates would make it more expensive to finance equipment. Heavy-equipment stocks gave up much of their first-quarter gains when rates

surged in the spring.

Still, the perception of a machinery sales recovery may be a strong enough force to keep the stocks moving for some time. "Usually trends like this last in terms of years rather than quarters," says Abbott Keller, vice president of Concord Capital Management in San Mateo, Calif.

# EXHIBIT 006



## Caterpillar introduces new tractor and scraper

Engineering News-Record

April 22, 1982

Copyright 1982 McGraw-Hill, Inc.

**Section:** PRODUCTS; Pg. 116

**Length:** 314 words

### **Body**

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Caterpillar is showing a new version of its D8 crawler tractor with an elevated sprocket drive and suspended undercarriage. It also has broadened its elevating scraper line by adding a 16-cu-yd machine.

The model D8L tractor extends the track configuration first introduced with the top-of-line D10 and later on the D9L. The design isolates final drives from ground shocks and reduces undercarriage impact while it increases ground clearance, traction, maneuverability and productivity, according to the manufacturer.

On the new model, Cat has boosted horsepower to 335 and increased main frame weight by half, bringing its total weight to 90,775 lb when equipped with dozer blade and ripper. The company says that in testing, the machine outproduced its predecessor, the D8K, by up to 40% in dozing, 30% in ripping and 20% in push-loading. Fuel consumption is said to be about 10% less per unit of material moved.

Dozer blades available range up to a rating of 17.7 cu yd. A newly designed adjustable radial ripper is also offered with single or multiple shanks.

The D8L has an onboard electronic system that monitors key functions. There are also a number of quick-check points for connecting diagnostic instruments to speed adjustments and repairs of the hydraulic and electrical systems.

Cat's other new unit, the 615 elevating scraper, falls between its 11 and 22 cu yd machines in a line that now totals four. The 16-yd model has an optional tractor axle suspension system that cushions bumps, holding down loping action as the machine reaches its top haul-road speed of 29 mph.

The 615 has a load capacity of 38,400 lb and an empty operating weight of 50,715 lb. It is 10 ft wide, 38 ft long and has a shipping height of only 11 ft. Turning radius is about 32 ft.

The scraper also has an electronic monitoring system. CATERPILLAR TRACTOR CO., PEORIA, ILL. 61629

URL: <http://www.enr.com>

### **Graphic**

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Picture, no caption

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JENNY REILLY

# EXHIBIT 007

*Equipment rolling to center stage;  
Machinery extravaganza to spotlight new products, ideas, images*

Engineering News-Record

December 11, 1986

Copyright 1986 McGraw-Hill, Inc.

**Section:** FEATURES; Cover Story; Pg. 23

**Length:** 2066 words

**Byline:** By Howard B. Stussman, with bureaus

## **Body**

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Tis the season to count the number of days that remain: 14 of them until Christmas, 21 until New Year's and 72 until Feb. 21.

Feb. 21?

That's the day tens of thousands of people from around the world involved in constructing the built environment will gather in Las Vegas as the doors open on one of the greatest rites of the construction industry -- CONEXPO, the once-every-six-year construction equipment extravaganza.

Sponsored by the Construction Industry Manufacturers Association, Milwaukee, the exposition is expected to draw more than 100,000 people during its Feb. 21-26 run.

What they expect to see at CONEXPO is the latest in equipment, accessories and technology. And they expect to be informed and entertained in the process. In this they are not likely to be disappointed. At the latest count, some 295 exhibitors have signed up for more than 900,000 net sq ft of display space. It adds up to about 30,000 tons of construction "iron" and accessories slated to be spread throughout the Las Vegas Convention Center and Hilton Center next door, spilling outside onto the surrounding pavement, where the makers of cranes and other *machines* will display their wares.

Nor will they be disappointed by who's there. The list of exhibitors reads like a construction equipment blue book, from Addco Mfg. Co. Inc., St. Paul, Minn., to Wolverine Technology Inc., Southfield, Mich. In between are the giants of the business, including *Caterpillar* Inc., Peoria, Ill.; J I Case Co., Racine, Wis.; Komatsu America Corp., Emeryville, Calif.; VME Americas Inc., Cleveland; and Deere & Co., Moline, Ill.

Showcase for ideas. While CONEXPO is the place to display new products, CIMA wants the exposition to be the place to showcase ideas as well. For the first time ever, there will be seminars at CONEXPO -- 36 in all -- covering technical subjects, presenting general management information for both contractors and equipment distributors, and including marketing and personal development subjects.

While CONEXPO is an "opportunity to see the newest, most exciting equipment from all over the world," says Steven E. Marocco, sales manager for the Gilbane Building Co. subsidiary B T Equipment Co., Providence, R.I., he is "especially looking forward to the seminars, crane safety in particular."

Contractor Roger B. Van Omen will check out equipment options and also some of the seminars. "They have a lot available, on computers and such," says the vice president of Greenfield Construction Co., Detroit.

Expensive exhibits. For the grizzled and not-so-grizzled mudshoe contractor, however, CONEXPO remains -- as it has since its 2909 beginnings -- tire-kicker heaven. To get the attention of showgoers, exhibitors are pushing their financial and planning pedals to the metal. The IRS and the equipment manufacturers are probably the only ones who know what's being spent on

JENNY REILLY

Equipment rolling to center stage; Machinery extravaganza to spotlight new products, ideas, images

exhibits, and they aren't saying. Seat-of-the-pants estimates by knowledgeable sources, however, put the cost of a somewhat modest exhibit at \$ 2 million, and the cost of a spectacular at near \$ 16 million.

And from front door to back, CONEXPO will be spectacular.

For serious-minded Germans, though, it may be too spectacular. Gerhard Gehreke, with Essen-based Hochtief AG, believes CONEXPO is too long on glitter.

"CONEXPO's style involves a lot of showbiz, but that's America," adds Adolf Eder, head of the equipment technology department of Stabag Bau-AG, Cologne.

Glitz or no, both companies will be sending construction equipment teams to CONEXPO. Stabag Bau is interested because "the U.S. machine market is very innovative and we're always finding construction techniques, coupled with construction equipment developments, being applied in the U.S.A. that we don't know here," says Eder.

Image building, Disney style. Because change -- mergers, acquisitions, downsizing, joint ventures and foreign sourcing -- is as familiar to equipment manufacturers these days as apple pie, reinforcing or changing company images will be a major theme running through CONEXPO exhibits.

The venerable Cat is no exception, and it's out to make its mark at the show. For starters, Cat's display, at 74,900 sq ft, will be nearly seven times as large as its average display and twice as large as anything it has done before. More than 70 products will be displayed, compared with 33 at the previous CONEXPO.

One reason for this, says David J. Everhart, Cat's CONEXPO project manager, is that "the company is putting more emphasis" on its image, stressing "the quality and breadth of Cat products, the depth of support and Cat's interest in its customer's business."

To set the stage for that image-building, Cat has hired the company world renowned for its ability to deal with images, and people, on a grand scale -- Walt Disney Imagineering, the show production subsidiary of Walt Disney Co., North Hollywood, Calif.

"They know how to take care of people, by the hundreds and from many lands," says Everhart, noting that Cat expects thousands to view its multifaceted, multilevel display each day. "Another aim is to [have a display] that educates people in an interesting and friendly way," says sales-promotion manager Ron Pilon.

To do this, Disney is creating in the 52,500-sq-ft Hilton Center "real" construction sites, depicted on murals out of which portions of actual structures will be built. The equipment used at the sites are part of the scenes.

For actual show people-power, it's Cat all the way, with a workforce expected to peak at 600. "We will use Cat employees from Peoria at the show, top machine experts from our engineering department, for example, to answer questions and describe our products and services," says Everhart.

Delivering information. While image is as important to Deere as it is to Cat, Deere apparently is using a different medium to take its message to the people. While the specifics are under wraps, marketing director Robert F. Murphy describes the display as "a tasteful exhibit that is representative of our complete product line and of our company. We will not have any 'showtime Las Vegas' exhibit. We are going to feature our products using technically knowledgeable Deere people."

That should be good news to the likes of Fred F. Grothaus, equipment manager with Texas contractor H. B. Zachry Co., San Antonio. His 100-person team is out to get technical information. Grothaus, who found the last CONEXPO "disappointing," wants to see more "technical people there rather than just the supersalesmen."

Specifically, Zachry is looking for advancements in onboard maintenance systems and tougher standards for electrical components. The firm also is interested in examining ease in equipment maintenance and the latest offerings in safety and anti-theft systems for its \$ 200-million equipment fleet.

Equipment rolling to center stage; Machinery extravaganza to spotlight new products, ideas, images

Also hard on the data track is a 10-person team from France's Campenon Bernard. Equipment director Daniel Grodecoeur is going "primarily for information. It's necessary to go to CONEXPO also because of the complete ranges of equipment there," he says.

Ranges of equipment -- entire lines -- is what Deere will showcase, something in the neighborhood of 30 *machines*. It is Deere's view that people are coming to CONEXPO for information, and that a display presenting information, not facade, is what will attract them.

High-tech image. Robots, a space vehicle engine and a Ferrari are part of the image-building ideas going into the 26,394-sq-ft Fiat display. Fiat wants visitors to come away with an image of a high-tech company whose capabilities are reflected in the Fiatallis North America Inc. line of construction equipment, says Walter G. Muller, the Carol Stream, Ill., company's marketing services manager.

From the entry hall area of the display, designed to help tell the overall Fiat story, visitors will move into a 100-person theater, where the story of Fiatallis will unfold during an eight-minute show. From the theater, people will move to a new product arena where 16 *machines* will be shown.

Fourteen-ft-tall towers, each one displaying a big "D" on the top, will mark Dresser Industries' exhibit space at the exposition, part of a drive to communicate that Dresser manufactures a number of lines of construction equipment. Those equipment lines, formerly under other names such as Galion, International-Hough and Wabco, now all carry the Dresser logo.

All of the 30 *machines* in Dresser's 34,806-sq-ft exhibit will be either totally new *machines* or *machines* with new features. "We didn't want to show something without a new aspect to it," says Joseph Sottosanto, marketing communications manager. Among the new *machines* will be a line of hydraulic excavators and an off-highway truck.

A focal point of Dresser's exhibit will be a two-level, 30x40-ft structure doubling as a bridge to the off-highway truck. It's a bridge that Fru-Con Construction Corp. equipment manager Pete Hemenway and his team of six from St. Louis will likely cross as they tour the floor. "We've been in the industrial end of the business for a number of years, and we're going to be branching out into heavy civil, so we'll be looking for some new equipment," says Hemenway.

Talking nuts and bolts. Projecting the image of a company that is a major factor in the asphalt hot mix and aggregate industries is what Barber-Greene Co., Aurora, Ill., will be setting out to do with its indoor paving line display and outdoor crushing and asphalt plant exhibit.

"The size of the display [15,100 sq ft] and the array of equipment [21 pieces] should go a long way toward doing that," says W. F. Meinert, advertising director. "There will be new models at the show that have never been seen before and we will unveil significant improvements we've made to other models." Working the show will be company employees, especially from service and engineering, mainly because "our boys [customers] want to talk nuts and bolts."

One show-stopper is likely to be VME's exhibit, where the body of one of the company's articulated haulers will rotate 45 deg from the vertical. In another area, a loader will move back and forth, changing attachments in seconds via a special quick coupler.

One of the goals of the display, says VME President and Chief Executive Officer Eric Johanson, is to emphasize to customers that VME is a leader in the development and production of technologically advanced, high-quality equipment. And CONEXPO, he says, is a good opportunity to profile VME.

"Up until now, we've been fairly silent," says Johanson. "From the exhibit, you should be able to see that the way we are structuring ourselves, with loaders and dumpers and articulated haulers and in the financing market, we are competitive." The company's exhibit will be divided into four areas: small loaders, landfill and waste management *machines*, larger construction vehicles, and mining *machines* -- all told, 21 pieces of equipment displaying the Volvo, Michigan and Euclid names that make up VME.

Casing what's new. While companies are changing, it is their products -- and how they've changed -- that are on the minds of numerous contractors packing their bags for Las Vegas. It's one of the reasons Hunter S. Brown, equipment manager with

Equipment rolling to center stage;Machinery extravaganza to spotlight new products, ideas, images

McKinney and James, Waco, Texas, is heading to CONEXPO. We're "interested in seeing everything that's new," says Brown. "You can do an awful lot of comparing the easy way with everything displayed under one roof."

That also holds true for William A. Schreiber, equipment coordinator for S. J. Groves & Sons Co., Minneapolis, heading up a 100-person contingent looking for what's new.

Among the new equipment will be a lineup of 11 new models from Case, including a new crawler dozer, crawler loader, trencher and cable layer. Also new will be a Komatsu hydraulic excavator outfitted with "Mechatronics technology," a system in which sensors feed information to microprocessors that control equipment functions.

There will be so much new at the show, "I could walk around for a year and still not see everything I wanted to see," says Grove's Schreiber. Since the show closes a short six days after it opens, Schreiber may have to join those counting days left: about 2,190 until the next CONEXPO in 1993.

[URL: http://www.enr.com](http://www.enr.com)

## Graphic

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Cover Illustration, no caption, Mel Grainger; Illustration 1, no caption, Mel Grainger; Picture 1, Cat exhibit, designed by Disney, features "real" construction sites.; Picture 2, VME display stresses quality of equipment. Howard B. Stussman for ENR; Picture 3, Deere rolling out about 30 machines at show.; Illustration 2, Barber-Greene improvements, new products to be unveiled in 15,000-sq-ft display.; Illustration 3, no caption, Mel Grainger; Picture 4, Road Show, in Atlantic City in 1925, was precursor to CONEXPO; Picture 5, Freightliner class eight prepped and ready for display; Picture 6, Dresser machines will all sport new logo; Picture 7, Overseas draw: 10,000 coming from abroad; Picture 8, Under wraps: Case's 11 new models won't be unveiled until the doors open Feb. 21.

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End of Document

# EXHIBIT 008

# BOATING



## STERN DRIVE '88

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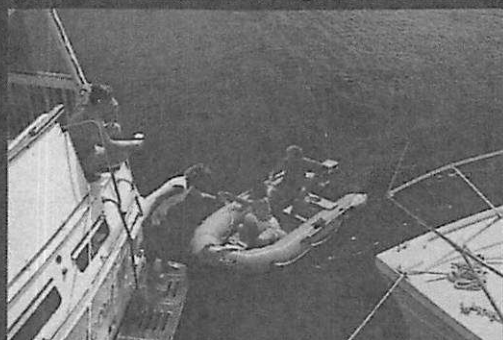
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#### HYDRASPORT

JOHN L. GROTON, CT 1/14/88  
24' CENTER CONSOLE, 185hp JOHNSON  
"THE DOEL-FIN IS SUPER, ON A FIFTY MILE RUN OUT TO THE BUTTERHOLE OFF MONTAUK POINT MY FUEL CONSUMPTION WENT FROM 60 GAL. TO ABOUT 40 GAL. I'M ABLE TO TRIM PERFECTLY NOW. THE BOAT IS MUCH DRYER AND SMOOTHER. IN A 4' SEA THEY MAKE ONE HECK OF A BIG DIFFERENCE. THEY'RE THE BEST INVESTMENT I EVER MADE IN THE BOAT."

#### NATIONAL

BARRY H. VENICE, FL 1/9/88  
17' BOWRIDER, 50hp MERC.  
"I'M THOROUGHLY HAPPY WITH THE DOEL-FIN. THEY DO EVERYTHING YOUR SALESMAN CLAIMED THEY WOULD. INSTALLATION WAS EASY. I STILL CAN'T BELIEVE IT BUT, I'M ON PLANE IN LESS THAN 20 YARDS. I HAVE A BAD BACK AND USED TO CRINGE IN ROUGH WATER. NOW IT'S A PLEASURE. POUNDING HAS CEASED COMPLETELY. THEY WERE MORE THAN WORTH THE MONEY."

#### SEA OX

PETE G. MIDDLESEX, NJ 1/14/88  
23' CUDDY, 200hp MARINER  
"YOUR DOEL-FINS ARE INCREDIBLE! WITH 6 PEOPLE AND GEAR, IT PLANES AT 2280 RPM. IT WAS PLANING AT ABOUT 3300 BEFORE THEM. CAVITATION HAS BEEN TOTALLY ELIMINATED IN HARD TURNS. THE ENTRY HAS IMPROVED 100%, THERE IS NO POUNDING AT ALL AND HANDLING IS BETTER IN A FOLLOWING SEA. I'D SAY MY FUEL ECONOMY HAS IMPROVED AT LEAST 10-15%. YOU CAN TELL THE ENGINE ISN'T WORKING AS HARD AT 3000 RPM IT'S MUCH QUIETER. ABOUT 10 OF MY FRIENDS BOUGHT THEM AND THEY'RE ALL PLEASED!"

#### SEA SPRIGHT

CLARENCE N. LEIGHTON, PA 11/7/87  
17' BOWRIDER, 120hp MERC 1/0  
"I WAS SKEPTICAL AT FIRST, BUT NOW I'M A BELIEVER. MY BOAT HANDLES BETTER, RIDES SMOOTHER THROUGH CHOPPY WATER, PLANES FASTER, HAS NO BOW RISE, AND PICKED UP ABOUT 5 MPH. IF THIS SOUNDS LIKE A TESTIMONIAL, YOUR RIGHT! I ONLY WISH I HAD PUT DOEL-FINS ON 4 YEARS AGO WHEN I BOUGHT THE BOAT."

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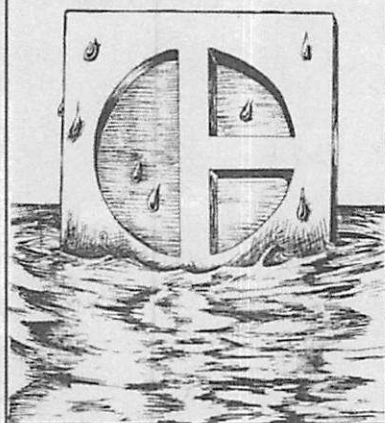
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BOATING (ISSN 0006-5374)

## ENGINES

DAVID SPEER

# A LIGHTER, STRONGER CAT



MARAL SASSOURI

erpillar's slice of the cruiser marketplace. Similar reworking of the well-liked, bigger-cube 3500 series V-8 and V-16 is underway.

The specific method for upgrading the 3412 to create the new 3412HO was threefold: modify the size of its physical envelope, whittle its weight, and increase its power output. Combined, the modifications resulted in a formidable power-to-weight ratio. Power-to-weight ratio for the 5,400-pound standard, turbocharged, aftercooled bundle was 6.3 lb./hp. The new HO weighs 4,950 pounds, develops 1,000 horsepower at the same 2100 rpm, and boasts a power-to-weight ratio of 4.95 lb./hp. Furthermore, the physical profile of the engine was tailored to meet the space-saving requirements of pleasureboats.

The gain of 140 hp was achieved by replacing a single turbocharger with two slightly smaller turbos. No other vital changes were made in the power-producing package. This changeover increased airflow through the engine and boosted cylinder intake pressure 10 to 12 percent, which produced additional power while reducing combustion temperatures. The

extra air does wonders. In addition, the smaller, lower-mass compressor wheels respond around 50 percent quicker than a single, bigger wheel. The system itself was assembled of existing parts from Caterpillar land-based generators and earth-moving machinery.

Caterpillar was able to improve power output without adding thermal strain on the same major engine components of the 860-horsepower engine. The 3412HO uses the identical gray-iron block as the 3412TA, cast by Caterpillar's own foundry. Internal components are the same, too: forged, furnace-hardened crankshaft; cast aluminum alloy pistons with three rings each (two compression rings, one oil ring); copper-bonded bearings; forged steel connecting rods; and deck plate heads. (A steel spacer fits between the block and the cylinder head, with gaskets on both sides to seal the water and oil passages.)

Caterpillar's tried-and-true direct fuel injection system has individual pumps and injectors for each cylinder. Slight recalibration of the system, opening the rack a little, allows more fuel flow. The 3400 series does not use the one-piece, cam-actuated unit injector technology found on the larger 3500 and 3600 Caterpillars.

The new 3412 sticks with a mechanical-type governor. Caterpillar's much-talked-about Programmable Electronic Engine Control (PEEC), used on the 3406B truck engine, is not available on any of its marine stock. An electronic control system can manage emissions, and change the characteristics of an engine to optimize fuel economy, but it won't give a diesel engine more pure performance than a mechanical system.

Continuing the metamorphosis, enterprising use of other off-the-shelf aluminum parts, and innovative re-engineering of the cooling system are the primary reasons the 3412's overall dimensions have been reduced, and why its gross weight has dropped by 500 pounds. The basic engine dimensions didn't change, however. External hardware had made the powerplant bigger. The new low-profile 3412HO is 51 inches high, 48 inches wide, and 73 inches long—or 12 inches shorter and 12 inches narrower than the 3412TA. A marine transmission such as the Reintjes WVS 532, manufactured in West Germany and supported by Caterpillar, adds 22 inches to powerplant length.

To keep air out of the coolant system on a marine engine, an expansion tank generally collects air bubbles in the coolant and vents them into the atmosphere. This expansion tank serves the same function as the top of the radiator in a motor vehicle. Should an excess of hot air or gas leak into the cooling system

The new Caterpillar 3412 reminded me of a recent advertisement: "What it takes to turbocharge a Porsche." Through the ad, Professor Porsche asserted that changing one component can profoundly affect the performance of the others. And ultimately, the performance of the whole car. Simply bolting on a turbocharger, tweaking the engine a little, and re-naming the machine is the wrong way to go about it. The new Caterpillar 3412 also reminded me that a diesel engine has form. It has a personality. The collection of precision sand castings, sheet metal stampings, pipes, nuts, and bolts—even its paint color—does promote an image. Of and for itself, and for the company that manufactures it.

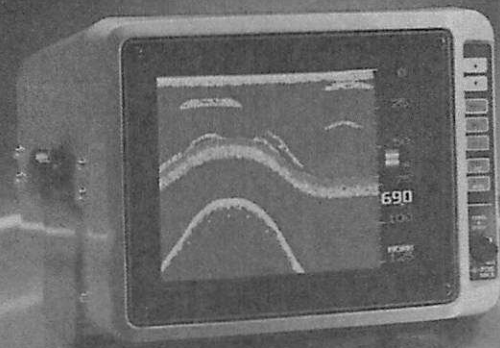
For example: the Caterpillar 3412, on the market since the mid-70s, has been known to us as a marine engine from the beginning. It was marinized at the same time it was introduced to the industrial marketplace. However, the package dimensions and weight of the 3412TA, large and heavy for an engine in its power class, have mostly relegated it to work and fishing boats where size and weight are less critical. The big, yellow beast has been denied a popular place in the poweryacht world. That is now changing. This Cat, like the emperor, has new clothes.

The basic Caterpillar 3412TA is a 1,649-cid, 60-degree V-12. The two other engines in its family have six and eight cylinders, namely the in-line 3406 and V-8 3408. All the 3400 series engines share the same 5.4-inch jugs; the stroke of the straight six is a half-inch longer than the V-8 and V-12. After two or three upratings, the previous high-performance power rating of the 3412 was 860 hp at 2100 rpm. Further development of the engine, prompted by dealer demand, began in late 1985.

Caterpillar contracted the services of one of its dealers, Pantropic Power of Miami, to build the prototype high-output 3412. Pantropic was the logical choice because they had the most interest in the project. For Caterpillar, faced with a crowded calendar of engineering activity, it was much more expedient to subcontract the engine than build it through normal development channels. The venture brought the new 3412 to market remarkably fast—15 months from a gleam in the eye to initial delivery, a milestone for a company that once boasted that it spent 10 years bringing a new product to market. Pantropic now handles assembly and delivery—factory production, parts, and service will be brought online within the next year.

Caterpillar anticipates that the new 1,000-hp 3412 is the forerunner model in a broad "HO" (high output) product line—a lineup calculated to enlarge Cat-

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## ENGINES

*continued*

through hoses, connections, or seals, the coolant pump will not operate effectively. The temperature of the coolant will increase, and the hot air (being lighter than fluid) will rise instead of being discharged through the system. Diesel blocks, especially, do not enjoy entrapped air in the cooling water. It develops hot spots.

To absorb heat from the newfound power, the cooling system was reconfigured for engine-mounted heat exchanger cooling, but the expansion tank on the basic engine ate up length. Caterpillar's problem solvers engineered a brand-new and clever combined expansion tank and heat exchanger. The tank is fabricated, not cast, which again chops weight. Two innocuous-looking tubular chambers are mounted directly behind the expansion tank, connected to the tank by small hoses. These are the key clues in the Case of the Shrinking Reservoir. Perry Mason, are you listening?

These "de-airators," invented by Peterbilt for its truck radiators, trap the cooling water into a circular path, draw air bubbles from the center of the swirl, and vent the air to the expansion tank. Most importantly, the de-airators relocate the process of removing air from the water, and keep the bulk of the cooling system to a minimum. An aluminum oil pan from a 3400 series industrial generator set replaces the original steel marine oil pan. Compared to the 3412TA, the HO version uses a smaller sump, half the oil (18 gallons), and a 250-hour oil change interval. The industrial-derived work boat engine had a deep oil sump with double the oil change cycle—needed for heavy-duty applications. A smaller aluminum flywheel housing replaces the cast iron original. The engine mounting scheme is lighter, using fabricated steel. Instead of hanging behind the flywheel, the air cleaners are mounted forward of and on axis with the turbochargers, perpendicular to the crankshaft.

The high-output pleasureboat Caterpillar 3412, barely one year old, has gained immediate acceptance with big-boat buyers. Clearly, it is an impressive, long-awaited peer of the best-selling 1,080 horsepower Detroit Diesel 12V-92TA and the 965 horsepower MTU 6V396TB93. Like all engines, the 3412 is an unglamorous beast. And the configuration of a diesel engine, how those many parts, major and minor, are structured is too often taken for granted—until it's time to install it in the bowels of a boat. The theory that a whole is greater than the sum of its parts did not originate with Professor Caterpillar. But it's apparent that he, for one, wholeheartedly subscribes to it. ⚓

# EXHIBIT 009

## *No Wimps Here: It's America's Last Frontier*

Newsday (New York)

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**Section:** TRAVEL; Pg. 9

**Length:** 964 words

**Byline:** By Karen M. Laski. Newsday Special Correspondent

**Dateline:** NOME, Alaska

### **Body**

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No igloos here. No polar bears, either. Vestiges of America's last frontier are hard to find in Anchorage, which looks much like any other small U.S. city. But as you head north to Arctic Alaska, the last frontier you've read about becomes reality.

Arctic Alaska includes the towns of Nome, Kotzebue, Point Barrow and Fort Yukon. Located north and west of Fairbanks, its 300,000 square miles represents a third of Alaska's land mass.

Regular flights from Anchorage and Fairbanks pass over vast areas of tundra en route to this land of permafrost. Commonly referred to as perennially frozen subsoil, the 12-to-18-inch top layer thaws in summer, forming shallow lakes over much of the area.

Treeless, windswept Nome, on the edge of the Bering Sea, is five hours by air from Anchorage. Perpetually gray skies give Nome all the charm of an abandoned World War II Army post. A gold rush in 1900 boosted the population to 40,000, but it has since dwindled to 3,700. It still produces gold but today Nome is better known as a supply and government center for the many nearby (relatively speaking) Eskimo villages.

Gravel roads, pickup trucks with gun racks and dog packs are your clues to life in Nome. Weather takes more of a toll on costly macadam roads than on the less expensive gravel ones. In turn, all-purpose pickup trucks withstand the washboard gravel roads, serve as campers on hunting expeditions and haul much-needed supplies. Moose, reindeer and grizzlies succumb to high-powered rifles used by those who hunt for sport or subsistence. And dogs . . . well, dogs are the reason many folks come here.

Nome is home to sledding enthusiasts, or mushers, as they're sometimes called. They may not qualify for the famous 1,100-mile Iditarod dogsled race, but for many it's a dream worth chasing. Informal lifestyles and work habits allow dogsledders the time off in winter needed to mush their dogs.

But dogs represent only a part of life in Nome. Walk down Front Street, with its collection of wooden buildings housing restaurants, bars and souvenir shops hawking gold nuggets, carved ivory and Eskimo crafts, and you'll realize there are few amenities here.

All roads may have led to Rome but no roads lead to Nome. Nome is isolated, as is all Arctic Alaska. Supplies are brought in by barge until the waterways freeze. Then the necessities of life are flown in.

Winters from October to May bring short days and long nights, which add to the depression that often accompanies isolation. Depression leads to alcoholism, a major problem throughout Alaska, and Nome is a hard-drinking town. Its numerous bars

JENNY REILLY

## No Wimps Here: It's America's Last Frontier

attract its own citizens as well as Eskimos whose neighboring villages have banned alcohol. Learning to cope is what life is all about here and, for some, alcohol becomes the answer.

Transportation drives up the cost of everything. You'll pay the same for a hamburger and soft drink at the Polar Club as you would in any major city. True, its big plate-glass windows overlook the Bering Sea, but that's where the ambience ends. If you don't believe it, just ask directions to the restaurant's facilities.

Why do people come? For jobs and adventure. It's a chance to pick your own lifestyle, to hunt, fish and mush dogs at a time of your choosing. High salaries and little opportunity to spend them lure those willing to put up with hardship and inconvenience. Gold dredges bring miners, native schools attract teachers and government programs offer a smorgasbord of positions.

An increase of more than \$ 100 per troy ounce in the last 18 months means gold is again providing an economic and employment base for Nome. An ocean-going dredge owned by "West-Gold" hauled up 36,000 ounces of gold in 1987 - worth over \$ 17 million. But the closest a visitor usually gets to the gold is panning for it on one of the Arctic Adventure Tours offered by Wein Air. Or you can buy gold nuggets, usually in the form of jewelry, in one of the souvenir shops.

For a peek at everyday life in Nome, let's look at a recent issue of the Nome Nugget, Alaska's oldest newspaper. A front-page story reported that Larry "Cat" Fish, garbage dump master, while clearing snow to provide easier access to Nome's honey bucket pond, got too close to the edge. Within minutes his D-7 Caterpillar sank to the bottom of the fetid pond. Larry didn't go down with his machine, but he may wish he had for all the stink the incident caused.

Still, Larry hasn't lost his sense of humor, as evidenced by the classified ad he placed: "LOST - Cat, yellow with brown markings, answers to the name of D7, eats everything except fish, claw marks last seen at edge of honey bucket pond. If found please wash and dry thoroughly and return to Larry Fish."

Other ads attest to the need for a sense of humor like Larry's, a spirit of adventure, and a bent toward independence as necessary ingredients to survival in Arctic Alaska. A local video store advertises its rental fee is applicable only while the tapes are in the customer's possession, not while in shipment. The reliance on air service is highlighted by Olson's North Star Grocery and Deli's offer of free shipping on Bison Air flights with purchases of \$ 50 or more.

Interested in real estate? Advertisements boast of homes with "icy views." Since indoor plumbing is a luxury, several are advertised as having water and sewer hookups. Surely these are conveniences someone from the lower 48 might be willing to pay for.

You get the picture. This isn't the Alaska that TV ads beckon you to visit. Majestic glaciers, formidable icebergs and snow-capped mountain ranges belong to the Inside Passage and Mount McKinley National Park. There are no wimps here, just life's crapsshooters. Rough, raw Arctic Alaska is the stuff of legends.

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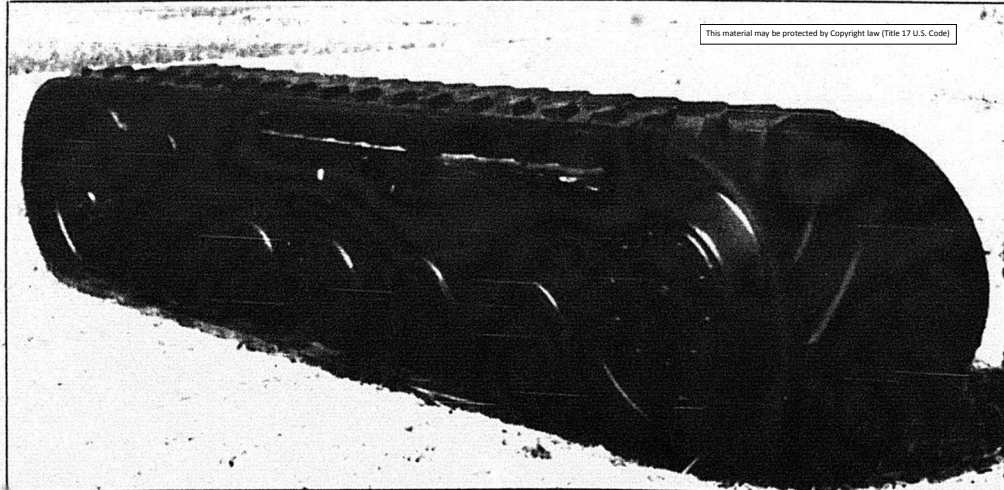
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# EXHIBIT 010









AP Laserphoto

Combines and grain auger trailers equipped with 'Mobil Trac,' Caterpillar Inc.'s rubber-track system, will join the Peoria manufacturer's Challenger 65 farm tractor, which also has the tracks.

# Cat's back in the farm market

## Peoria equipment maker on track for return to roots

PEORIA (AP)—Caterpillar Inc. is returning to its roots in the agricultural equipment market with farm implements featuring Cat's trademark rubber-track system in place of tires.

Independently built combines and grain auger trailers, equipped with the unique Caterpillar rubber-track systems, will be available next month for the first time.

It signifies a major push by Caterpillar into agricultural equipment, which was the foundation of the Peoria-based company.

Caterpillar was formed in 1925 when two leading manufacturers of agriculture equipment merged and moved to Peoria.

"We became better known as a manufacturer of construction equipment and lost our identity with the agriculture industry in the United States," said Bill Reno, supervisor of Caterpillar's agriculture section.

"But we've maintained a presence with our steel-track tillage tractors, and now we're going to go after the tillage tractor business more aggressively than in the past."

Caterpillar signaled its interest in the farm machinery market in 1987 with the introduction of its Challenger 65 farm tractor—the first farm vehicle to feature the rubber-belted tracks, which run the length of the machine just as the steel

tracks run under many Caterpillar bulldozers.

Although the rubber-track system is about 20 percent more expensive than tire-based tractors, Reno said the rubber-track system is superior.

"The track system provides more even weight distribution on the ground, meaning there is less soil compaction and better crop yields," Reno said. "It has much greater traction than flotation tires, and it's more fuel-efficient. With the rubber tracks, it can go down approved roads at comparable speeds as tires."

Reno said farmers who convert to a track system are more productive because they can maneuver in muddy fields when tire tractors are mired.

Caterpillar spokesman Keith Butterfield said the company's "Mobil Trac" system will start showing up in more farm fields carrying equipment produced by Claas of America Inc., of Columbus, Ind., and grain auger trailers built by Kinze Manufacturing of Williamsburg, Ia.

"We are really excited about the product," said Frank Reindl, Claas executive vice president. "We have a significant head start over the rest of the industry. Before our competition has equal technology, we'll be working on Phase 2."

Kinze grain auger trailers fitted

with rubber tracks will be available at 200 dealers by Aug. 1, said Bill Heick, company marketing coordinator.

Claas expects to have combines featuring the rubber tracks ready by late August at a handful of dealers in the Midwest.

Reno said Caterpillar is negotiating with more than a dozen agriculture equipment manufacturers for similar usage of the track system under implements that would be used in tandem with Caterpillar's Challenger 65 tractor.

The company says it has sold 600 Challengers, which puts sales three years ahead of projections.

Its re-entry into the agriculture market would pit it against Deere & Co., the free world's leading agricultural equipment manufacturer, based in Moline.

Ironically, Caterpillar sold its line of farm combines to Deere in 1935 when it decided to focus on construction equipment.

"The one thing that keeps us all hopping . . . is competitive pressure," Reno said. "Deere will have to respond. We watch each other . . . and it helps to spur technological advances."

Deere spokesman Robert Coombs said his company bought a Challenger to study the competition but is not developing a track system of its own.

# EXHIBIT 011



# THE WALL STREET JOURNAL.

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# Here, in the Peaceable Kingdom, Deer Show No Fear of Big Cats

By ROBERT L. ROSE

Staff Reporter of THE WALL STREET JOURNAL

Bulldozers run riot, ripping scars in the land and belching fumes in the air. What kind of place is it?

How about, Acres for Wildlife.

That's the new name slapped on 700 acres of land north of Peoria, Ill., owned by Caterpillar Inc. Every day is Earth Day at the site, which the heavy-equipment maker uses to demonstrate its bulldozers, wheel loaders and other giant yellow machines. (Once or twice a decade, the company also holds its big Power Parade at the area; thousands come to watch a mammoth demonstration of Cat machines weighing as much as 100 tons.)

But besides customers and special visitors, the site has also been attracting uninvited guests: poachers stalking deer in the surrounding woods. So a Cat service technician proposed making the whole area part of the state's acres-for-wildlife program. The designation allows Cat to post "Illinois Acres for Wildlife" above its "No Trespassing" signs, telling poachers they are doubly unwelcome.

Max Runkle, a district wildlife biologist for the state, was skeptical at first. The preservation program, created to recognize landowners who set aside property for

wildlife, usually is used by farmers.

But Mr. Runkle says a tour of the site convinced him that Cat was a worthy recipient of the designation. As if on cue, half a dozen deer showed up at the side of the road. He says he found much of Cat's property "a basic panorama of Midwestern Illinois," with woods and fields flowing over the hilly terrain.

As for the diesel fumes wafting through those hills, the biologist says Cat's demo activity isn't "ongoing or intensive." And he and company officials also point out that the demonstration area is only about 15% of the 700 acres Cat owns.

Because ground clawed bare by earth-moving equipment tends to erode, Cat digs ponds at low spots in the area to collect the runoff. It then moves the recaptured dirt back to the demo site. "A lot of people think our tractors just tear up the earth, but Cat machines do a lot to enhance the environment, too," a company official asserts in an employee newsletter heralding the wildlife designation.

And what about the noise?

Tom Potts, the Cat technician who suggested the wildlife-acres idea, says the deer don't seem to mind. "They get used to heavy equipment. As long as you don't bother them, they stand out and watch you."

# EXHIBIT 012

# Los Angeles Times

EDUCATION  
SUNDAY, JUNE 17, 1990  
COURTESY OF THE TIMES PUBLISHING COMPANY

SUNDAY, JUNE 17, 1990  
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SUNDAY  
EVENING EDITION

## Sunday Preview Edition

COLUMN ONE

### Polluters Put in Charge of Cleaning Up

■ The Environmental Protection Agency is accused of abdication of its responsibility and sacrificing public health. Evidence also shows some private labs have falsified tests on contamination.

By Douglas Frantz

WASHINGTON—Ten years after Congress declared war on toxic waste, the Environmental Protection Agency it created the same companies that caused the most dangerous problems to determine the scope of contamination and propose how to clean it up.

And while the companies must also pay for cleaning up the hundreds of hazardous chemical dumps that scar the national landscape and threaten the health of millions of Americans, they are generally advocating remedies far less stringent than those proposed when the EPA itself evaluated the problems.

EPA's own officials in the field say companies are trying to save money by proposing only minimal cleanup, according to an internal agency report. At a Texas site, for example, companies—with EPA



TOXIC WASTE  
A Federal Future  
is at stake

approval—will leave behind cancer-causing contaminants at levels 700 times higher than the agency's plan for the nearby abandoned oiling site.

Moreover, an investigation by the EPA's inspector general has uncovered evidence that private labs relied upon nationwide to measure levels of contamination and other basic data have falsified test results for years. Ten such labs are under scrutiny, including one in San Diego and two in the San Francisco area, and criminal charges are possible, said John E. Barlow, chief of investigations for the inspector general.

One major lab, United States Testing in Hoboken, N.J., was suspended from receiving new federal contracts in April after EPA officials accused the company of falsifying test results and dumping the hazardous material into city sewers and municipal dumpsters, according to internal EPA records.

But the Bush Administration last year adopted a strategy to increase sharply the number of sites turned over to polluters. As

Please see EPA, A28



Pope John Paul II shakes hands with South Africa's Nelson Mandela during a private audience at the Vatican Friday.

## Traveling Mandela Key to S. African Peace

■ Apartheid: The ANC leader's personal diplomacy sustains hope for racial harmony at home. He arrives in the U.S. this week on a 10-day visit to press his cause.

By Scott Kraft

JOHANNESBURG, South Africa—Late one afternoon, with black leaders threatening to pull out of the South African peace process, Nelson Mandela caught a flight to Cape Town for an urgent meeting with the nation's white president.

Mandela and his aides desperately needed time on the plane to prepare, but as they brought out their briefcases, a small pilgrimage began.

One by one, children came forward for Mandela's autograph. As his staff looked on helplessly, a line of children, most of them white, stretched down the aisle.

"Work was impossible," a frustrated colleague, Ahmed Kathrada, remembers. "I kept trying to tell him, 'Just sign your name.' But he had to chat with each little child."

When the line finally dwindled, the pilot invited Mandela into the cockpit. As usual, Mandela obliged.

In the four months since his release from prison, where he served 27 years of a life sentence, Nelson Mandela has been feted as a folk hero from Cape Town to Cairo and showered with thousands of honors, invitations from world leaders and requests for interviews.

Whether acknowledging an ovation at a London rock concert or shaking hands with a hotel porter in Johannesburg, the

71-year-old black leader has the stamina of a politician on the hustings and the natural, self-effacing charm of a man born to lead.

In these days before Mandela's arrival in the United States on Wednesday for a 10-day visit, he has emerged as an international pitchman for the African National Congress, the most prominent of South Africa's anti-apartheid organizations. But back home he plays an even more important role—holding together the prospects for racial peace with personal, high-level diplomacy.

While his closest associates fear prison struggle to adjust to life outside, Mandela acts as if he has been preparing for these days for most of his years behind bars.

"He hasn't made any special effort to adjust; he's just fitted in as if it was the most normal thing," said Kathrada, who is the ANC's publicity director.

But Mandela has taken on a grueling schedule. In four major overseas journeys since Feb. 11, he has visited more than 15 countries in Africa and Europe, addressing dozens of rallies and news conferences.

Everywhere he goes, Mandela marvels at the warmth of his reception and regularly confounds his security men by wading into the crowds to talk at length with people who have come out for a glimpse of the man whose name is synonymous with black liberation.

Being with Mandela on the road "is like traveling with Elvis," says Joe Slovo, a member of the ANC's national executive committee.

The travel, the demands on his time and the crucial day-to-day decisions facing Mandela and the ANC in South Africa have already taken their toll.

Mandela, who will be 72 next month, checked into a Johannesburg hospital earlier this month for a week of bed rest and

some minor surgery. A week later, he canceled an afternoon of meetings in Switzerland because of exhaustion. His health, despite his blood pressure, is considered excellent for a man of his years. But few younger men could maintain Mandela's travel and speaking schedule, which rivals that of the Pope.

"We always knew that when we got out of prison, there would be a demand to see Nelson," says Kathrada, who was sentenced with Mandela in 1964 and released last October. "But we didn't really sit down to think. We were all swept into this situation."

Mandela, deputy president of the ANC, has been caught up in the process of getting black-white negotiations off the ground, and he has personally intervened in several crises that could have derailed those talks.

When hospital workers went on strike at Soweto's giant Baragwanath Hospital last month, bringing operations to a halt, Mandela called President Frederik W. de Klerk. Within days, the workers were offered more money, and the Health Ministry announced plans to open unused wings of white hospitals to all races.

A few weeks later, Mandela spent several hours with Law and Order Minister Abrihan Vlok to head off a bloody racial confrontation in Welkom, where a black township was under threat from right-wing white vigilantes.

South Africa's future depends to a large degree on Mandela's willingness to meet with his former jailers and on the mutual respect that has been built up between Mandela and De Klerk, who has been in office only 10 months.

Mandela was sentenced to life in prison for sabotage and conspiracy to overthrow the state, and he was vilified by the

Please see MANDELA, A18

## U.S. Targets Gangs in Sweep Across Nation

■ Law enforcement: More than 160 suspected affiliates of the Crips and Bloods were arrested in 11 states in an effort to halt expansion of the drug trade and violence.

By Dakrell Dawsey

More than 160 suspected affiliates of the Los Angeles-based Crips and Bloods gangs were arrested in a novel two-day sweep by federal agents seeking to check a national migration of the city's street violence, authorities announced Friday.

In what they dubbed "Operation Street-sweep," agents from the Bureau of Alcohol, Tobacco and Firearms arrested 160 people in 11 states and seized an unspecified amount of drugs, guns and cash. The raids began early Thursday and were not expected to end until late Friday night, ATF officials said.

Agents said the sweep—two years in preparation—was prompted by the budding expansion of the gangs' drug-dealing operations out of Southern California and into other corners of the country. In recent years, members of Crips, Bloods and other Los Angeles street gangs have been identified in scores of cities across the country.

"The Crips and Bloods were targeted because their level of violence has spread with the spread of drugs," ATF Special Agent Andrew Vita told a Los Angeles press conference. "We have investigated gangs in 32 other states and 63 other cities."

Vita said 135 gang members were arrested in Los Angeles, Orange, Riverside, San Bernardino and San Diego counties. Other arrests were scattered across Northern California and 10 other states, including Louisiana, Oregon, Arizona, Missouri, Oklahoma and Washington.

Another 100 were expected to be arrested later Friday and throughout the weekend.

"We managed to get about 75% to 80% of those we were looking for," Vita said. "We hope to get the rest soon."

ATF agents said that the gang members were arrested on a variety of federal gun and drug charges. Arraignments began early Friday in U.S. district courts around the country for those apprehended.

Officials said one motivation for Operation Streetsweep was that federal sentencing laws generally are harsher than local statutes. The ATF's major weapon is the federal Gun Control Act, which provides tough sentencing provisions—a minimum of five years in prison—for use of firearms in drug trafficking, regardless of the amount of narcotics involved.

"The local agencies can't get them into federal court without help from federal agents," said Stephen E. Higgins, director of ATF, who appeared at the Los Angeles press conference. "In federal court, many of those without felonies will face a minimum of five years. Those with felonies are looking at 15 years—no probation, no parole."

At the same time, the operation—not unlike many such law enforcement "crackdowns"—had the trappings of symbolism, a characterization that the agents advanced.

"We're trying to show that the gang problem is not just limited to Los Angeles," De Klerk, speaking on the steps of the Naval Training Center. "It's a nationwide problem, and we believe the federal government can't do some impact."

Added Higgins: "What began as a Los

Please see GANGS, A31

## Local Defense Firms Cut Back on Lawmakers' Free Trips, Fees

By Sara Ritz

WASHINGTON—Rep. Charles Wilson (D-Calif.), a member of a key defense appropriations subcommittee, spent six days in Los Angeles last year at the expense of half a dozen defense companies and a return home with \$10,000 in appearance fees.

He stayed at the Century Plaza, dined at the restaurants and generally had a very good time. "I love to go to Los Angeles," said the congressman, smiling broadly as he recalled his trip. "You all really got it to be a real pretty well off there."

Wilson's visit was what one House aide characterized as "your standard honorary trip—a phenomenon of congressional life that provides fees and free travel to affluent lawmakers who are willing to let the companies whose business depends on their votes in Congress."

Over years, such trips funded by Southern California defense industry have been one of the most popular ways for members of Congress to shift responsibility over dis-

burse to earn extra income. Contractors and members of Congress have long defended this practice as a legitimate outgrowth of the legislative process.

But in an era when politicians are increasingly being criticized by their political opponents for accepting money from special interests, it appears that these trips could be harder to come by for Wilson and other lawmakers. In the last year, several defense contractors, led by Lockheed, General Dynamics and McDonnell Douglas, have banned the practice on the ground that it opens them and the congressmen involved up to unnecessary criticism.

At Lockheed, Steve Gable, vice president for public affairs, said it was ended because it began to be viewed as a bait system. "We ought to figure out a better way for members of Congress to be paid," Gable said. "There is a feeling on the part of the public that honoraria is not the way to do the public's business."

Traditionally, congressional trips to Southern California defense plants have begun with an invitation from a single

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# Los Angeles Times

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SUNDAY, JUNE 17, 1990

DESIGNATED AREA'S FIGHT R  
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# Los Angeles Times

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SUNDAY  
JUNE 17, 1990

# BUSINESS

Los Angeles Times

## HIGHLIGHTS

**PIONEERING SPIRIT:** Kazuo Inamori has gained a reputation as one of Japan's visionary leaders as his company, ceramics maker Kyocera, has encouraged creativity and free thinking. D1

**CLEAN AIR DEBATE:** Will proposed clean air laws mean high prices and shortages of gasoline? The oil industry says yes; critics say no. D1

**THE SUM OF ITS PARTS:** Irvine-based Western Digital Corp. is counting on a corporate culture of togetherness to help weld its varied collection of businesses into an efficient whole. D1



**TOURISM EXPERIMENT**  
A small Mexican state is trying to develop a tourist industry without destroying the environment. D3

## COLUMNS

**JAMES FLANIGAN:** Caterpillar's investment program has already shored up its market leadership—but it may take awhile to pay off the shareholders. D1

**BOARD OF ECONOMISTS:** David M. Gordon says it's time that we had a universal national health insurance system. D2

**SACRAMENTO:** A Supreme Court decision found that discrimination in insurance benefits based on age is not illegal. Now Congress is scrambling to prohibit the bias. D3

**PERSONAL FINANCE:** Columnist Bill Sing shows how to get a copy of your credit report and fix any mistakes in it. D4

**MONEY TALK:** Columnist Carla Lazzareschi explains why a bank or thrift should help its customers unravel computer errors and other checking account glitches. D1

**MUTUAL FUNDS:** Columnist Russ Wiles looks at the variety of funds that invest in Asian stocks. D5

**WALL STREET:** Columnist John Crudele says otherwise worthless stock certificates are gaining value as collectibles. D6

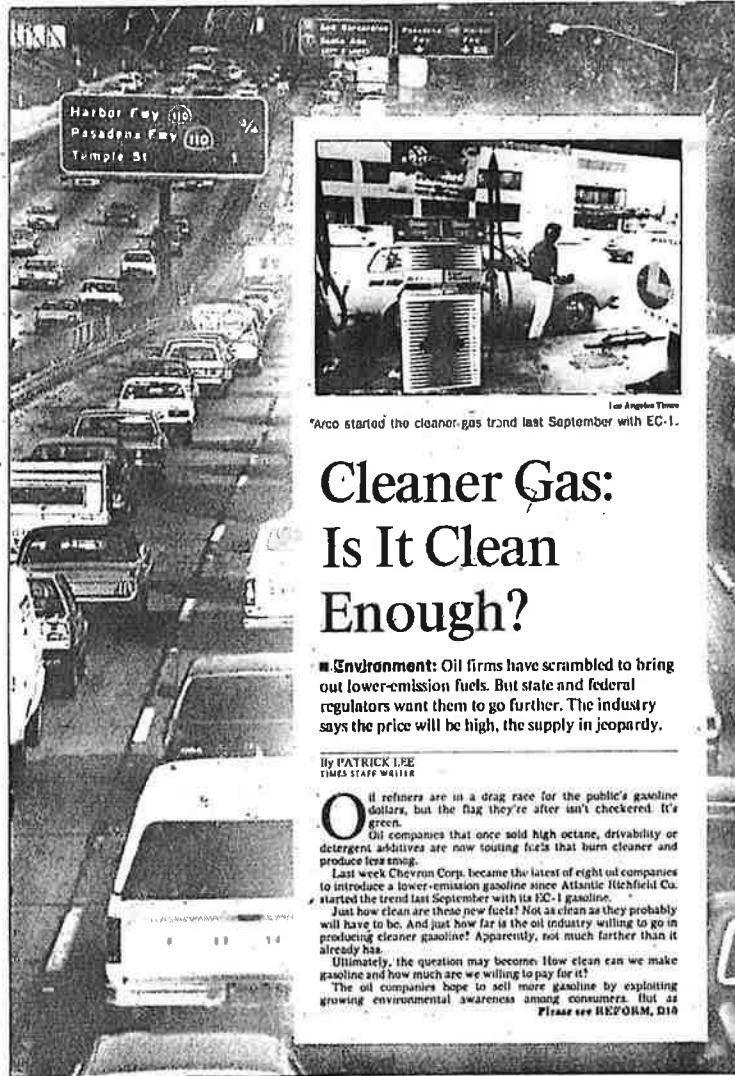


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Arco started the cleaner-gas trend last September with EC-1.  
Los Angeles Times

## Cleaner Gas: Is It Clean Enough?

**Environment:** Oil firms have scrambled to bring out lower-emission fuels. But state and federal regulators want them to go further. The industry says the price will be high, the supply in jeopardy.

By PATRICK LEE  
TIMES STAFF WRITER

**O**il refiners are in a drag race for the public's gasoline dollars, but the flag they're after isn't checkered. It's green.

Oil companies that once sold high octane, drivability or performance additives are now touting fuels that burn cleaner and produce less smog.

Last week Chevron Corp. became the latest of eight oil companies to introduce a lower-emission gasoline since Atlantic Richfield Co. started the trend last September with its EC-1 gasoline.

Just how clean are these new fuels? Not as clean as they probably will have to be. And just how far is the oil industry willing to go in producing cleaner gasoline? Apparently, not much farther than it already has.

Ultimately, the question may become: How clean can we make gasoline and how much are we willing to pay for it?

The oil companies hope to sell more gasoline by exploiting growing environmental awareness among consumers. But as

Please see REFORM, D10

## Western Digital Seeks Togetherness Spirit

**Technology:** Some say the firm is a crazy quilt of acquired businesses. But the critics may be silenced if it captures the contract to manufacture IBM's notebook laptop.

By DEAN TAKAHASHI  
TIMES STAFF WRITER

**R**oger W. Johnson believes in corporate togetherness. So much so that the chairman and chief executive of Western Digital Corp., which makes the electronic innards of most personal computers, is moving his company's silicon makers and chip designers into a house that

Johnson built, a gleaming 14-story headquarters in the Irvine Spectrum business park.

By corraling the company's executives, engineers and designers in one place, Johnson hopes to overcome traditional rivalries that block innovation. This new sense of togetherness is especially important for Western Digital, which employs a motley crew of chip architects brought together by six acquisitions over the past five years. The concept is also crucial to acting the company apart from its competitors.

Johnson wants to instill in Western Digital's culture his idea of "interarchitecture," or designing and manufacturing a family of electronic parts to work together so that the net result is better overall computer performance than if they were built independently. Johnson knows that it

will take more than jargon and a splashy new building to sway skeptics who think the latest incarnation of 20-year-old Western Digital is a crazy collection of companies bound by aimless acquisitions.

While the company's financial performance has improved this year, some industry observers criticize Western Digital management for spending too much time acquiring companies instead of running its business. And by trying to be all things to all computer makers, Western Digital, they fear, may only make itself vulnerable to competitors in each of its five business categories.

"It's too early to claim a victory for Western Digital's strategy," said Steven Gassad, an analyst with Montgomery Securities in San Francisco. "They are having a change in fortune, but a lot remains to be done."

Please see WESTERN, D8

## A Japanese Rebel Wins the Respect of Establishment

**Innovation:** Kazuo Inamori fought the odds with ceramics maker Kyocera. Now the company is held up as a model for the qualities Japan may need in the Information Age.

By TERESA WATANABE  
TIMES STAFF WRITER

**A**t 58, Kazuo Inamori stands at the pinnacle of success in Japan's business world. As founder of Kyocera Corp., Inamori pioneered high-tech ceramics, shepherded the firm to leadership in that market and secured a reputation as one of Japan's visionary leaders.

But he did it as an outsider, with his name pressed against the window of Japan's best schools, companies and business networks.

Inamori's story of rags to riches is as American as Horatio Alger. He contracted tuberculosis at 13. He lost his home and family factory to wartime air raids. Initially, other Japanese firms refused to buy his



ceramics. But he persisted, traveling to the United States in 1967 and convincing semiconductor maker Texas Instruments to give him orders for the Apollo space project. It was his first big break.

Now Inamori's pioneering spirit is winning public admiration in Japan. As the nation strives to foster the creative, free-thinking researchers needed for the Information Age, it is turning for lessons to this maverick maker of ceramic microchip housings. Last year, in a survey of 15,000 Japanese executives by the influential Japan Economic Journal, Kyocera was named the company with the greatest future in the 21st century. In two Nikkei Business surveys since 1983, Inamori has been named Japan's most effective manager.

"Even today, our venture spirit continues, and people look at Kyocera as innovative and creative," said Inamori, projecting charisma during an hour-long interview. But, he added, "It would be wrong to think we are now in the mainstream. The majority of people are still going in a different direction."

From the start, Inamori has tried to imbue Kyocera with his own innovative spirit. He was just a 27-year-old ceramics engineer when he quit his job to start his own company in 1959. He raised \$40,000 from private investors, becoming one of

Please see REBEL, D7

## Cat Lands on Its Feet in Competitive Global Marketplace

**JAMES FLANIGAN**

The eyes of American business are focused these days on Caterpillar Inc. as it spends billions to automate its factories and tries to slay No. 1 in fiercely competitive world markets.

Most investment people nod approvingly. "They're doing the right things," say analysts. But they also have reservations, recalling that another giant, General Motors, spent \$40 billion on automation in the early 1980s, with unimpressive results so far.

Right now, Caterpillar's figures are not reassuring. Its revenues are increasing for the fourth year, but its construction equipment, which is the company's mainstay, is down—just as management told shareholders they would be—due partly to costs of the automation program. So the final verdict on how

successful Cat's reorganization will be must wait until next year, or even later in the '90s.

Why should you care? Because Cat is a very important company—\$11 billion in sales, the second-largest U.S. exporter (after Boeing), an employer of 42,000 in the United States (and 18,000 overseas) with a ripple effect throughout the economy.

And because Cat's \$2-billion investment and reorganization could set a pattern, affirming that U.S. companies can compete successfully and encouraging others to do the same.

Also, in an often disturbing modern business world, Cat can teach you the real meaning of 50-cent words and concepts such as long-term investment, global trade and competitiveness.

Cat Chairman George Schaefer explained succinctly how the world has changed. Business was a breeze from the end of World War II to 1980, he said, with something new always coming along to provide a market for Cat's bulldozers and tractors—from the rebuilding of Europe to U.S. interstate highways to development in Asia.

Then it all ended. The recession of the early 1980s coupled with the high value of the U.S. dollar hurt Cat competitively. Sales fell from \$9 billion in 1981 to \$5.4 billion in 1983—a 40% decline in two years. The market didn't so much shrink as



Roger W. Johnson, Western Digital chairman

change. Big projects gave way to smaller, more diverse operations, often run by small owner-builders. So Cat expanded its product line. Today it has 300 models of construction machinery compared to 150 before, and a whole new line of light equipment for smaller jobs.

One thing dead to another. That variety in models and customers forced an end to the way Cat manufactured things. A typical plant at Cat's complex in Peoria used to go for a week or more making thousands of copies of a single part, which would be set aside in inventory—millions of dollars in parts sitting around—until the rest of the product could be made and shipped.

That sounds wasteful but in the days when it took a full eight-hour shift to change machinery on a production line, it

Please see FLANIGAN, D11

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REFORMULATED GASOLINES NOW ON THE MARKET

Table with columns: COMPANY, GASOLINE, VOLATILITY INDEX (SUMMER), AROMATICS (% BY VOLUME), SULFUR (% BY VOLUME), OLEFINS (% BY VOLUME), SEVERE USE (PPM), Sulfur (PPM), Sulfur (PPM), OTHER (PPM), and OTHER DETAILS.

CURRENT AND PROPOSED GASOLINE STANDARDS

Table with columns: SENATE BILL, HOUSE BILL, CALIF. AIR RESOURCES BOARD, ESTIMATED SULFUR IN GASOLINE, SEVERE USE (PPM), AROMATICS (% BY VOLUME), SULFUR (% BY VOLUME), OLEFINS (% BY VOLUME), Sulfur (PPM), Sulfur (PPM), Sulfur (PPM), OTHER (PPM), and OTHER DETAILS.

(a) - Senate bill allows no average for aromatic limits; House bill does. (b) - Technical Amendment would limit increases in HGI emissions if oxygenate is required in some areas... (c) - House bill would allow variations in formula if emissions targets can be exceeded. Also quotes California pilot alternative fuels program.

Search for Cleaner Gas Is Balancing Act

All of the efforts to regulate the formulation of gasoline are designed to reduce two key pollutants that are precursors to smog: nitrogen oxides and hydrocarbons, which react with sunlight to create ozone. And that calls for a delicate balancing act.

In many respects, emission control systems balance those things to come up with simultaneous reduction of all of the emissions. In attempting to devise a gasoline formula, regulators have focused on a number of key elements of gasoline.

FLANIGAN

Coalition from DT was more efficient to do things that way than to shut down frequently to change tools or models. Now computer-guided machines do things differently. You tell the machine to change tools and instantly it turns out a different model, says a Cat veteran.

As a result, Cat has held its leading share of the world's markets against stiff competition from Komatsu Ltd., a \$6-billion (revenue) Japanese company that has a joint venture in the United States with Dresser Industries.

MUTUAL: Asian Investment Opportunities

Several of the currencies are pegged to movements in the dollar. That's not true of the Japanese yen, which fluctuates against the greenback. If you want to minimize risk of currency-related gains or losses, stick with funds, such as G. T. Pacific, that have low Japanese weightings.

The world, most likely, it will continue to offer good potential for a long time. A lot of Europe's growth is still live to 10 years away," Economists say, "while Asia's is here and now."

ECONOMISTS: Health Care

Only 10% agreed that "only minor changes are necessary to make it work better," while only 1% of respondents were "not sure."

"peace dividend" that may result from a thaw in the Cold War. The "national health-care dividend" could be just as large.

THIS WEEK

- MONDAY, June 18
City council in Gillette, Wyo., is to vote on banning purchases, possession or use of tobacco by anyone under 17.
TUESDAY, June 19
Commerce Department reports revised first-quarter gross national product and corporate profit.
Northwest Airlines' pilot arrested for driving while intoxicated on his way to work makes court appearance in St. Paul, Minn.
FRIDAY, June 22
Commerce Department reports durable goods orders for May.
Commerce Department reports personal income for May.
Conference on woman coal miners, Haysville, Va.
Shareholders of Great Northern Nebraska vote on finalizing merger with Georgia Pacific.

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# FLANIGAN

## Continued from D1

was more efficient to do things that way than to shut down frequently to change tools or models.

Now computer-guided machines do things differently. "You tell the machine to change tools and instantly it turns out a different model," says a Cat veteran. So technology allows flexibility, and saves money on inventory. But it also demands other changes.

If you're responding to diverse customers with instantly flexible manufacturing, it makes no sense to have people in the field waiting for decisions from headquarters on pricing or production. So Cat is reorganizing to give more people more responsibility. "If they succeed, they'll have a very powerful organization," says an industry expert.

The point is that corporate reorganization, rightly done, does not simply displace people. It increases their responsibility and productivity. Cat employs more people today than in 1983—and has increased wages and benefits 35% since then. At the same time, it has boosted total sales 105% and sales per employee 48% to \$185,000. Productivity has risen, in other words.

But Cat hasn't let up, hasn't harvested those productivity gains to buy up its own stock or make acquisitions, as many companies did in the '80s. Instead, it has used its financial strength to support dealers and increase sales overseas—from \$2.5 billion in 1983 to \$6 billion last year.

As a result, Cat has held its leading share of the world's markets against stiff competition from Komatsu Ltd., a \$6-billion (revenue) Japanese company that has a joint venture in the United States with Dresser Industries. "Cat holds 35% of the world market in construction equipment overall, and 50% or more in larger machines," says analyst Steven Colbert of Prudential Bache Securities. It even succeeds in Komatsu's home market through a joint venture with Mitsubishi, called New Caterpillar Mitsubishi, which supplies 70% of the construction machines for Japan's new Kansai Airport.

So what's left to decide about the reorganization? Whether Cat can make enough profit to do something for its shareholders. Its stock price, at \$66 a share recently, is only a few dollars higher than it was 10 years ago. And that may not improve in a hurry: U.S. construc-

tion markets are slow, and overseas markets are weakening; Eastern Europe's great potential for new construction is still only a promise. "Cat's earnings may fall to \$4 a share this year,"—from \$4.90 in 1989—says analyst Michael Braig of Cleveland's Prescott, Ball & Turben investment firm.

But Cat, just because it keeps investing to reduce costs, will be able to operate profitably in bad times—and benefit tremendously in good. Sometime in the '90s, say analysts, Cat will earn \$10 to \$15 a share—indicating a stock price that could triple. "If you're managing a large diversified portfolio, arguably Caterpillar should be at the top of the list," says analyst Robert McCarthy of Chicago's Duff & Phelps research firm.

Indeed, if American business is looking to Caterpillar for guidance, there's reason to hope for us all.

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# EXHIBIT 013

**GEORGE BUSH: DESPERATELY SEEKING STABILITY**

**U.S. News** & WORLD REPORT

DECEMBER 9, 1991

\$2.50



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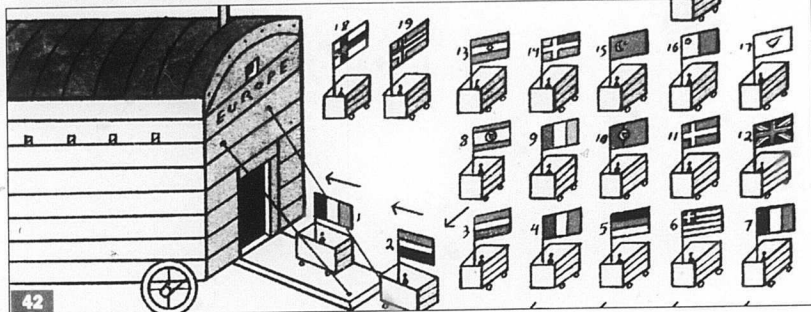
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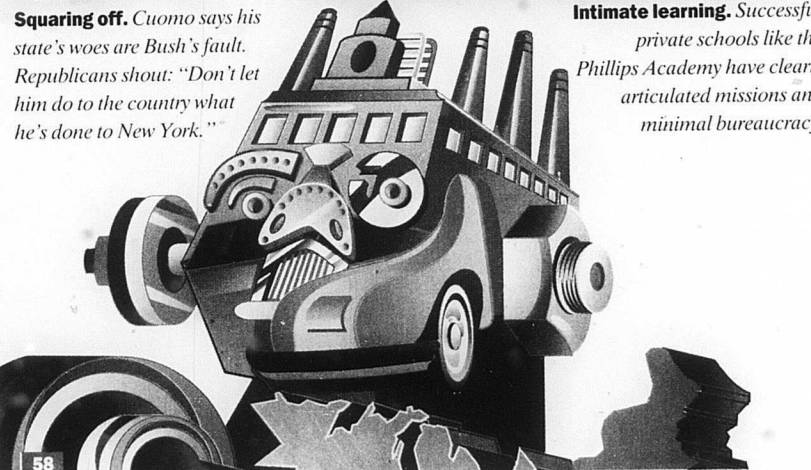
**All aboard.** As the leaders of the 12 European Community nations meet in the Netherlands to lay a foundation for a United States of Europe, other states are lining up to join the community.



**Squaring off.** Cuomo says his state's woes are Bush's fault. Republicans shout: "Don't let him do to the country what he's done to New York."



**Intimate learning.** Successful private schools like the Phillips Academy have clearly articulated missions and minimal bureaucracy.



**Mechanical failure.** After briefly recovering last spring, Midwestern manufacturing is breaking down. Many companies in America's heartland are bracing for the return of recession.

COVER: Photo by Jeffrey MacMillan—USN&WR Inset photo by Linda L. Creighton—USN&WR  
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Japan and Germany are cooling off.

Despite their fears, most manufacturers have coped with far tougher times in the past. During the recession of 1981-82, industrial companies lost 2.1 million jobs, nearly triple the 786,000 positions cut since July 1990. One main difference between then and now is America's sharpened competitiveness. "A stronger trade balance has provided a cushion this time," says Jill Thompson, a senior economist at DRI/McGraw-Hill. Also bolstering manufacturing today is the extensive belt tightening that firms were forced to undergo during the 1980s. This corporate restructuring has led to gains in industrial productivity.

The most notable casualty of the manufacturing downturn has been the decimated auto industry. In the third quarter of this year, General Motors, Ford and Chrysler lost a combined \$1.76 billion, compared with just \$3 million in total losses during the third quarter of 1990. Auto makers will now be forced to shut down additional plants.

Closely dependent upon Detroit is the steel industry, which has seen production slide by about 12 percent in 1991 compared with 1990. LTV, Bethlehem Steel and Inland Steel all were hit with losses in the third quarter, and USX reported a measly profit of just \$5 million, a drop of 94 percent from the same period last year.

As the recession ripples down the supply chain, layoffs have occurred at such raw material producers as Eveleth Mines in northern Minnesota, which processes iron ore for steel. Just as there was "some optimism that things would come back," says Eveleth General Manager Dick Harmon, 600 of the company's 728 workers had to be idled for three weeks. Manufacturers in a number of other industries have also been hurt. The \$26 million Blandin Paper Co., for instance, has had to offer sizable discounts just to maintain its business.

Jerry Jerome, president of Jerome Foods in Barron, Wis., is also cutting prices. Demand for Jerome's turkeys usually peaks during the holiday season, but the poultry producer has been forced by frugal consumers to sell his birds for 16 percent less this year. Like so many worried executives and workers in America's industrial heartland today, Jerry Jerome knows firsthand just how foul the nation's economy has become. ■

BY RICHARD J. NEWMAN  
AND SARA COLLINS

# Cat claws its way to the future

*Peoria's pride is targeting labor costs*

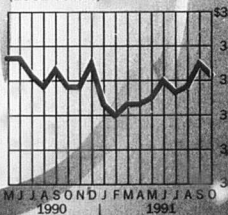
Like Coca-Cola, Caterpillar is an American icon. Its familiar yellow machines are respected the world over for their dependability, quality and strength. Generators powered by Caterpillar diesel engines today supply electricity for war-ravaged Kuwait. In Japan, immense Caterpillar bulldozers are carving out a major new airport. But inside building SS in East Peoria, Ill., where Caterpillar builds bulldozers that sell abroad for upward of \$1 million apiece, the factory line is still. At the plant gate, a clutch of grizzled workers wearing "I'm sticking with the Union" buttons huddles near a 55-gallon drum filled with blazing timbers.

The United Auto Workers selectively struck two Caterpillar plants with 2,400 workers in early November when contract negotiations broke down. The company quickly responded by locking out 5,600 more laborers at other facilities, and no one expects work to resume soon. "Everyone prepared for this," explains picketer Dennis Lindo, who in better times assembles radiators for the giant tractors. "We've saved money and cut down our bills. We're looking at a four-monther, at least."

**Busting the union?** Labor negotiations at the world's largest manufacturer of earthmoving, materials-handling and construction equipment nearly always are marked by walkouts; the longest, in 1982, lasted 205 days. But this is no ordinary strike. This time, charges Jerry Brown, president of UAW Local 974, the largest of seven locals involved, "I think they are hellbent on busting the union." At Caterpillar's Peoria headquarters, chief company negotiator Jerry Brust sees it differently. "We've got to bargain a contract that allows us some promise of continuing to compete for five or 10 years to come," he says. But if Cat gains the concessions it wants, the outcome could reverberate far beyond its factory gates.

Caterpillar's management, as tough as its machinery, seeks to end two key

**Average weekly earnings, manufacturing**  
(1982 dollars)



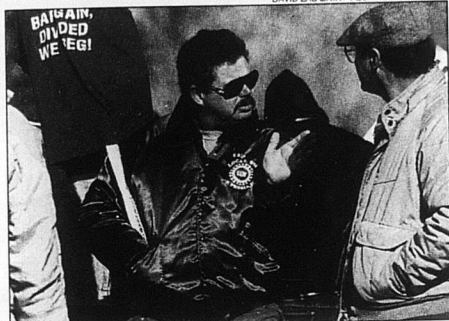
**Average weekly hours, manufacturing**



## BUSINESS

practices that have been the foundation of UAW strength. The first is "pattern bargaining," in which a contract negotiated at one company is expected to be followed by its competitors in the same industry. The UAW wants Cat to accept the terms of a contract recently cut with Deere & Co., which makes agricultural and construction equipment; Caterpillar claims that Deere's situation isn't comparable because as a major U.S. exporter Cat needs to control costs to compete globally. Caterpillar also wants to negotiate different agreements for each of its newly formed profit centers rather than a central contract that covers all seven UAW locals. This, says the union, is a "divide and conquer" strategy.

**Piling up losses.** For nearly a year, Caterpillar has laid the groundwork for the current confrontation. Since February, it has run a series of newspaper ads outlining its positions, warning pointedly that if it didn't remain competitive it could lose business to foreign rivals like Japan's Komatsu Ltd., shift production to different facilities or buy more parts from other companies. Workers have been bombarded by company mailings. Inventories have been built up so sales could continue during a strike. And given the current worldwide construction slowdown, those inventories could last quite a while: Sales have dropped so sharply that Cat reported a loss of \$86 million for the first three quarters of 1991 and warned that fourth-



Striking out. Cat's workers walk the picket line.

quarter losses would top that figure.

UAW workers at Caterpillar's factories have long enjoyed pay and benefits that are the envy of those who work in many other Midwestern plants. "We're not suggesting we want to cut wages," Brust says, just slow the rate of increase. "We've invested in technology so we can be productive with highly paid, highly skilled employees. But there is a limit to it." Cat's last proposal to the UAW would raise average hourly wages from \$16.98 to \$18.97 over three years. With all health and pension benefits included, the hourly average would rise from \$32.35 to \$37.50—slightly ahead of the anticipated inflation rate. But since the offer did not include pattern bargaining and a strong central agreement, the UAW rejected it after a four-minute caucus.

As a large net exporter of American-made products, Caterpillar argues that labor agreements must reflect its status as a major international competitor. In 1990, Caterpillar sales totaled \$11.1 bil-

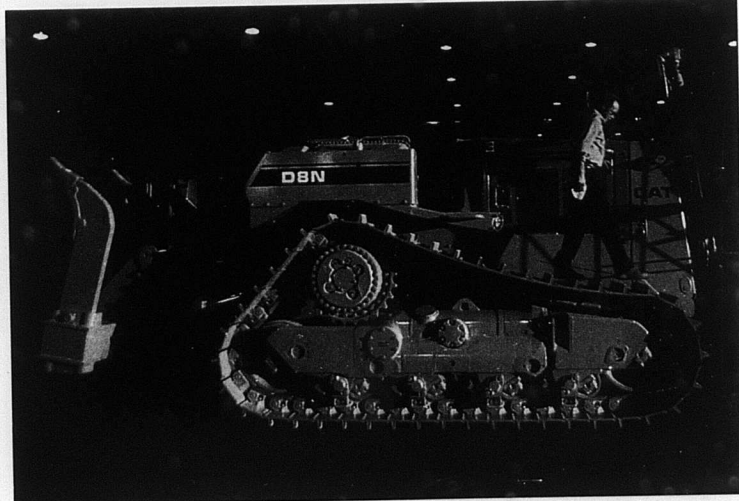
lion, of which a record \$6 billion was earned overseas. Although nearly half of Cat's foreign sales came from 15 plants outside the United States, 17 American factories exported \$3.4 billion worth of machines that supported 18,500 jobs. Even when Cat's imports of parts and machines are taken into account, the company contributed \$1.9 billion to the nation's trade balance.

Caterpillar first got serious about competition a decade ago. For half a century until 1982, the company had turned a profit every year as buyers lined up for its equipment. Then, with the severe recession that followed the oil shocks, its familiar world ended. Huge public-works projects that used lots of Cat equipment evaporated, and, at the same time, Komatsu mounted a challenge with high-quality earthmovers. Cat slashed prices to hold its share of a declining market, losing nearly \$1 billion between 1982 and 1984.

**Shutting factories.** Since then, Cat's chastened executives have transformed the way the company does business. By closing plants and purchasing many parts rather than making every bolt and screw itself, Caterpillar cut employment in the Peoria area from 36,000 to 17,000. The five-year, \$2.1 billion "Plant With a Future" program, to be completed in 1993, aims to install the latest manufacturing systems. Already, quality is up—"You won't find any sledgehammers on the line anymore," says one worker—and at the plant in Decatur, Ill., the time required to make a motor grader has been cut from 20 days to five. Last year, the company shed its old-fashioned functional organization, where no one had clear responsibility to make money, and substituted profit centers, each geared to a product line and set of customers.

Restructuring labor agreements to reduce costs is the last step in Cat's campaign for competitiveness, and it may be the hardest of all to achieve. Even though pattern bargaining disappeared in the 1980s in other major industries like paper, meatpacking, trucking and rubber, Caterpillar is clearly a vigorous competitor whose market shares have been rising under the present labor agreement in nearly every equipment line, according to *Machinery Outlook*, an industry newsletter. The UAW is also strong, and it has a big strike fund. In addition, many of its Caterpillar members are older men who successfully weathered the long 1982 strike. "This," says picketer Dennis Lindo, "is not my first rodeo." Neither, however, is it Caterpillar's. ■

BY WILLIAM J. COOK



In the hole. A slowdown in global construction has hurt Caterpillar's profits.

# EXHIBIT 014



# Los Angeles Times

CIRCULATION:  
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## COLUMN ONE Emigres Fuel Old Hatreds

While Slovaks and Croats in North America mostly engage in legitimate fund-raising for their causes, there also have been cases of extortion and illegal weapons trade.

By ROBERT C. TOTH  
TIMES STAFF WRITER

TORONTO—Joseph Kirschbaum was a top official in the Nazi puppet regime that governed Slovakia during World War II. He managed to transform the republic into a German protectorate with Nazi-style, anti-Jewish laws. He fled after the war, first to the Vatican, then Canada, and was sentenced in absentia to 20 years in prison for high treason.

Kirschbaum recently returned to his homeland republic for the first time in half a century and met with dedicated separatist intent on splitting Czechoslovakia. Although a convicted war criminal, he was not arrested.

Some Czechoslovak officials acknowledge that his presence was ignored because the government did not want to aggravate the powerful, ultranationalist pressures dividing the nation—pressures fueled and financed in part by Kirschbaum and fellow emigres in Canada and the United States.

Much as Irish-Americans have secretly helped the Irish Republican Army and other militants in Northern Ireland, Croatian and Slovak immigrants in North America have funneled money and arms into the bloody civil war in Yugoslavia and contributed to ethnic tensions within Czechoslovakia. Although Serbian immigrants have funneled support to their brethren in Yugoslavia, their numbers are far fewer and their involvement more limited.

Most of the money is raised through legitimate means, such as \$2 million collected at a single benefit in Chicago, according to the Croatian-American team. Similarly, most of the funds are used for legitimate purposes, such as emergency relief and political campaigns. But some emigres also have attempted robbery and extortion to obtain money for Old World freedom fighters, while others have trafficked in illegal weapons and helped disguise incendiary propaganda.

Last August, for example, a group of Croatian-Americans from Chicago—some living in a forest camp that housed the U.S. airlines and planted bombs in airports a decade ago—tried to smuggle \$20 million in arms from Miami and Phoenix to nationalist forces in the republic of Croatia, which seceded from Yugoslavia in June and was fighting the Serbian-led federal army. They were caught in a sting operation organized by the U.S. Customs Service.

Others have demanded money—\$3,000 to \$5,000 a clip—from fleeing Croatian-Americans for the cause, according to customs officials. And three brothers are under investigation in Philadelphia for allegedly stealing more than \$5 million from a bank.

Please see EMIGRES, A6

## Blacks, Latinos Coexist in a Peace Tempered by Fear

South L.A.: Undercurrent of suspicion has little basis in reality. Language differences hinder understanding.

By HECTOR TOBAR  
TIMES STAFF WRITER

Fernando Hernandez watches through the windshield of his rocky red cream truck as half a dozen

Los Angeles unfolds before him. With the taped barrel-organ music announcing his arrival to yet another city block, he offers his own observations about race relations in the community where thousands of blacks and Latinos live side by side.

"The Latino customers don't get angry if you check them by accident," he says, but the blacks do. The blacks buy more ice cream, but they're more demanding. Hernandez says in Spanish of the black customers—very touchy. "I'm afraid of these black kids. They'll stone your truck if they don't like you."

So it goes in the ecological

## Gel Implant Ruptures Put at 6%

By MARLENE CIMONS  
TIMES STAFF WRITER

WASHINGTON—Researchers studying the rupture rate of silicone gel breast implants reported Tuesday that about 6% of the women they studied had experienced such ruptures. The figure, which the researchers described as probably conservative, is far higher than some previous estimates.

"We are on the threshold of trying to find out how common ruptures are," said Dr. Kathleen M. Harris, a University of Pittsburgh radiologist who conducted one of the studies. The preliminary results of the new research were presented to members of a

Please see GEL, A9

## Gates Prompts Fraud Probe in Search for Chief

By RICH CONNELL  
TIMES STAFF WRITER

An investigation of possible fraud by candidates for Los Angeles police chief was ordered Tuesday, after departing Chief Daryl F. Gates and a senior LAPD commander told the Civil Service Commission that some applicants used ghostwriters to prepare crucial essays on the department's future.

"Quite frankly, I know a couple of people who went out and had that essay done for them," Gates told the panel as he launched his latest salvo against the process set up to choose his successor.

Gates also told reporters after the meeting that he had "heard specifically about individuals" seeking the chief's job who sought help writing the take-home essays, which were used to narrow the pool of candidates to 13 finalists.

But Gates refused to provide names or details, and later in the day he appeared to be retracting from his assertions, saying he was "having everything on hearsay."

LAPD Cmdr. Frank Perno, who was disqualified in the first round of chief selection effort, also told the commission during a public hearing that "one or two candidates didn't even write these" essays. Perno later said he had no proof his assertions, and later he has remarks on rumors that an unidentified candidate from outside the Police Department had used aides to write his essay.

Members of the Civil Service Commission, calling Gates and Perno's allegations serious, ordered a Personnel Department investigation "to determine whether, in fact, any individuals have committed fraudulent or misleading acts in connection with their applications for the position."

If applicants did not write their own essays, it could lead to disqualification from the process, and, if they are city employees, possibly administrative discipline, said Perno.

Please see GATES, A8

# Bush, Tsongas Win in N.H.; Tight Vote a Blow to President



LARRY DAVIS / Los Angeles Times

Republican presidential candidate Patrick J. Buchanan at election night headquarters in Manchester, N.H.

## Clinton Finishes 2nd; Other Rivals Far Back

Democrats: Result raises questions: Can Tsongas repeat? Is Arkansas governor on rebound or decline?

By ROBERT SHOGAN  
TIMES STAFF WRITER

MANCHESTER, N.H.—Former Massachusetts Sen. Paul E. Tsongas, who made up in dogged determination whatever he lacked in charisma and funds, won the New Hampshire Democratic presidential primary Tuesday night, casting a cloud of uncertainty over the contest for the nomination.

With the bulk of the precincts reporting, Arkansas Gov. Bill Clinton was second, with 26% to Tsongas' 34%. Clinton was the early front-runner in the polls, but his candidacy was badly damaged by unsubstantiated allegations that he had been unfaithful to his wife and by a controversy over his Vietnam-era draft status. Though Clinton denied the charges, the controversies seemed to distract from his message promising national economic revival.

Nebraska Sen. Bob Kerrey, Iowa Sen. Tom Harkin and former California Gov. Edmund G. (Jerry) Brown Jr. were closely bunched well behind the leaders. Kerrey had 12%, Harkin 10% and Brown 9%.

But the returns brought disappointment to backers of New York Gov. Mario M. Cuomo, who had mounted a write-in effort on his behalf. With more than 50% of the vote in only 3% had written in his name. Backers had hoped to get at

least 10% as a demonstration of support to persuade him to get into the race.

But local politicians said the vote was probably not a fair test of Cuomo's popularity because the use of voting machines in the vast majority of precincts discourages a

Please see DEMOCRATS, A11

## Bush Team to Shift Gears and Hit the Road

By JAMES GERSTENZANG  
TIMES STAFF WRITER

WASHINGTON—"This isn't a wake-up call," one adviser to President Bush's reelection campaign said Tuesday, describing the results of the New Hampshire GOP primary. "It's a 2-by-4 around the front of the face and head. It's a sledgehammer."

Bush's campaign team, clearly shaken by conservative commentator Patrick J. Buchanan's strength in New Hampshire, scrambled Tuesday to devise a new strategy that would help repair the damage.

They hastily devised a rigorous

## Voter Discontent on Economy Is Key, Poll Finds

By RONALD BROWNSTEIN  
TIMES STAFF WRITER

MANCHESTER, N.H.—Economic distress, more than ideological discontent, powered conservative columnist Patrick J. Buchanan's dramatic showing against President Bush in Tuesday's New Hampshire primary, according to a Los Angeles Times exit poll.

But the poll found that the vote may have been more a rejection of Bush than an endorsement of Buchanan. Just 46% of Buchanan voters said they supported him because they liked his policies, with 42% backing him "to send a protest message" and 12% because they viewed him as the best of a bad lot.

In the Democratic race, the poll found that the decision pivoted on voters' assessments of the candidates' character and experience, with former Massachusetts Sen. Paul E. Tsongas and Arkansas Gov. Bill Clinton, the top finishers, drawing support in patterns that illuminated their weaknesses as clearly as their strengths.

Reflecting continuing concerns about the allegations surrounding Clinton's personal life, Tsongas ran up overwhelming margins over the Arkansas governor among the voters who cited "ethics" and "trust" as key factors in their decisions.

But the low-key former senator trailed Clinton by substantial margins among voters who placed

Please see POLL, A10

■ Republicans: The incumbent's victory over Buchanan by a preliminary count of 58%-40% is far closer than expected. Voters displayed deep resentment over the ravaged economy.

By CATHELEN DECKER  
TIMES STAFF WRITER

MANCHESTER, N.H.—Republicans delivered a startling rebuke to President Bush on Tuesday night at the close of a tempestuous primary campaign that was cast as a referendum on the Bush presidency.

Although he won the first-in-the-nation primary, 58% to 40%, over conservative challenger Patrick J. Buchanan, Bush's margin was far smaller than either campaign imagined. The percentages did not include write-ins for other candidates, which had yet to be tabulated.

Here, in the state where Bush salvaged his political career in

■ RELATED STORIES: A11 A11

1988, the voters clearly displayed deep resentment over their ravaged economy.

The election was far closer than many had predicted, a chastened Bush acknowledged in a statement issued by the White House. "I think the opponents on both sides reaped the harvest of discontent with the pace of New Hampshire's economy. I understand the message of dissatisfaction."

Bush vowed to take his case to voters from now until November and said he was confident that he would defeat Buchanan in the upcoming Southern primaries.

"Now—on to the South," the President said. A euphoric Buchanan declared victory, in effect, as he spoke over the cheers of hundreds of joyous supporters in Manchester.

"Today, from dawn to dusk, the Buchanan brigades met King George's army all along the Concord-Manchester-Nashua line." Please see GOP, A12

## The Vote in New Hampshire

| DEMOCRATS<br>95% of precincts reporting |        |    |       |
|---|--------|----|-------|
|   | Vote   | %  | Delta |
| Paul E. Tsongas                         | 52,459 | 34 | 9     |
| Bill Clinton                            | 22,218 | 26 | 9     |
| Bob Kerrey                              | 18,078 | 12 | 0     |
| Tom Harkin                              | 16,282 | 10 | 0     |
| Jerry Brown                             | 13,288 | 9  | 0     |
| Mario Cuomo                             | 5,327  | 3  | 0     |
| Robin Weaver                            | 2,556  | 2  | 3     |

| REPUBLICANS<br>95% of precincts reporting |        |    |       |
|---|--------|----|-------|
|   | Vote   | %  | Delta |
| George Bush                               | 88,840 | 58 | 10    |
| Patrick Buchanan                          | 61,933 | 40 | 9     |

Delta figures are based on the state's primary results. Times staff and wire reports.

## INSIDE TODAY'S TIMES



Suspect Abdel Basset Al Megrahi, left, is taken into court.

LIBYAN SUSPECTS PARADED  
The Libyan government paraded the two Pan Am bombing suspects before invited Western reporters in Tripoli. A4

PALM SPRINGS GAMBLING  
An Indian tribe that owns land in Palm Springs dropped its objection to gambling facilities. But Mayor Sunny Bonin opposes the idea. A3

TWO SUBS COLLIDE  
Two attack submarines—one American, the other from the Commonwealth of Independent States—collided off Russia last week, U.S. officials said. A8

CREDIT-EASING STEP  
In a move aimed at sparking new lending and boosting the economy, the Federal Reserve Board reduced the size of reserves that banks must hold. D1

WEATHER: Mostly sunny today. Mostly cloudy tonight with a chance of light rain. Civic Center low/high today: 50/72. Details: B5

■ TOP OF THE NEWS ON A2

## Torment Drove Man Who Joined Sain Son in Death

Families: Father first tried to find youth's killer. That failed and he killed himself on the spot where boy died.

By JESSE KATZ  
TIMES STAFF WRITER

In the end, the bullet that killed 16-year-old Jesus Perez claimed two lives.

His father, who lived hand-to-mouth in a Skid Row hotel, was so anguished by the murder that he scaled the gang neighborhood of South Los Angeles last week, hoping to find those responsible for killing his boy, known on the streets as "Turtle." Overcome with guilt and alcohol, Armando Caraya then sold his color TV and bought a small handgun.

Finally on Monday night, the 48-year-old Cuban immigrant went to the desolate industrial strip near Florence Avenue where Jesus

died. Clutching his son's black rotary beads in one hand and the gun in the other, Caraya turned the barrel to his head and fired a shot.

"If possible, bury me close to Jesus—my son, my life," he had written in a neatly lettered suicide note. "Please ask God to forgive me."

Police said Tuesday they had no suspects in the shooting of Jesus, who died about 2 p.m. last Wednesday in the 6200 block of Stafford Avenue—a grim alleyway and a recycling yard and an auto dismantler. "We buy junk," reads a hand-lettered sign next to the blood-stained asphalt.

The boy, who had lived with his

Please see FATHER, A13

# Los Angeles Times

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DAILY 35¢  
DESIGNATED AREA'S HIGHER

# Two Koreas Put Peace Agreements Into Effect

■ Asia: The north's premier forecasts unification, but Seoul cautions that written pledges alone are not enough.

By SAM JAMESON  
Times Staff Writer

SEOUL—After 47 years of division and four decades of animosity, North and South Korea put two agreements into effect today regarding nuclear weapons, foreign arms violence and peace exchanges. North Korean Premier Kim Jong Il predicted that the two Koreas would be reunited by 1995.

"With diligence and sincerity and strict observance of the principle of national independence in implementing the terms of the agreements, I feel confident that 1995 will be the first year of unification," Kim told South Korean Prime Minister Chung Won Shik in a dinner toast in the North Korean capital of Pyongyang Tuesday night.

"Distractions, antagonism and confrontation between us now belong to the past," Kim said. He led a party of 20 South Koreans from Seoul for a sixth round of north-south prime ministers' talks. But the South Korean prime minister cautioned that "written pledges alone will never bring peace or unification."

The two agreements were initiated in December. One pledges renunciation, nonaggression, and exchange and cooperation, while the other declares the denationalization of the Korean Peninsula. Copies of the signed agreements were exchanged today in a Pyongyang ceremony broadcast live on South Korean television.

South Korean President Kim Young Sam signed one set Monday in Seoul, and North Korean Premier Kim Il Sung signed a separate set Tuesday in Pyongyang. New

of the developments in Pyongyang was relayed here by pool reports filed by 50 South Korean reporters traveling with Chung.

Lee Dong Bok, spokesman for the South Korean delegation, said the agreements "put an end to four-decade-long enmity between the two sides and the confrontation that marked the Cold War."

"But he added that the south's demands in the two days of negotiations that the north allow Seoul to inspect the north's nuclear facilities, "will provide a decisive opportunity to test the true intent of the north ... on their renunciation of nuclear weapons."

U.S. officials have warned that North Korea could use its nuclear energy and enrichment plants in a regional building north of Pyongyang to make nuclear bombs as early as 1993. North Korea, however, contends that its nuclear program is only for peaceful purposes. About 40,000 U.S. troops are stationed in South Korea as a guarantee of American assistance to Seoul in case of North Korean aggression.

North and South Korea agreed to mutual inspections and far-reaching nuclear weapons development, renunciation of nuclear war and the enrichment of uranium.

But the north, so far, has refused to set a date to carry out the inspections. It also has not yet completed procedures that would lead to separate, international inspections of its nuclear facilities under an agreement signed last month with the International Atomic Energy Agency.

Action also remains to be taken on the agreements to launch the exchanges that could, for the first time in its 44-year history, open up the Student Society of the Communist north. The two sides have pledged to establish committees on exchanges, political affairs and military matters within a month. But even then, debate on what

might be done would just begin.

In vowing the agreements Monday, President Roh warned that "failure to carry out practical measures for full implementation could incur more serious distrust."

Chung, in his dinner speech, said the humanitarian needs of 10 million family members separated by the country's division since the 1950-53 Korean War "should not be ignored any longer." At least, he added, "reminds of the elderly with their relatives should be permitted. Unless the 'wounds' of the separated families are healed, we cannot and we should not expect an era of genuine reconciliation to emerge." Chung told Yon.

Chung, a native of North Korea, is from one of the separated families. Speaking to reporters aboard a train bound for Pyongyang, the South Korean premier was shown on TV peering out a window toward Seoul, his face lit with a smile as he climbed the mountain when I was a child," he said.

Only twice in 20 years of negotiations have the North Koreans agreed to family reunions, and on each occasion, only 30 people were allowed to visit the demilitarized zone that separates the 900,000-military forces of the north and the 600,000-strong military of the south. No mail, no telephone calls and no exchanges of mass media have occurred since the two governments were established in 1948.

Chung acknowledged that trade between the north and south has been expanding rapidly. Kim Woo Chong, a former South Korean businessman and chairman of the Daewoo Group, said he plans to visit North Korea and announced that he plans to build factories in the north. His company also may employ as many as 20,000 North Koreans in overseas construction projects, he said.

# Libyan Bomb Suspects Appear Before a Judge

By RONE TIMPST  
Times Staff Writer

THIRUPOLI, India—To prove to the world that the suspects are not dead and have not disappeared, as some U.S. intelligence sources speculated last week, the Libyan government on Tuesday paraded before Indian Western reporters the two men accused by the United States and Britain of plotting the bombing of a Pan Am jet over Lockerbie, Scotland.

But a Libyan investigative magistrate assigned to the case said he will not allow the men—Abdel Basset Ali Megrahi and Lamen Khalifa Fhimah—to be extradited to the West for trial because Libya does not allow its citizens to be extradited involuntarily.

In any case, said Ahmad Tahir Zawi, the British-Indian American and British officials have not provided him with evidence that he requested for his own investigation into the case.

But the judge did not rule out the possibility that the two men, both employees of Libyan Arab Airlines, might be tried before an "international and neutral" commission "somewhere between Libya and not in the United States or Britain."

Megrahi, 39, and Fhimah, 35, were also produced earlier in the week for smaller groups of Western reporters, but they had only cameo appearances in the chaotic media spectacle that unfolded Tuesday at the Libyan Supreme Court's handsome marble-fronted building with its own orange fruit and flower garden on Tripoli's seacoast.

The two Libyans were indicted on Nov. 14 by a federal U.S. grand jury in connection with the bombing of Pan Am Flight 103 that killed 259 people on board Sunday on the ground when it exploded and crashed into the Scottish town of Lockerbie. The American indictment charges that they planted a suitcase containing a radio-stuffed with plastic explosives on a

# Further Splintering of Soviet Army Seen

■ Military: Chief of forces says he hopes for an orderly breakup rather than the emergence of divisive nationalism.

By MICHAEL PARKS  
and VIKTOR K. GREENSHIKOV  
Special to the Times

MOSCOW—The military commander of the Commonwealth of Independent States predicted Tuesday that the Soviet armed forces will continue to break up into national armies but expressed hope that the process will not lead to conflict.

Air Marshal Vyevgeny I. Shaposhnikov, the former Soviet defense minister, said that, despite the agreement by Commonwealth leaders last week to maintain the unity of perhaps two-thirds of the former Soviet forces under Commonwealth command for at least three years, each of the now-independent states would ultimately want its own army.

"This hope is that the process will be orderly and not add to the political turmoil here," he said. In the end, a defense alliance along the lines of the North Atlantic Treaty Organization might emerge, he added, rather than a resurgence of divisive nationalism.

The future of the former Soviet armed forces, which was the world's largest, has emerged as a key political as well as security issue with the dissolution of the Soviet Union. For some former Soviet republics, maintenance of their own armies has been a defining act of sovereignty. In the preservation of the old Soviet armed forces, virtually all last year Soviet institutions was a test of their ability to retain a measure of cohesion in the Commonwealth.

Sergei M. Shakhin, a Russian security prime minister and defense minister, told Russian lawmakers Tuesday that the dissolution of the Soviet military poses serious risks to the Commonwealth.

"Both parliament and deputies realize one thing clearly—the col-

lapse of the Commonwealth now is a 100% guarantee of a military mess," Shakhin said. That mess would spread across not only Russia and Ukraine, he said, "but the whole geopolitical space that used to be called the Soviet Union, unless continuous negotiations are undertaken."

Leaders of the Commonwealth's 11 member states had agreed at a summit last Friday to maintain control over the military forces of the Soviet Union, only eight states, and two of those, unwillingly, agreed to a united command for conventional forces. This means there will soon be seven armies, including those of the Baltic Republics—Estonia, Latvia and Lithuania—on the territory of the former Soviet Union.

Ukraine has sworn in a reported 400,000 military personnel and is already on the way to creating one of Europe's largest armies. Battling Russia over which Soviet units and equipment belong to it, Ukraine has the Commonwealth's largest force. Ukraine this week claimed 21 bombers equipped to fire nuclear-armed cruise missiles and 100 nuclear bombs.

"Since the Commonwealth is not a state or a superstate but a union of states, each member is completely independent with all the attributes of a sovereign state, including its own armed forces," Shaposhnikov said.

But he argued that Ukraine is claiming units, including the regiment of bombers and a third of the Black Sea Fleet, that belong to the Commonwealth's forces. "I am against this idea that everything deployed on Ukrainian territory should belong to Ukraine," he said. Russia's plans are still uncertain. Gen. Konstantin I. Babits, a defense adviser, told lawmakers on Tuesday, saying, "I think the Russian Defense Ministry will be set up but where, how and with what for directing what forces and under what military doctrine remains to be seen."

"Both problems are extremely difficult, and we are making little

# Dispute Over Details Stalls U.S.-Commonwealth Arms Pact

■ Disarmament: But Baker and Kozyrev agree to set up a joint early warning center to track ballistic missiles.

By NORMAN KEMPTER  
Times Staff Writer

MOSCOW—The United States and Russia now claim to be friends, even allies, but as Secretary of State James A. Baker III and Russian Foreign Minister Andrei V. Kozyrev discovered Tuesday, it is a complex thing to clear up the debris of the Cold War.

Baker and Kozyrev met for two hours without resolving any of the disputed details of a new arms control treaty to sharply reduce the awesome arsenals of long-range nuclear weapons left over from decades of hostility between the United States and the defunct Soviet Union.

But they agreed to establish a new early warning center to track ballistic missiles worldwide, the first concrete example of defense cooperation between the former enemies.

The plan calls for Washington and Moscow to share technology in building the computer of radars, heat sensors, satellites and other devices. But it falls far short of the sort of exchange of technology on

deferring details," Kozyrev said at a news conference with Baker. "These are not political problems. They are essentially technical ones."

Baker agreed to add, "There are some very substantial practical problems."

Kozyrev said he and Baker "have decided not only to move from the area of confidence to a new partnership, but we also agreed that eventually we might become allies."

President Bush and Russian President Boris Yeltsin were unable to resolve those arms control issues during their generally harmonious meeting at Camp David earlier this month. They agreed that Baker and Yeltsin would settle the details when the secretary of state visited Moscow. Baker and Yeltsin failed to solve the complex problems of counting, defining, listing and the like during their three-hour meeting Monday, so they decided to let Baker and Kozyrev tackle them on Tuesday.

Still unable to settle details, Baker and Kozyrev decided to meet next month to try again. Both men are scheduled to be in Brussels on March 10 for a meeting of the newly established commission of members of the North Atlantic Treaty Organization and

# The Press Urges Latvia to Solve Paper Shortage

By TAMARA JONES  
Times Staff Writer

RIGA, Latvia—The nation's five major dailies complained Tuesday that Russian trade restrictions and Latvian government apathy are to blame for a critical newspaper shortage that has compelled Latvian newspapers to call for a news blackout.

The paper shortage has already caused sporadic shutdowns, and the Latvian Assn. of Newspaper Publishers and Editors called on the Riga government to take emergency steps to avert disaster.

"The idea isn't to make the government give new papers paper but to get it to stop policies that would at least make it possible for the new papers to buy some," said Sammie Eiete, deputy editor of Diena, which claims a daily circulation of 200,000.

Latvian publications depend on newspaper supplies from Russia and cannot afford to buy the paper on the world market, Eiete said. And if acceptable agreements cannot be made with Russia, the publishers want the government to take out loans to facilitate the purchase of newspaper in the West.

Even in Russia, the price of Russian paper has increased 10-fold. The publishers' association also claims that delays by Russian issuing export licenses have blocked the transport of about 100 tons of newspaper the papers have already purchased.

A treaty under negotiation has been between Latvia and Russia would provide only 7,000 tons of newspaper yearly—barely enough to print the country's five major dailies, let alone the 32 weeklies and 10 monthlies.

The lack of paper already has forced two national dailies to temporarily stop their presses this month. "We couldn't publish one time the week before last, and were very close to the central point again," said Ainars Pastericks, deputy editor of Latvian Jaunists, who noted, "We've been forced into going on strike just to get the government's attention."

At the 100,000-circulation Diena, Deputy Editor Enks Hangeris said the paper shortage has caused his paper to miss three issues already. "We've been publishing on paper that the director of the publishing house borrowed from Russian papers that are partly printed here," he said. "But there's a limit to how much you can borrow."

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SECTION

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WEDNESDAY

FEBRUARY 19, 1992 CCI

# BUSINESS

Los Angeles Times

## HIGHLIGHTS

|               |             |
|---------------|-------------|
| <b>OIL</b>    | <b>-13¢</b> |
| PER BARREL    | \$18.12     |
| <b>STOCKS</b> | <b>DOWN</b> |
| DOW JONES     | -21.24      |
| S&P 500       | -2.24       |
| <b>BONDS</b>  | <b>UP</b>   |
| 30-YEAR U.S.  | +0.08       |
| 7.00%         |             |
| <b>DOLLAR</b> | <b>UP</b>   |
| vs. Yen       | +0.30       |
| +18.00        |             |
| <b>GOLD</b>   | <b>DOWN</b> |
| New York      | \$352.50    |

## MARKETS

A selloff in the bond market pushed stock prices sharply lower. The dollar moved higher against most major currencies. D4

## OTHER NEWS

**OIL PRICES OFF:** Oil prices have fallen worldwide in reaction to OPEC's shallow production cuts, which are predicted to leave the industry awash in crude. D1

**FED ACTION:** The Federal Reserve Board moves to reduce the amount of money banks must hold in reserve, thus freeing up funds for new loans. D1

**TED'S TOONS:** Ted Turner plans to launch a 24-hour all-cartoon cable channel Oct. 1. D1

**SMALL-BUSINESS PLAN:** The SEC proposes making it easier and less costly for cash-hungry small businesses to raise money in the stock markets. D8

**DISNEY STOCK SPLIT:** Walt Disney Co. announced a 4-for-1 split of its common stock to make it more affordable. D3

## COLUMNS

**JAMES FLANIGAN:** Even as they argue, Caterpillar and its U.S. workers demonstrate that good pay and global competitiveness are not incompatible. D1

**MARKET BEAT:** The stock and bond markets are sending a strong signal that an economic recovery is underway. Tom Petruno writes. D1

## OFF THE TICKER

### Eat Eez Not a Small Deal—Eat Is Big, Mac

**AMSTERDAM**—French super-chef Paul Bocuse was sentenced by a poster depicting him and four colleagues in a kitchen streaming of Big Macs.

The poster showed Bocuse and the other chefs examining chickens. But a cartoon-type bubble above them had them thinking, "Big Mac."

McDonald's said it is seeking a settlement with Bocuse, who is said to want \$2.7 million in damages. It said it sent the chef a letter of apology and destroyed the posters.

McDonald's said the ad's developers were unaware of Bocuse's identity despite the fact that Bocuse and two other chefs in the photo archive picture had Paul Bocuse printed on their tunics.

—Associated Press

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## MARKET BEAT / TOM PETRUNO

### Stocks and Bonds Know It: Recovery Already Under Way

The stock and bond markets are sending a strong signal on the economy: The false starts are over—a recovery is definitely underway.

Investors increasingly are pulling money out of "safe" stocks, such as drug and food company shares, in favor of industrial stocks and other speculative bets in the economy.

Likewise, many investors are shying away from bonds on the belief that a strengthening economy will mean higher interest rates, at least in the near term.

Those powerful trends were in sharp focus on Wall Street on Tuesday.

Health care stocks plunged, leading a broad market sell-off. Drug giant Merck fell \$2.25 to \$146, and medical-treatment firm U.S. Surgical plummeted \$4.75 to \$100.

Yet many industrial shares climbed, including aluminum giant Alcoa, up \$2.75 to \$70.30, manufacturing conglomerate Tekadyne, up \$1.25 to \$26.125, and machinery maker Ingersoll-Rand, up \$2.50 to \$61.75.

Bond yields continued to surge as buyers demanded higher returns in expectation of a general rise in interest rates this year. The yield on the Treasury's 30-year bond jumped to 7.98% from 7.90% Friday. That yield was 7.20% just six weeks ago.

The shift in market psychology over the economy began subtly in mid-December. But early in January

Please see MARKET BEAT, D3

## The Market Bets on Recovery

Investors are pouring into stocks of companies that benefit when the economy strengthens—a sign that Wall Street is convinced the recession is ending.

Best performing industry group, Dec. 31, 1991, through Friday, percentage gain:

|                    |       |
|--------------------|-------|
| Machine Tools      | 31.5% |
| Auto               | 22.7% |
| Semiconductors     | 20.6% |
| Home Building      | 24.5% |
| Leisure Time       | 21.5% |
| Entertainment      | 21.0% |
| Transportation     | 22.2% |
| Hardware/Tools     | 21.2% |
| Truckers           | 18.2% |
| Building Materials | 18.0% |

Source: Smith Barney, using ICF & Co. using S&P industry

By PATRICIA WELLS-HILL, Los Angeles Times

## Fed Cuts Back Amount Banks Need in Reserve

Policy: Some economists see the move as a subtle and unusual effort by the central bank to influence the flagging economy.

By JONATHAN PETERSON  
 TIMES STAFF WRITER

The Federal Reserve Board, in an effort to spark new lending and provide a modest lift to the weak U.S. economy, announced on Tuesday that it was reducing the amount of money that banks must hold in reserve.

The step, coming on the eve of Fed Chairman Alan Greenspan's semi-annual report on the economy to Congress, was seen by some economists as a subtle and unusual effort by the central bank to influence the flagging economy.

The new policy is projected to free up \$6 billion in cash for lending and investment by banks. It means that banks must hold reserves equal to 10% of their "transaction"—typically checking accounts. Under the old rule, which will expire April 2, banks had to maintain reserves of 12%.

The announcement, which comes amid continuing worries about the economy and banking system, drew a mixed response from the financial world. Some analysts said it would bolster bank profits, while others pointed out that it would have little effect on lending unless more borrowers step forward.

Please see FED, D3



Malibu Publishing Group President Scott Rosenberg with an array of comic books published by the company.

## Holy Plot Twist

### Marvel Comics' Parent Sees Artists Defect to Rival Malibu, Stock Dive

**BY THOMAS MULLIGAN  
 TIMES STAFF WRITER**

**BUFFY SOCKS WILLAM**—This is how it must have felt Tuesday in the New York offices of Marvel Entertainment Group, publisher of Spider-Man and other Marvel Comics, as Wall Street gave the firm a hammering.

Marvel's stock tumbled \$11.375 a share to \$54.625 in trading on the New York Stock Exchange, losing \$17.6 million in market value, after Barron's, a weekly financial newspaper, published a story over the weekend critical of the comic book firm.

Marvel's growth is stalled, Barron's said, its debt is high and it "increasingly resists to reemerge to break down consumer resistance" to its price increases.

And Holy Exodus, Batman! It was learned Tuesday that eight

top Marvel artists and writers have defected to rival Malibu Graphics of Westlake Village, where Malibu said they would be given unprecedented editorial and financial control over the characters they create. Trade reports had hinted that a defection was imminent.

Marvel lashed back at the Barron's article, calling its assertions "inaccurate and highly misleading." It reported that earnings were up 20% for the third quarter and 190% for full-year 1991.

President Terry Stewart (who) downplayed the artists' move, saying that such movement is common in the industry and that "the importance of the creative people is still secondary to the [comic book] characters."

Marvel, 92% controlled by financier Harold O. Perleman, of the industry leader, announced for 47% of the comic book market in dollar sales and 57% in unit sales, according to

Please see COMICS, D3

## Oil Prices Dip After OPEC Shifts Quotas

Energy: Traders view the cartel's latest cuts as too limited to end a world glut. The price of crude takes its biggest drop in a year in New York.

By MICHAEL PARRISH  
 TIMES STAFF WRITER

Oil prices plummeted worldwide Tuesday in reaction to OPEC production cuts seen as too slight to reduce a glut of crude on the market.

On Monday, a U.S. holiday, prices began falling on Asian futures markets, then continued to drop when European markets opened.

In trading Tuesday on the New York Mercantile Exchange, crude oil futures for March delivery fell \$1.31 from Friday's close to \$18.32. Gasoline and heating oil prices also fell.

It was the largest one-day change in crude prices in more than a year.

"This is a very obvious first reaction to last week's meeting of the Organization of Petroleum Exporting Countries," said analyst Joseph Stankovic, managing director of Boston-based Cambridge Energy Research Associates.

The industry expected steeper production cuts by OPEC, he said, but instead saw evidence of deep divisions over member rates at its Geneva meeting.

"There is no total commitment [to significant cuts], and this does not bolster confidence in the market," said Stankovic.

"The only hope left for the market was OPEC and OPEC let it down."

Confidence was shaken in large part by the actions of Saudi Arabia, the cartel's largest producer. While Iran and other states wanted deeper production cuts to substantially boost prices, Saudi Arabia insisted on retaining the larger share of OPEC production, that it assumed when Kuwait and Iraq stopped producing during

Please see OIL, D14

## Turner Cartoon Channel on Tap

**BY JOHN LIPPMAN  
 TIMES STAFF WRITER**

Less than two months after it bought the Hanna-Barbera animation studio, Turner Broadcasting System said Tuesday that it will offer a 24-hour cartoon channel on cable TV, beginning Oct. 1.

The new channel offers further evidence of both the spinning of the television audience and the big three broadcast networks' weakening grip on viewing viewers.

The tentatively named Cartoon Channel will air cartoons from the Hanna-Barbera library. Turner, the Atlanta-based parent company of the CNN and TNT cable networks, bought Hanna-Barbera—creators of "The Flintstones" and "The Jetsons"—for \$320 million late last year.

Turner officials have not approached

Please see TURNER, D14

## High Pay and All, Cat Is a Global Leader

Four Japanese reporters all posed the same question in phone calls to management expert William Ouchi: "Do you believe the underlying manufacturing structure of the United States is now in the process of eroding?"

Ouchi, a professor at the UCLA Graduate School of Management and author of two highly praised books on industrial competition—answered No to each caller, but then wondered if he had missed something.

He hadn't. At its best, the U.S. structure is sound and the workers are highly productive, although the process of adapting to a changed world is painful and often filled with strife.

That will be illustrated most acutely today in St. Louis as Caterpillar Inc. and the United Auto Workers resume negotiations toward averting a companywide strike.

Underlying these negotiations are surprising and useful truths.

That U.S. workers can earn high wages and still be globally competitive—shipping goods even to Mexico—as long as the

company makes the proper investments in plant and equipment.

That a U.S. company can build markets around the world against the best Japan or any other country has to offer.

That success demands short-term sacrifices in job, job security, profits and stock prices, but that progress is measurable and the long run is rewarding.

Caterpillar, the world's largest producer of heavy construction equipment, makes most of its tractors and excavators in and around Peoria, Ill., even though it depends on foreign markets for 55% of its \$10 billion plus in sales. It exports more than a third of its equipment and has benefited lately from increased business in Mexico.

Donald Pites, chairman of Caterpillar, told a U.S. Senate committee that sales to Mexico have doubled in recent years to more than \$1.1 billion. Asked if Cat would not be setting up a plant in Mexico, Pites saw no reason. "We can produce in

Please see FLANIGAN, D13

## JAMES FLANIGAN

# High Pay and All, Cat Is a Global Leader

Four Japanese reporters all posed the same question in phone calls to management expert William Ouchi: "Do you believe the underlying manufacturing structure of the United States is now in the process of crumbling?"

Ouchi, a professor at the UCLA Graduate School of Management—and author of two highly praised books on industrial competition—answered *No* to each caller, but then wondered if he had missed something.

He hadn't. At its best, the U.S. structure is sound and the workers are highly productive, although the process of adapting to a changed world is painful and often filled with strife.

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Underlying those negotiations are surprising and useful truths:

- That U.S. workers can earn high wages and still be globally competitive—shipping goods even to Mexico—as long as the

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- That a U.S. company can hold markets around the world against the best Japan or any other country has to offer.

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Donald Fites, chairman of Caterpillar, told a U.S. Senate committee that sales to Mexico have doubled in recent years to more than \$131 million. Asked if Cat would now be setting up a plant in Mexico, Fites saw no reason. "We can produce in

**Please see FLANIGAN, D13**

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## JAMES FLANIGAN

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# FLANIGAN: Unions Need a Broader View

Continued from D1

Peoria or Decatur and export to Mexico," he told the Senators—despite average U.S. wages of \$17 an hour or \$32.35 including benefits, at least eight times as much as Mexican wages.

"Productivity is the issue," Flanagan said, referring to the high output Caterpillar gets from its skilled employees after investing \$62,740 per worker on plant and equipment in the past four years. Such investment has cut the time needed to make a tractor part from 23 days to 10—and will reduce it to six days by next year.

Now Cat wants a change in union work rules so an employer can shift around to take advantage of the new equipment, and the union is balky. Instead, the UAW is offering Cat the same wage and work standards contract it signed with Borg & Co., the farm and construction equipment maker. That follows a tradition of pattern bargaining—a single agreement covering all companies in the same industry—that prevents union or managements from whipping each other.

So far, the argument has tilted half of Cat's union work force, and guarantees tension in the negotiations. Cat wants flexibility and is offering a \$5-an-hour raise—plus a six-year job guarantee for each worker—to get it. But the union, with an eye toward next year's negotiations in the automobile industry, is reluctant to give up a 34-year tradition of pattern bargaining.

Trouble is, the tradition is out of date. Caterpillar's competition is not Deere, but Komatsu Ltd. of Japan, the world's second-largest maker of construction equipment, with \$5.5 billion in sales. Komatsu doesn't face pattern bargaining because there are no industrywide unions in Japan.

An attempt in 1973 by Nissan labor leader Teizo Masuda to establish a UAW-style union was crushed by the Japanese government and the managements of Nissan and other automobile makers, who saw the issue as important to global competitiveness.

Still, Caterpillar has more than withstood the worldwide challenge from Komatsu, shifting the company's charge in the United States, competing with it in Japan through a joint venture with Mitsubishi and holding as much as 70% of the world market for the heavy equipment used to build highways and airports.

Triumph has a cast. Caterpillar today employs 34,000 people, one-third fewer than 10 years ago. Investing heavily night through recessions eliminates profit. Cat's stock at \$51.25 a share Tuesday is lower than 10 years ago, and its \$1.20-a-share dividend is half what it was then.

But Caterpillar has paid its dues, and will get a payoff in rising profit starting next year, say analysts such as Steven Colbert of Prudential Bache Securities.

So to answer the question posed by Flanagan: No, the structure of U.S. manufacturing is not eroding. It is adapting. Many analysts see Caterpillar as a company destined to benefit from the building that will go on around the world in this decade, from Asia through Eastern Europe to Latin America.

Meanwhile the UAW, like most labor unions, persists in a North American view of reality that is too narrow. But it too can change. It must will return to popularity when they discover a new, more flexible form," Flanagan says. Good points. Change is painful, but flexibility keeps structures from crumbling.

## NASDAQ NMS

Continued from D11

| Symbol | Last  | Chg  | Vol | Open  | High  | Low   | Close |
|--------|-------|------|-----|-------|-------|-------|-------|
| AA     | 10.00 | 0.00 | 100 | 10.00 | 10.00 | 10.00 | 10.00 |
| ABC    | 15.50 | 0.25 | 200 | 15.25 | 15.75 | 15.00 | 15.50 |
| DEF    | 20.00 | 0.00 | 150 | 20.00 | 20.00 | 20.00 | 20.00 |
| GHI    | 30.00 | 0.50 | 300 | 29.50 | 30.50 | 29.00 | 30.00 |
| JKL    | 40.00 | 0.00 | 100 | 40.00 | 40.00 | 40.00 | 40.00 |
| MNO    | 50.00 | 0.25 | 250 | 49.75 | 50.25 | 49.50 | 50.00 |
| PQR    | 60.00 | 0.00 | 180 | 60.00 | 60.00 | 60.00 | 60.00 |
| STU    | 70.00 | 0.50 | 350 | 69.50 | 70.50 | 69.00 | 70.00 |
| VWX    | 80.00 | 0.00 | 120 | 80.00 | 80.00 | 80.00 | 80.00 |
| YZA    | 90.00 | 0.25 | 280 | 89.75 | 90.25 | 89.50 | 90.00 |

| Symbol | Last  | Chg  | Vol | Open  | High  | Low   | Close |
|--------|-------|------|-----|-------|-------|-------|-------|
| ABC    | 10.00 | 0.00 | 100 | 10.00 | 10.00 | 10.00 | 10.00 |
| DEF    | 15.00 | 0.25 | 200 | 14.75 | 15.25 | 14.50 | 15.00 |
| GHI    | 20.00 | 0.00 | 150 | 20.00 | 20.00 | 20.00 | 20.00 |
| JKL    | 25.00 | 0.50 | 300 | 24.50 | 25.50 | 24.00 | 25.00 |
| MNO    | 30.00 | 0.00 | 100 | 30.00 | 30.00 | 30.00 | 30.00 |
| PQR    | 35.00 | 0.25 | 250 | 34.75 | 35.25 | 34.50 | 35.00 |
| STU    | 40.00 | 0.00 | 180 | 40.00 | 40.00 | 40.00 | 40.00 |
| VWX    | 45.00 | 0.50 | 350 | 44.50 | 45.50 | 44.00 | 45.00 |
| YZA    | 50.00 | 0.00 | 120 | 50.00 | 50.00 | 50.00 | 50.00 |
| ABC    | 55.00 | 0.25 | 280 | 54.75 | 55.25 | 54.50 | 55.00 |

## NYSE Highs-Lows for Tuesday, Feb. 18, 1992

| Symbol | High  | Low   | Symbol | High  | Low   |
|--------|-------|-------|--------|-------|-------|
| AA     | 10.00 | 10.00 | AA     | 10.00 | 10.00 |
| ABC    | 15.50 | 15.25 | ABC    | 15.50 | 15.25 |
| DEF    | 20.00 | 20.00 | DEF    | 20.00 | 20.00 |
| GHI    | 30.00 | 29.50 | GHI    | 30.00 | 29.50 |
| JKL    | 40.00 | 40.00 | JKL    | 40.00 | 40.00 |
| MNO    | 50.00 | 49.75 | MNO    | 50.00 | 49.75 |
| PQR    | 60.00 | 60.00 | PQR    | 60.00 | 60.00 |
| STU    | 70.00 | 69.50 | STU    | 70.00 | 69.50 |
| VWX    | 80.00 | 80.00 | VWX    | 80.00 | 80.00 |
| YZA    | 90.00 | 89.75 | YZA    | 90.00 | 89.75 |

| Symbol | High  | Low   | Symbol | High  | Low   |
|--------|-------|-------|--------|-------|-------|
| ABC    | 10.00 | 10.00 | ABC    | 10.00 | 10.00 |
| DEF    | 15.00 | 14.75 | DEF    | 15.00 | 14.75 |
| GHI    | 20.00 | 20.00 | GHI    | 20.00 | 20.00 |
| JKL    | 25.00 | 24.50 | JKL    | 25.00 | 24.50 |
| MNO    | 30.00 | 30.00 | MNO    | 30.00 | 30.00 |
| PQR    | 35.00 | 34.75 | PQR    | 35.00 | 34.75 |
| STU    | 40.00 | 40.00 | STU    | 40.00 | 40.00 |
| VWX    | 45.00 | 44.50 | VWX    | 45.00 | 44.50 |
| YZA    | 50.00 | 50.00 | YZA    | 50.00 | 50.00 |
| ABC    | 55.00 | 54.75 | ABC    | 55.00 | 54.75 |

## Bonds

Continued from D10

| Symbol | Yield  | Price  | Symbol | Yield  | Price  |
|--------|--------|--------|--------|--------|--------|
| AA     | 10.00% | 100.00 | AA     | 10.00% | 100.00 |
| ABC    | 15.00% | 105.00 | ABC    | 15.00% | 105.00 |
| DEF    | 20.00% | 110.00 | DEF    | 20.00% | 110.00 |
| GHI    | 25.00% | 115.00 | GHI    | 25.00% | 115.00 |
| JKL    | 30.00% | 120.00 | JKL    | 30.00% | 120.00 |
| MNO    | 35.00% | 125.00 | MNO    | 35.00% | 125.00 |
| PQR    | 40.00% | 130.00 | PQR    | 40.00% | 130.00 |
| STU    | 45.00% | 135.00 | STU    | 45.00% | 135.00 |
| VWX    | 50.00% | 140.00 | VWX    | 50.00% | 140.00 |
| YZA    | 55.00% | 145.00 | YZA    | 55.00% | 145.00 |

## L.A. Grain

for Tuesday, Feb. 18, 1992

| Symbol | Price | Symbol | Price |
|--------|-------|--------|-------|
| AA     | 10.00 | AA     | 10.00 |
| ABC    | 15.00 | ABC    | 15.00 |
| DEF    | 20.00 | DEF    | 20.00 |
| GHI    | 25.00 | GHI    | 25.00 |
| JKL    | 30.00 | JKL    | 30.00 |
| MNO    | 35.00 | MNO    | 35.00 |
| PQR    | 40.00 | PQR    | 40.00 |
| STU    | 45.00 | STU    | 45.00 |
| VWX    | 50.00 | VWX    | 50.00 |
| YZA    | 55.00 | YZA    | 55.00 |

## NASDAQ Bid and Ask Prices

Continued from D11

| Symbol | Bid   | Ask   | Symbol | Bid   | Ask   |
|--------|-------|-------|--------|-------|-------|
| AA     | 10.00 | 10.00 | AA     | 10.00 | 10.00 |
| ABC    | 15.50 | 15.50 | ABC    | 15.50 | 15.50 |
| DEF    | 20.00 | 20.00 | DEF    | 20.00 | 20.00 |
| GHI    | 30.00 | 30.00 | GHI    | 30.00 | 30.00 |
| JKL    | 40.00 | 40.00 | JKL    | 40.00 | 40.00 |
| MNO    | 50.00 | 50.00 | MNO    | 50.00 | 50.00 |
| PQR    | 60.00 | 60.00 | PQR    | 60.00 | 60.00 |
| STU    | 70.00 | 70.00 | STU    | 70.00 | 70.00 |
| VWX    | 80.00 | 80.00 | VWX    | 80.00 | 80.00 |
| YZA    | 90.00 | 90.00 | YZA    | 90.00 | 90.00 |

| Symbol | Bid   | Ask   | Symbol | Bid   | Ask   |
|--------|-------|-------|--------|-------|-------|
| ABC    | 10.00 | 10.00 | ABC    | 10.00 | 10.00 |
| DEF    | 15.00 | 15.00 | DEF    | 15.00 | 15.00 |
| GHI    | 20.00 | 20.00 | GHI    | 20.00 | 20.00 |
| JKL    | 25.00 | 25.00 | JKL    | 25.00 | 25.00 |
| MNO    | 30.00 | 30.00 | MNO    | 30.00 | 30.00 |
| PQR    | 35.00 | 35.00 | PQR    | 35.00 | 35.00 |
| STU    | 40.00 | 40.00 | STU    | 40.00 | 40.00 |
| VWX    | 45.00 | 45.00 | VWX    | 45.00 | 45.00 |
| YZA    | 50.00 | 50.00 | YZA    | 50.00 | 50.00 |
| ABC    | 55.00 | 55.00 | ABC    | 55.00 | 55.00 |

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A pre-proposal conference will be held on March 5, 1992 at 11:00 AM local time at the Holiday Inn, 1355 North Harbor Drive, San Diego, CA.

Preference will be given to projects with a minimum of 30 units. While all designs will be considered, the maximum size of the units is as follows:

| No. Bedrooms | Maximum Size     |
|--------------|------------------|
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Occupants required to relocate as a result of this solicitation must be informed of and permitted to claim benefits under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and amended April 2, 1987.

For additional information or a copy of the Request For Proposals (RFP), contact Mr. Paul Cramer, at South West Division, Naval Facilities Engineering Command, 1220 Pacific Highway, San Diego, CA 92132-3130. Phone (619) 532-1165.

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## FLANIGAN: Unions Need a Broader View

Continued from D1

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So far, the argument has idled half of Cat's union work force, and guarantees tension in the negotiations. Cat wants flexibility and is offering a \$5-an-hour raise—plus a six-year job guarantee for each worker—to get it. But the union, with an eye toward next year's negotiations in the automobile industry, is reluctant to give up a 34-year tradition of pattern bargaining.

Trouble is, the tradition is out of date. Caterpillar's competition is not Deere, but Komatsu Ltd. of Japan, the world's second-largest maker of construction equipment, with \$5.5 billion in sales. Komatsu doesn't face pattern bargaining because there are no industrywide unions in Japan.

An attempt in 1953 by Nissan labor leader Tetsuo Masuda to establish a UAW-style union was crushed by the Japanese government and the managements of Nissan and other automobile makers, who saw the issue as important to global competitiveness.

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Triumph has a cost. Caterpillar today employs 54,000 people, one-third fewer than 10 years ago. Investing heavily right through recessions eliminates profit. Cat's stock, at \$51.25 a share Tuesday, is lower than 10 years ago, and its \$1.20-a-share dividend is half what it was then.

But Caterpillar has paid its dues, and will get a payoff in rising profit starting next year, say analysts such as Steven Colbert of Prudential Bache Securities.

So to answer the question posed to Ouchi: No, the structure of U.S. manufacturing is not crumbling. It is adapting. Many analysts see Caterpillar as a company primed to benefit from the building that will go on around the world in this decade, from Asia through Eastern Europe to Latin America.

Meanwhile the UAW, like most labor unions, persists in a North American view of reality that is too narrow. But it too can change. "Unions will return to popularity when they discover a new, more flexible form," Ouchi says. Good point: Change is painful, but flexibility keeps structures from crumbling.





# EXHIBIT 015

Cat and Mouse
SAT Coaching Schools
Intensify Their Battle
With College Board

They Say the Trick Is Knowing
How to Decipher the Test;
Consider Fred's Theorem
Are Poor Students Penalized?

By GARY PETER
Small Reporter of THE WALL STREET JOURNAL
Remembering a few rules always helps on the Scholastic Aptitude Test. There is the Pythagorean Theorem equating the square of the hypotenuse and of course, the Rule of 180 sums up the degrees in a triangle's angles.

But in taking the big college admissions test, it can also pay to keep in mind Fred's Theorem, the 5-to-21 eliminator and Glowsky's postulate of the well-worn phrase.
Named after Fred Bernstone, a former SAT coach in New York, Fred's Theorem holds that an angle only needs to look good on the SAT diagrams involving parallel lines. Most eliminating. On one mathematics section of every SAT, answer choice D is never correct on any question numbered eight to 27 that doesn't include a variable.

The postulating Mr. Glowsky's first name is Frank, a Ph.D. who works for Stanford. He is a former teacher and now a college coaching school. Mr. Glowsky analyzes verbal questions on old SATs for word patterns. More often than not, he says, the correct answer will be a cliché rather than an unfamiliar phrase. In the SAT's multiple-choice format, how does one succeed on the SAT? "Stick to backwoods usage," advises Dr. Glowsky, American Juku.

Evidence that tips like these and other short-term cramming can make a difference on the SAT is raising troubling questions for that greatest of U.S. inventors, the college admissions game, which estimates for many high school students that they start receiving letters from colleges this week. Crum schools such as Kaplan and Princeton Review are also launching series of 100,000 to 150,000 of the 1.8 million SAT takers each year. They have evolved into American Juku, one of the high-pressure outfits that are legion in Japan.

What's News

Business and Finance

FUTURES EXCHANGES in Chicago were shut by a downtown flood. The closings sharply reduced the volume, and perhaps the volatility, of Wall Street's stock and bond trading because investors couldn't use their most popular futures and options to hedge trades. The exchanges said they plan to open today on schedule.

U.S. stock prices climbed despite another plunge in the Tokyo stock market. The Dow Jones Industrial Average gained 14.53 points to 3269.90. Bond prices and the dollar also advanced.

Ford unveiled a \$3 billion capital spending plan aimed largely at boosting its presence in the profitable minivan market. Ford said the plan will eventually add several hundred jobs.

Olympia & York named former Chrysler Vice Chairman Gerald Greenwald president of the real estate giant, as it opened talks with 91 banks on a proposed debt restructuring. He succeeds Thomas Johnson, who quit after only two weeks in the post.

Chemical Bank lowered its prime lending rate by a quarter-point to 6 1/2%, but other major banks didn't immediately follow Chemical's lead.

Tokyo stock sank, dashing hopes for an end to a series of sharp price declines. The Nikkei index slid 614.01 points Monday, or 1.84%, to 17,236.62. It was flat in Tuesday morning trading.

Autodesk hired Sun Microsystems executive Carol Barix as chairman of the computer software company, according to industry executives.

Alcoa's profit declined only 2% in the first quarter despite sharply lower aluminum prices. The company's stock surged \$5.75, or 8.5%, to \$73.75.

J.P. Morgan's profit rose 9.5% in the first quarter despite a drop in trading profits, while the regional banking giant Wachovia's earnings rose 26%, helped by tight controls.

TWA and USAir cut some fares to levels sharply below those set by most other airlines in accordance with American Air's new fare structure.

Japan's trade surplus jumped 29.3% in March to a record as the nation's weak economy hurt imports. The data underscore the impact of Japan's woe on other economies.

Chambers Development said it will again lower its posted profit for 1991. The waste management company also is dismissing its chief financial officer and its accounting firm. Chambers' stock price fell 75 cents to \$6.875.

Most commodity prices fell, sending an index of 21 futures contracts to its lowest level since August.

Markets - Stocks: Volume 130,100,000 shares. Dow Jones Industrial 3269.90, up 14.53; S&P 500 127.26, up 0.99; utilities 20.83, up 0.13. Bonds: Lehman Brothers Treasury bill 157.60, up 1/32. Commodities: Oil 22.32, up 1/32; corn 119.37, up 0.05; soy 115.75, up 1/16. Dollar: 123.01 yen, up 0.11; 16300 marks, up 0.65.

Aluminum Production



ALUMINUM PRODUCTION in the U.S. rose in an annual rate of 1,947,712 metric tons in March from 1,608,100 metric tons in February, the Aluminum Association reports.

'Misery II' Could Be A Stephen King Book About IRS Agents

They Are Shot At, Ridiculed, Slandered, Attacked by Dogs; Then They File Form 4052.

By KYLE E. SCHULTZ
Small Reporter of THE WALL STREET JOURNAL
You think you hate tax season. (You, indeed, the poor IRS agent.) For 12 months a year - year in, year out - Internal Revenue Service employees deal with snarling taxpayers hellbent on making their lives miserable.

No Gun, No TV Trade
Surprisingly, the fittest of these streetwise cops are those held by revenue officers who work in the field, setting assets and the like. Says Susan Eskew, 46: "You don't know what a going to be held to the door." In her four years with the service she has knocked on hundreds - as trailers, taverns, farmhouses and million dollar homes.

GOOD FRIDAY is a public holiday in 12 states: Delaware, Florida, Georgia, Indiana, Louisiana, Maryland, New Jersey, New Mexico, North Dakota, Tennessee, Wisconsin and Hawaii. A U.S. appeals court upheld the Hawaii designation last year, rejecting an American Civil Liberties Union suit.

UNION WAGE RISES almost caught up with inflation by increases in 1991, as the industrial sector rebounded and a weak labor market helped to reduce unemployment. Labor Department figures show. While union wage gains were stronger in the 1970s, they lagged behind nonunion pay rises in the 1980s.

A SILVER LINING: Certain employment agency and executive search firms may be less deductible than unemployed, says accountant E. J. ... Seek medical attention, if necessary. ... Prepare a written report on Form 602. ... The one for assault, threat of assault or information from Form 462 goes into a computer data base of PDTS (Potentially Dangerous Taxpayers). Many PDTS are members of taxpayer groups. They still maintain a list of IRS employees with literature portraying the agents as criminals, members of the KKK, tools of Satan or of Nazis, seeking a step-by-step uniform, having a skull head, for instance.

Arizans Assault
Rural areas have the most PDTS, as revenue officer Alan Podakay, 41, discovered. He says he worked for a year in heavy duty areas in New York City and had no trouble. In his first year in Arizona, he was attacked by a woman wielding a tire iron and a bumper kick.

COPING WITH CHEMICALS is tricky for cleanup crews. E.C. Johnson & Son begins using color cloths in manuals to limit cleaning fluids with their proper use. Images replace words. Illiteracy among cleanup people, at least in mobile cleanup, leads to serious compliance. Johnson says. The stakes are high for workers, too. They face greater hazards because companies now are using stronger chemicals, which are cheaper to transport.

THE SERVICE EMPLOYERS INTERNATIONAL Union, which represents many janitors, says cleaning firms too often don't give employees OSHA-required hazardous materials training. Recently, several firms in Washington and Philadelphia have paid fines of \$150,000 or more for violating such rules.

THE CHUCKOFF: A survey of 129 long-distance truck drivers by the Insurance Institute for Highway Safety showed that 70% routinely drive more than the federally allowed maximum hours. ... The average net income for a homeowning employee dropped to \$14,601 last year from \$15,200 in 1990, reversing the sharply rising trend of recent years, according to Runzheimer International. ... "Holes in the Trenches" is the name of a new newsletter that gives job-hunting tips.

POLITICS & POLICY: Bush's political character is open to question, A.I.R. ENTERTAINMENT: Some fathers resist passing relief to daughters, B.I. ADVERTISING: Surgeon general hasn't slowed Joe Camel, B.I. REVIEW & OUTLOOK: Latin democracies under pressure, A.I.R. OPINION: A religious response to American poverty, A.I.R. LEISURE & ARTS: Dissenting voices from China, in new book, A.I.R.

Labor Letter

A Special News Report on People And Their Jobs in Offices, Fields and Factories

BETTER BUSINESS leads some employers to increase hiring. With March sales up 11%, Audio Video Affiliates will add 130 jobs at new stores; Bob Evans Farms will hire about 2,500 workers, and so on.

As oil companies buy more generators, Foster Wheeler hires 60 engineers. New machinery requires 25 more people at Consolidated Papers. But Honeywell, trimming its work force for efficiency, says another small cut is likely this year.

Allegory Ludlum and U.S. Shoe hedge on hiring, awaiting for proof the recession has ended.

SUMPTUOUS SALARIES are an issue for union chieftans, too. Ron Carvey, the new Teamsters president, is replacing some union representatives who collect several big salaries simultaneously for different posts; his executive board is considering a broader curbing. The winning state of vice presidents voluntarily gave up multiple pay; a reformist Teamsters group led 170 officials with 1990 compensation ranging from \$100,000 to \$250,000, plus lump-sum payments.

Some members of Seattle's big Machinists union District Local 731, which represents Boeing workers, assail President Tom Harper and others with rules that trigger 2% over three years, his salary and per diem exceed \$100,000 a year. He says the increases, led to contract gaps, are unrelated by political reasons. "We're not interested" compared to Boeing execs, he says.

LONG-TERM CARE emerges slowly as an employee benefit. About 150 companies sponsor plans covering nursing homes, extended hospital stay and other long-term care. Two-thirds of the plans were started since 1990. A Conference Board study shows. Wells Fargo began offering such insurance this year for employees and their spouses, parents and in-laws; employees pay the premiums. About 80% of 6% of Chevron retirees use that firm's plan. Long-term coverage will be "increasingly important" says Quinn-Thomas.

Convex Computer, in Richardson, Texas, "thankfully" says its long-term benefits, offered for two years, haven't been used much. "Most people are more willing to see what national and state health care policies are adopted before starting long-term programs," says William Merritt, executive director of the Center for Retirement Studies.

Duke Power, Georgia Pacific and 30 other firms in Arlington, Texas, have no plans to start long-term care coverage. The problem, lack of a nationwide good.

MARKET FORCES
Yet in Washington, California and elsewhere, proposals for a new wage regulation in arguing that traditional regulation gives polluters no incentive to reduce emissions lower than what is allowed. Markets, they say, will create the right competition among companies to find the cheapest and most technologically advanced ways to cut pollution.

A new catalyst for change was the 1200 U.S. Clean Air Act. Starting in 1992, the act will use a market-based program to force power plants to buy credits to cut out emissions of sulfur dioxide, a pollutant that smog like rotten eggs and mixes with clouds to produce acid rain.

Southern California's air quality regulator, struggling to reduce pollution that regularly violates federal health standards, is now developing markets in each of the three polluted areas responsible for smog.

Previous emissions trading programs, including the sulfur dioxide program, are like playing checkers. Says Joseph Goffman, senior advisor at the Environmental Defense Fund in Washington, who helped write the Clean Air Act. "What they're doing in California is more like elevating it to chess."

Interpretation Cooperation
Other, even more ambitious programs are in the works. Economists working for the United Nations and the Environmental Defense Fund are researching an international market for ozone-depleting substances. This would link countries with acid rain, the main cause of global warming. This would link countries with acid rain, the main cause of global warming.

The idea of forcing polluters into a market-based commodity isn't new. Early this century, a British professor named Pigou argued that taxes should be levied on clean air and water ought to be established and included among a polluter's expenses. He calls for labor and materials. It wasn't until the 1960s that the U.S. Environmental Protection Agency created a limited pollution market by authorizing regional air-quality regulators to let companies trade in "pollution permits."

The rules: To offset a plant or add equipment, a company must first sell pollution permits to other plants. The rules: To offset a plant or add equipment, a company must first sell pollution permits to other plants.

By ALBERT H. KAAS

Smog Swapping

New Rules Harness Power of Free Markets To Curb Air Pollution

Under the 1990 Clean Air Act, Firms Can Trade Credits To Emit Sulfur Dioxide

Trading Futures on Vapors

By JERRY TAYLOR
Small Reporter of THE WALL STREET JOURNAL
TOURNAI, Calif. - In this city, a community of housewives and palm trees, there even lawn mowers and gas pumps are strictly regulated to fight pollution.

So why aren't environmental activists storming the gates of the refinery? Actually, Mobil is helping under a new era in environmental protection. For about \$1 million, Mobil's refinery here recently acquired pollution "credits" from the nearby city of South Gate, Calif. South Gate had acquired the credits from General Motors Corp., which closed a plant here in 1965 and sold the city the property. The Torrance refinery will be emitting far less additional pollution than did General Motors.

Mobil bought the pollution rights under a regulatory version of market-based environmental regulation. The program has been around since the 1970s, but its rules are so cumbersome that pollution "trades" like Mobil's are rare.

That will soon change. A growing number of rapidly rising conventional "command and control" regulation - which allows each plant to pollute so much but no more - is failing to stop destruction of the environment. These authorities, encouraged by economists, want to harness the Earth's atmosphere to financial markets and let the markets rid the world of acid rain and global warming.

Using Markets or Else
The 21st century is going to be about using markets to solve social and environmental problems," says Richard L. Sandor, an economist and a director of the Center for Global Warming. "The world is going to look like it does in the movie, Blade Runner." We're going to be stopping the road for oxygen tanks.

Most people are more willing to see what national and state health care policies are adopted before starting long-term programs," says William Merritt, executive director of the Center for Retirement Studies.

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By ALBERT H. KAAS

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THE WALL STREET JOURNAL

# Chemical Cuts Its Prime Rate A-Quarter Point

## Reduction to 6 3/4% Is Seen As Indication That Banks Are More Eager to Lend

By PAUL H. DIZACKY  
Staff Reporter of The Wall Street Journal  
NEW YORK — Chemical Banking Corp. lowered its prime lending rate by 1/4 percentage point to 6 3/4%, an indication to some analysts that the credit crunch is easing and banks are more eager to make loans.  
The unexpected move, announced about noon yesterday, did not immediately affect other large banks to follow suit. But further signs of economic recovery and indications of a firm trend toward lower funding costs are likely to spur them to similar action.  
In recent weeks, annual rates for 90-day certificates of deposit have declined about three tenths of a percentage point to 3.5%, notes Robert Albertson, bank analyst at Goldman, Sachs & Co. That was more significant than last week's quarter-point cut in the fed funds rate by the Federal Reserve Board, because banks depend more on CDs than on borrowing from each other in the fed funds market. The fed funds rate rose banks' overnight borrowings from each other.  
A spokesman for Chemical Bank cited the "lower rates in the market and our desire to stay in line with our competitors" as reasons for the cut. A cut in Chemical's prime affects its small and medium-sized business borrowers—whose loans are often priced off the prime—some of its credit card rates and its home equity loans.  
"Most banks will probably follow suit along with the easing in short rates," even if the Fed takes no further action, says Judith Krausman of Merrill Lynch & Co. He added they also are likely "to be emboldened to lower the prime," as they sense that the upturn in economic activity, which reduces their chances of making bad loans.  
The prime rate has been coming down steadily since it hit 11 1/2% in early 1988. Banks did not immediately lower the prime last week after the Fed cut the fed funds rate to 7 1/2% in late 1991. They have waited for two successive quarter-point cuts to make their move. The last time they cut the prime, to 6 5/8%, was in late December, when the Fed cut the fed funds rate to 7 1/2% and the Fed cut the fed funds rate before last week.  
But now, "the appetite for loan demand is starting to grow," says Christopher Snyder, president of Lazard Freres & Co. He expects more banks will be lowering the prime because banks will be eager to generate the fees associated with backing new loans. Deregulation has led to business through lower rates is necessary because in the early stages of a recovery, loan demand is typically weak, he adds.  
That is the case at Chemical, says Frank Lorenzo, head of middle market lending. Lazard demand "is still fairly soft," he says, though the slowly declines of the past few years. Rates on fed funds and demand has remained flat since then. He and other bankers have maintained throughout the controversy over a bank credit crunch that they are always be eager to make loans to healthy companies. Chemical has about \$10 billion of small and medium-sized business loans on its books, much of which is priced daily off the prime.  
Mr. Albertson views Chemical as a leader to other banks in relation to its chairman, as late March survey by Goldman Sachs & Co. chief financial officers of major industrial and service companies indicated a 3% growth in sales during the second half of this year, the first such upturn in some time. His biannual survey also showed the chief financial officers believing that the credit crunch has eased. Last October, 56% of the respondents believed credit was tighter. In contrast to 25% in the latest survey.  
"The fact that a bank is willing to move quickly on the prime is another sign that credit is loosening," says Mr. Albertson.  
Chemical may also be trying to send a signal to the market that it is a more aggressive lender. Manufacturers Investor Trust Co., with the old Chemical Bank, says analysts. "Chemical is eager to move to the front of the pack with a similar message. It is very much back in business as a major intermediary," says Mr. Albertson. Manufacturers Investor Trust Co., which he initially remains a separate entity until July 1, also announced that it is lowering its prime rate.  
David Byss, research director of DRI-McGraw-Hill, believes banks have now to lower the prime. He notes that typically the prime rate was 1 1/2 percentage points higher than the fed funds rate. At 6 3/4%, it is 1 1/2 percentage points higher. Adjusted for inflation, the real prime is 3%, now inflation is running at 3 1/2%. Typically, the gap between an economic recovery, the real prime is 1 1/2% to 2%.

For that reason, he also believes corporate borrowers will suffer less from a credit crunch. "While there isn't so much a direct rationing of credit anymore and businesses that are in good shape can get money, they are paying a higher price," says Mr. Byss.  
However, Neal Snow, chief economist of First Boston Corp., believes banks could remain cautious because of recent federal actions against accountants and law firms for their roles in failed savings and loan associations. Also, continuing commercial real estate loan problems and the further withdrawal of Japanese banks from worldwide lending may mean "there may be another round of a credit crunch."

# BAA LDC Terminal Traffic Up

LONDON — BAA PLC, a United Kingdom airport operator, said its terminals handled 5.7 million passengers in March, a 6% increase over a year earlier.  
BAA said the increase largely reflected a backlog from the impact on travel of the Persian Gulf War in March 1991.  
It also noted that the rise for the 12 month period through March 1992 was only 0.1%, to a total of 72 million passengers.

# Alcoa Shares Soar on 1st-Period Net That Exceeded Analysts' Expectations

By DANA MILRANK  
Staff Reporter of The Wall Street Journal  
PITTSBURGH — Aluminum Co. of America reported surprisingly strong first-quarter net income of \$24 million, or 12 cents a share, leading its shares up 3 1/2%, or 3 1/2%.  
Alcoa's results, reflecting deep cost reductions, represented a decisive step up from the year-ago quarter despite vastly lower aluminum prices. That, the company said, was the result of a restructuring charge.

# Anti-Dumping Suits Filed

Two leading U.S. steelmakers filed anti-dumping suits against steel producers in four nations, the first of a wave of anticipated litigation in the aftermath of unsuccessful steel trade talks. Stay on page A26.

# Surveys Reveal More Optimism About Economy

By KIMMY D'AMICO  
Staff Reporter of The Wall Street Journal  
NEW YORK — Manufacturers and construction executives are optimistic about future economic prospects for the U.S. economy, according to two DuPont & Bradstreet Corp. surveys.  
Both manufacturing and construction executives are more optimistic about pickup in orders over the next three months than they have been in recent months.  
Each survey reports an index calculated by subtracting the percentage of respondents expecting a decrease in an activity from the percentage expecting an increase.  
"With optimism nearing pre-recession levels, manufacturers are gearing up for an industry turnaround," said Douglas P. Handler, manager of economic analysis for DuPont & Bradstreet.  
For construction executives, the index of three-month expectations for new orders rose to 37 in March from 31 in February. The sector's employment expectations index rose to 47 from 43, and the near-term price expectations index rose nine points to 24, from 15 in both February and January.

Construction executives continue to see a turnaround on the horizon, said Mr. Handler, noting that more than 60% of firms surveyed expect business to pick up in the second quarter, beyond seasonal improvements. Nonetheless, current conditions at DuPont for the construction industry, where the order book index fell to negative 31 in March, after rising to negative 23 in February.  
"Overall, construction sector remains depressed," Mr. Handler said. "As expected, February's slight improvement was mostly driven by the perception that interest rates had bottomed out." The current employment index also fell while the current price index rose slightly, but it is still in negative territory.  
For most firms, first-quarter operating conditions were indistinguishable from the 1990-91 recession, Mr. Handler said.  
For manufacturers, the industrial sentiment index, a composite of manufacturers' opinions for the coming three months on production, new orders, unfilled orders, inventory levels and exports rose two points to 26, and rose six points to negative four from negative 10 for current conditions.  
"Overall, manufacturers are cautiously optimistic," Mr. Handler commented. "While business sentiment is approaching pre-recession levels, a full-blown recovery is not yet in place."  
DuPont & Bradstreet's employment index for the just three months increased 10 points to negative 11, though the index measuring the employment outlook for the coming three months fell two points to negative 11. The selling price index for the past three months rose three points to negative five, while the index for the coming three months fell two points to a negative 11.  
The DuPont & Bradstreet capacity index for the fourth straight month. Production and new orders indexes both rose for the past three months and the outlook indexes also gained. The export index for the past three months was unchanged, while the outlook for higher exports during the next few months fell slightly.

# CORRECTIONS & AMPLIFICATIONS

THE CLOSED-END FUND FUND table was incorrectly published in yesterday's edition. The table repeated the data for the week ended April 1, 1992. A corrected table for the week ended April 10 appears on page C2.

BELL ATLANTIC Corp.'s per-share earnings for the 19th first quarter were \$1.28. The amount was misstated in yesterday's edition.

THE WALL STREET JOURNAL (Continued from page A1)  
The following table shows the change in the Dow Jones Industrial Average from the close of trading on the previous day. The table is based on the closing prices of the 30 stocks in the Dow Jones Industrial Average as of 4:00 p.m. Eastern Standard Time on the date indicated. The table is based on the closing prices of the 30 stocks in the Dow Jones Industrial Average as of 4:00 p.m. Eastern Standard Time on the date indicated. The table is based on the closing prices of the 30 stocks in the Dow Jones Industrial Average as of 4:00 p.m. Eastern Standard Time on the date indicated.

Alcoa's strong quarter lifted other aluminum stocks. Alcoa's stock climbed \$1 to \$20.65 in late New York Stock Exchange composite trading. Reynolds Metals Co., which will report results until next week, watched its share rise \$2.12 to \$26.12 in late Big Board trading.  
However, industry executives caution against celebrating a recovery. David Morton, Alcoa's chairman and chief executive, said that "given the slow pace of economic recovery, the additional impact of the restructuring last fall, which was designed to de-leverize the company and light fires under Alcoa managers."  
"The company has really cut its costs," said Stewart Speiser, an industry analyst who writes the Specter Report. "It would indicate Chairman Paul O'Brien's strategy is working and working right." Mr. Speiser, who forecast per-share earnings of 20 cents, was among the most bullish on Wall Street.  
D. Piery God in Montreal contributed to this article.

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# Tales of the Cat and GM, Joined by a Union

Two long-burning industrial fires flared up last week — at Caterpillar Inc. and General Motors. Only 400 miles apart at their Rust Belt headquarters and tied obviously in their troubled relationships with the United Auto Workers, the companies nonetheless have been growing apart.

For the reason, look beneath the difficult decade both suffered in the 1980s: What you see is that Caterpillar is exemplary of the lean, global, customer-driven machine that U.S. manufacturing greatly has become. By contrast, ponderous GM's continued stumbling culminated in its outside directors cutting management off at the knees.

Both companies remain in a sort of purgatory. Caterpillar's at a later stage, its discomfort all the greater. This week it is to begin the process of replacing thousands of

1982 hastened that.)

By 1991, Industry Week magazine all but called Caterpillar's a "role-model management." The company now emphasizes operating units, or profit centers, with autonomy to meet customer demands without waiting for approval from layers of front-office hierarchy. Textbook stuff for the 1990s. There will be gaffes — Cat was fined last year because a division, in what smelled like a countertrade deal, violated the U.S. ban on shipments to Libya. But the overall payoff is not in graft but in goodwill (the business kind). About 60% of Cat's sales are abroad.

The rise of Donald Fites, for the past two years the chief executive, reflects the managerial makeover. He boasts terms of duty on five continents during his 36 years with the company. His attitudes toward global commerce are expansive, in contrast to the narrow mouths (if not minds) of his contemporaries in Detroit.

"The trade problem in this country," he told Industry Week, "has very little to do with access to marketplaces. It has to do with the products that we have to export vs. the products that are available to the U.S. consumer that he can import." If that wasn't clear enough, he continued: "Managed trade is, in effect, the government picking the winners and losers. Can you think of any organization you'd less like to have doing that than the Congress of the United States?"

Some might say the guy is whistling past the graveyard of International Harvester and Allis-Chalmers, all the while he is up against Asian and European heavyweights. The primary competitor is Komatsu of Japan, whose Peoria-based U.S. affiliate, it so happens, has been operating two plants since November under an imposed contract along the lines of what Caterpillar is seeking. Komatsu took a local strike that the international UAW chose not to sanction. Instead, all the heat is on Caterpillar. It is a survivor, the quintessential case of

an American exporter decimated by the high dollar in the mid-1980s, forced into repeated restructuring, now having emerged as world class.

This showdown matters more to long-range strategy than short-run financials, where nobody "wins" a strike. Companies that have booted thousands of strikers are reticent to offer advice. A spokesman for International Paper, which broke a walk-out at its Jay, Maine, plant in 1987-88, described the experience as "incredibly unpleasant" and said recalling it "makes us nauseous." Likewise at Greyhound, profitable again as the only national bus carrier but faces years of unfair-labor-practice litigation over its 1990 conflict.

All that bitterness, for what? For preservation of a way of life, unions argue. If that means maintaining nearly cost-free medical benefits, one issue in this strike, that's dreamy and destructive policy. But there's no denying what has happened through much of the work force would happen, over time, at Caterpillar under the company's plan. Pay scales would adjust and employees of middling or dated skills could drop from the middle class if they are a family's basic breadwinner.

Yet neither Cat nor any other employer can do much about that. Ultimately, the customer is the unsparing judge, and today he has the work force of the world to do his bidding. Only intensified training, top-notch technology and product specialization and reliability can keep labor from being a mere commodity. Caterpillar's record there is good.

The basic union line, echoed by managements of some U.S. and European firms, is that customer choice should be restricted so "fair" wages and prices might prevail. But the tide of trade that has mostly lifted the standards of the free world for 50 years is unlikely to recede on demand. And the Caterpillars of the world aren't counting on it doing so. They will pay the most valuable workers a handsome wage, but cannot

carry others in the same style.

No doubt, Cat has slighted some employees, like nearly every company. But in this era, satisfying staffers who don't play a commensurate role in contenting customers is an increasingly unaffordable luxury. When the Democrats come calling on Caterpillar unionists, promising to enact legislation banning replacement hires, they are stoking old sentiments but damping the prospects for linking their party's rebirth to an industrial renaissance.

Symbolic as the immediate outcome at Caterpillar will be, traditional trade unionism is likely to stay on the same downward course it's been on for decades. This strike may be seen, like Patco especially, as a turning point, but in reality Big Labor hasn't taken any turns in the private sector — its route has been straight and south.

The one-size-fits-all approach of "pat-tern bargaining" that the UAW has made the issue at Cat is so obviously out of step with the flexible structure of viable global corporations that it cannot stand. This is true even if, for appearances, it survives in some form as in 1988, the last time around at Caterpillar, when the company got dispensations.

Will the outcome of this ordeal bless GM and the other automakers with room to maneuver themselves out of the UAW pattern? Charles Harris, an Oppenheimer & Co. analyst, is doubtful. He thinks, given all the factors at Cat, that bringing 3,000 or 4,000 qualified replacements into its plants is doable and would crash the strike. When its number is up, "where is GM going to find 200,000 people?" he asks.

That seconds the idea that Caterpillar relations as just another company crisis for the company born near San Francisco a century ago. And the Cat, with its seeming nine lives, may be a better bet against the UAW than some dog in Detroit down the line.

## Business World

By Tim W. Ferguson

UAW unionists in order to break a five-month strike at its core Illinois plants.

Factory fights in the heartland normally attract scant national media attention. Suddenly, however, with the company's plan to can the strikers, East Peoria is host to Armageddon. This is Patco, the Daily News and Eastern Airlines over again, maybe Pittston and Phelps Dodge, too — another seminal battle for organized labor . . . in its doomed struggle against the global economy of the 21st century.

In a story full of pain, emotion and probably some violence before it's over, what may get lost is the transformation of Caterpillar. Unlike GM, it has apparently held market share. Yet, while GM dawdled over downsizing until 1986 and contented itself with price increases aided by import restrictions, Cat trimmed its UAW workforce by 60%. (Earlier strikes in 1979 and



# EXHIBIT 016

## *Tire-kickers show new life at ConExpo*

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March 29, 1993

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**Dateline:** Las Vegas

### **Body**

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One of the world's largest construction equipment shows was missing some of the biggest manufacturers last week in Las Vegas, but the expected 100,000 people attending clearly were betting on an economic recovery with their wallets. They started buying on the first day of ConExpo and held strong most of the week.

A dispute with show sponsor Construction Industry Manufacturers Association, Milwaukee, caused the boycott by *Caterpillar* Inc., Deere & Co., J I Case and Komatsu. Their absence was noticeable -- the show lacked traditional large displays of heavy dozers, scrapers and other earthmoving equipment. But many potential customers seemed unperturbed. "If you're going to buy a *CAT*, you're going to buy a *CAT*, and you don't need to see one here to make that decision," noted one Northwest contractor. Others felt some of ConExpo's luster was lost without the presence of the big equipment firms.

CIMA sold all available space -- over 950 exhibitors took 1 million sq ft. Many companies used the opportunity to introduce new products. Some thought the big firms' absence produced a more focused audience. "The big firms used to come in and take customers and dealers off on golf or fishing trips, taking them off the floor altogether," noted Robert Lowell, sales manager for Samsung Heavy Industries Co. Ltd., Oakbrook Terrace, Ill.

International attendance was high, but some Europeans felt the smaller size of the firms exhibiting would work against their entry into the European market. CIMA plans to hold the next ConExpo in three or four years instead of the traditional six-year cycle in order to "allow it to intermingle with the international show cycle," says exposition manager Dennis J. Slater. "A lot of technology is advancing quickly and the smaller manufacturers involved now want a chance to display their wares."

Nonetheless, most exhibitors weren't concerned about going international. They were happy enough with rising domestic interest. Crane manufacturer Grove Worldwide was typical in being overwhelmed by the onslaught of first-day visitors. Its staff was hard-pressed to simultaneously greet visitors, answer questions from serious customers and close deals.

Ingersoll-Rand Co., Woodcliff Lake, N.J., also reported strong interest in its array of products from its Construction and Mining Group. More people were spending "quality time," asking probing questions, said Gordon W. Stables Jr., communications manager.

Products displayed by companies ranged from the small -- such as the line of mini-equipment produced by Japanese-owned Kobelco America Inc., to the gigantic -- such as a 45-ton capacity articulated dump truck made by Wagner Mining and Construction Equipment Co., Portland, Oregon. The articulated dumptruck is "the largest in production anywhere in the world" and is very good in swampy areas or anywhere there is poor footing such as landfill operations, claimed President Roderick Brown. Wagner developed all its own components, such as liquid-cooled brakes, based on its 35 years experience in the "arduous conditions in the mining market," said Brown.

## Tire-kickers show new life at ConExpo

Kobelco displayed some of its big hydraulic excavators but the mini-*machines* managed to attract just as much attention. One star was the SS60 Super Shovel, a 600-lb excavator with a 0.25-cu-ft bucket and a 3.5 Hp engine fueled by gasoline or propane. Designed to replace hand labor, the shovel lists for \$ 8,800 and has been sold in Japan for two years. Contractors saw possibilities. "I do a lot of work for plumbing contractors, and this *machine* would go right through a normal door opening," noted Dale Senn, of Senn Construction Co., Copley, Ohio.

Some international firms were testing the U.S. waters for sister companies. PPM Cranes Inc., Conway, S.C., unveiled a new 120-ton truck crane and showed off a 180-ton all-terrain crane produced by its French sister company, Potain. PPM President Jack LeVan said that design and production time on the truck crane was reduced by 40% because PPM was able to draw expertise and support from its corporate parent, Groupe Legris Industries, a large French equipment manufacturer.

LeVan wants to bring the French *machine* along slowly. A still soft market could smooth its acceptance because the firm is better able to service the new *machine* and explain it to customers, he claimed. In a stronger market, less time could be spent, he said.

URL: <http://www.enr.com>

## Graphic

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Photograph, AGC's Robins Jackson and CIMA's John Panatierre (right) show spirit of cooperation that drew 36 different construction organizations to meet at ConExpo in Las Vegas last week. One of the hit products of the show that covered 1 million sq ft of exhibit space was a mini-excavator (above) that can fit through a normal doorway for renovation work.

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# EXHIBIT 017

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# LEAN MONEY

STING FROM THE HEART: WHAT'S THE COST?

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**NEW TAXES**

The Fine Print  
(There's good news, too!)  
page 44



# Blue chips

## All about a big Cat that's kicking up lots of dirt

Caterpillar is proof, if you needed it, that the U.S. is anything but finished as a world-class manufacturing power. Apparently fewer people need convincing; its share price soared to an all-time high this year as the Peoria, Ill.-based maker of earth-moving equipment surpassed the expectations of the experts.

To appreciate the change, flash back to a year ago. Caterpillar was well on its way to a \$218-million (\$2.16 per share) operating loss for 1992, on top of 1991's \$404-million (\$4 per share) deficit. The company had just beaten back the powerful United Auto Workers, causing the union to call off a bitter five-and-a-half-month strike, and there was tension inside its plants. Sales were weak, and some analysts didn't have high expectations. First Boston's analysis to its clients in mid 1992: "Until we look past 1993 and into 1994, the stock is likely to be dead money."

Dead money? Cat's shares traded for \$53 then. Now they're at \$82.

**SMOOTHING THE GRADE.** Last year's gloom hid what was actually a fast-improving climate. For instance, Caterpillar shaved costs by reducing its payroll 5%—2,400 jobs, more than half from management—to 50,100 employees worldwide. Between 1980 and 1992, Cat trimmed 34,000 from its work force and cut labor costs by 37%.

Cat also buried the market with a flurry of new products, 17 of which are so popular they are being allocated to customers. Today Caterpillar sells more than twice as many product lines as it did ten years ago.

With the Japanese yen up 17% against the dollar since the start of the year, Caterpillar got a powerful U.S. pricing edge on archrival Komatsu—enough so that Cat could still hike prices 5% in the past year and fatten its profit margins. Caterpillar currently accounts for some 40% of worldwide sales of construction equipment, versus 25% for second-place Komatsu.

Cat's share price began its big move this year after the company reported surprising first-quarter results. Instead of the 4-cent-a-share loss that Wall

Street had expected, Cat came through with a 34-cent profit on revenues that had risen 23.5% from a year earlier.

Things only got better at the midpoint of 1993. Second-quarter earnings, at 66 cents a share, were almost a mirror image of the 63-cent loss a year earlier. Significantly, U.S. sales drove the rebound. Revenues here were up 24% over the same quarter in '92 and represented 51% of total company sales, versus 46% a year ago.

**HOW HIGH IS UP?** The allure of a possible one-two punch—first a rebound in do-

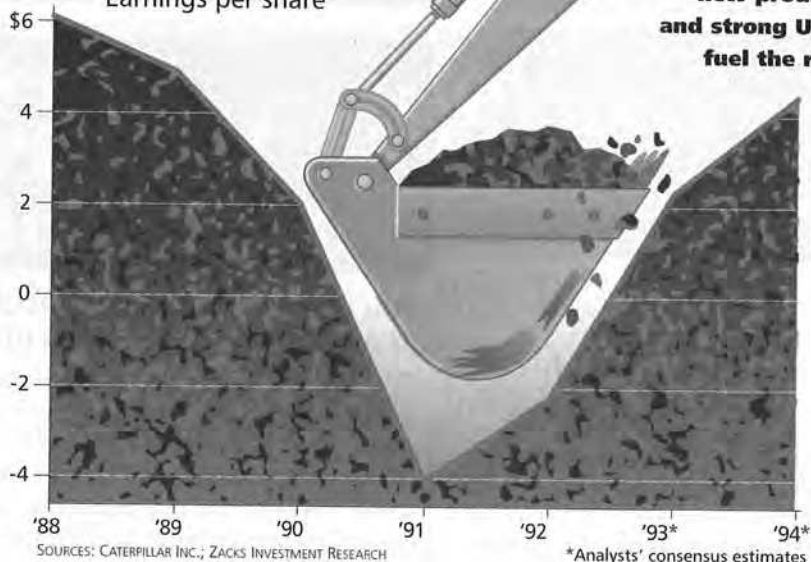
building infrastructures in the U.S. is being done by state and local governments. "And while that's positive," he adds, "there's no boom."

There may not be a boom in Europe anytime soon, either, says analyst Barry Bannister of S.G. Warburg & Co. Still, Bannister thinks Eastern Europe and Japan could become strong markets. His targets for Caterpillar by 1995 are a \$105 share price on \$8.35 a share in earnings—more than triple his \$2.45-per-share estimate for 1993.

But Bannister urges caution in light of Caterpillar's sharp price run-up this

### Out of a Rut

Earnings per share



**A trim work force, new product lines and strong U.S. sales fuel the rebound.**

mestic sales, then recovers next year in Europe and Japan—has been propelling Caterpillar's share price, say analysts. "We're in the early stages of a multiyear cyclical recovery," says Richard Henderson, who follows the stock for Pershing & Co. "You can see a progression of earnings hikes out through 1996."

You can, but you can also spot some potential threats. The yen could weaken against the dollar and make Japanese equipment more attractive here. James Peirce, an analyst at PNC Bank, also worries that most of the work re-

year. He considers the company "fully valued" right now, but undervalued for people with long-term perspectives. "It could continue rising for another five to seven years," he says.

Analyst Eli Lustgarten of PaineWebber has been cautious about Caterpillar for the past year and still sees some short-term risk. "The stock is way ahead of itself," he says. "The euphoria is misplaced. Caterpillar is doing a good job in a tough environment, but that won't lead to the stock price some analysts are forecasting."

RESEARCH REPORTER: IAN JOHNSTON

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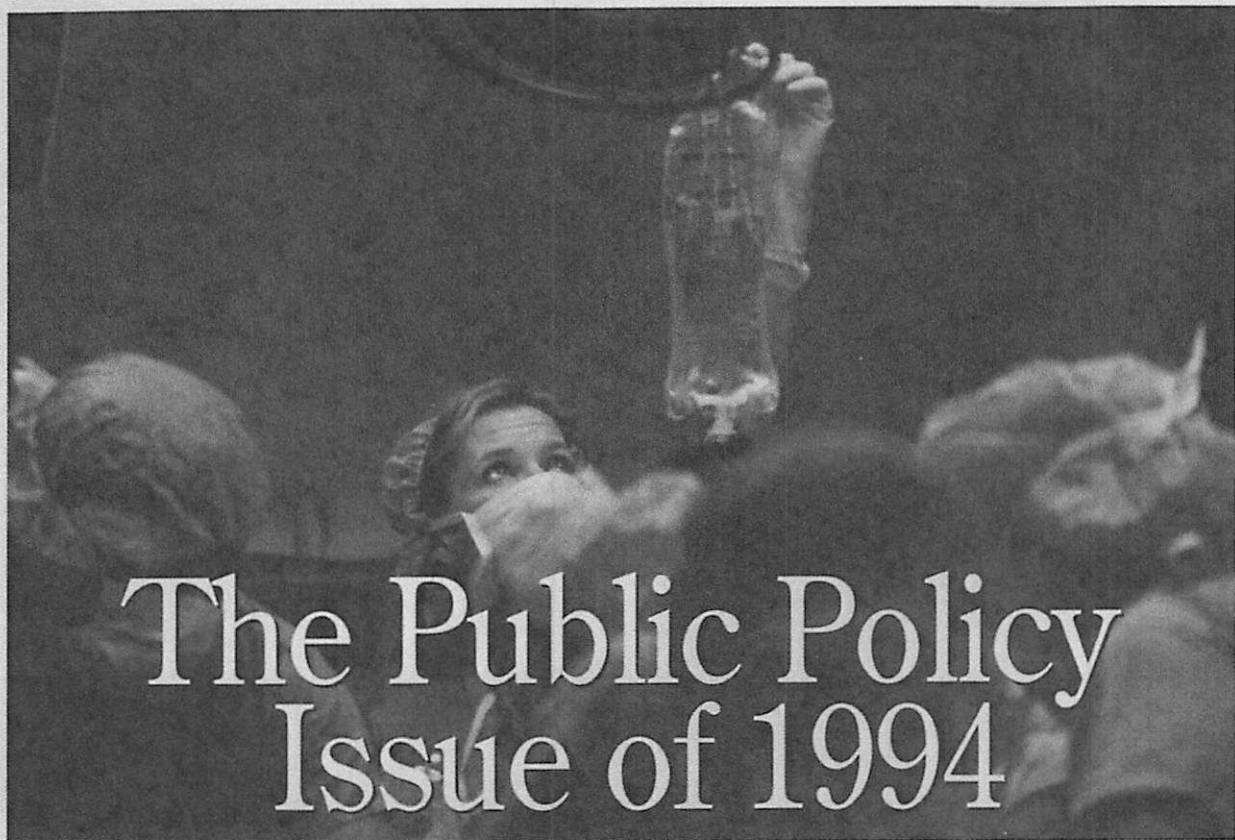


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# CAT-apult

The cheap dollar helped, but Caterpillar's turnaround was engineered in Peoria.

by Jagannath Dubashi

FOR ONE HOUR, BIG YELLOW EARTH-MOVING machines tore up the ground at Caterpillar's Edwards Product Demonstration Area 15 miles west of Peoria, Ill. First, inside a covered arena, came compact backhoe loaders scrunching their way through the mud, leaving behind a pit four feet deep. Then large tractors and scrapers began mauling the earth with surprising precision. Finally, there was "Big Daddy," a 770-horsepower bulldozer that weighs 212,000 pounds, casually and almost gracefully leveling tons of soil.

In the audience were several Japanese, including a petite young woman es-

corted protectively by a large Cat employee. She was, he informed anybody who cared to listen, "the daughter of the second-largest contractor in Japan." She was visibly impressed by the demonstration of heavy metal she had just seen, as were the other Japanese who tramped through the mud in brightly polished shoes to have their picture taken with a hulking bulldozer.

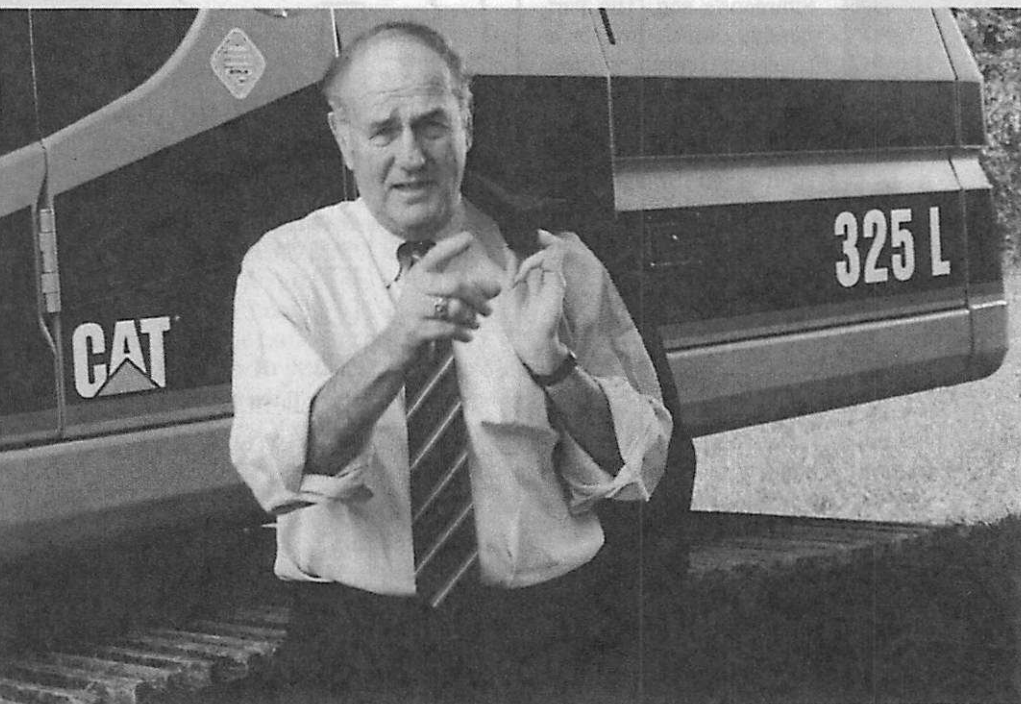
The turnaround is as palpable on Caterpillar's income statement as it is in its refurbished product lineup. The \$11 billion-in-sales company is expected to earn around \$250 million this year, a welcome change from the \$622 million in

losses from operations over the past two years. And there's more to Cat's resurgence in the past 12 months than the collapsing dollar, which makes it easier for the U.S. heavy equipment maker to out-sell expensive Japanese tractors in the U.S. and worldwide. The real reason why Cat stock has soared 95% since 1991 is because it has carried out a complete corporate makeover both in the products it makes and the way it makes them.

Take the product demo. The star of this show was not the familiar yellow bulldozer but rather an ungainly vehicle called a hydraulic excavator. This is essentially a machine with a long articulated arm that has a scoop attached at the end. It can dig ditches, clear earth and load dirt onto trucks in cramped spaces. Since any number of different attachments can be hooked quickly to the arm for other kinds of jobs, the excavator is also unusually versatile. All of which

makes it increasingly popular with cash-strapped contractors and municipalities around the world. In Japan, for example, about 60% of all construction equipment sold these days are hydraulic excavators, as are half of all earth-moving equipment sold worldwide.

Caterpillar had been making excavators since 1972, but because its traditional strength was in massive machines like bulldozers, the company had largely abandoned the excavator market to Japanese manufacturers until the mid-1980s. So in 1987, Caterpillar and its long-standing Japanese partner, Mitsubishi Heavy Industries,



**Cat CEO Donald Fites**  
*The bloodless revolution.*

## The bulldozer heritage



set out to design a completely new line of hydraulic excavators. It was a watershed in Caterpillar history. "Caterpillar has never undertaken a more massive conversion than the hydraulic excavator product," says Dan Murphy, product manager for the excavators.

At Akashi, Japan, 50 miles west of Osaka, a team of over 100 engineers of several nationalities began by studying the best features of competitive products to find out why Caterpillar had never been able to garner a commanding share of the excavator market. They discovered that Hitachi machines, for example, were noted for their lift capacity. And that the breakout power of Komatsu machines enabled their scoops to gather up earth faster than the competition. The team also quizzed hundreds of customers to figure out what they wanted. Then they sat down to put together the new Cat 300 excavator line, which made its first test runs in 1990.

It was, says Murphy, "a significant improvement" over the old 200 line. The 350 machine can load trucks 30% more efficiently than the old 235D it replaces, thanks to faster, higher pressure hydraulic controls. Customers can add additional hy-

draulic pumps to the machine to boost power for special applications, something they couldn't do with the older line. And the new 300 line is much more fuel efficient than the machines it replaces.

The moment the first 300s began rolling off the Aurora, Ill., assembly line in 1992, it was evident that Cat had a winning product. "It is the No. 1 selling product at Caterpillar today," says Murphy. The excavators, which in 1987 accounted for a measly 5% of the company's sales, now make up more than 30%.

The five types of hydraulic excavators



An excavator in progress

that make up the 300 line today—four more are planned for 1994—are responsible for much of Caterpillar's 17% increase in revenues and its operating profit of \$225 million for the first half of 1993. Compare that to Cat's operating loss of \$223 million for the same period in 1992.

Alexander Blanton of Ingalls & Snyder in New York City says that the irony of Caterpillar's success with hydraulic excavators is that it was the Japanese who first made wide use of the machines on their cramped island, and then popularized them worldwide. "Caterpillar had to get back in tune with the market," says Blanton. "They were losing share. It is to their credit that they spent four years developing the new excavator line that is winning market share back for them everywhere in the world." In fact,

says Blanton, the one part of Caterpillar that is still weak is bulldozers.

Blanton estimates that Caterpillar will earn \$2.50 a share in 1993, a considerable improvement on the \$2.16 a share it lost last year, and that earnings will surge to \$5 a share in 1994. Still, the current price of \$81 reflects most of those gains, which is why he calls it only a moderate buy right now.

The other reason why Caterpillar stock found itself on buy lists at the beginning of 1993 was its newfound commitment to profits and return on assets.

"In the 1980s and earlier," says Vice Chairman James Wogsland, "Caterpillar really was a very centrally, functionally organized company. The goal was to improve our expertise. If you're a manufacturer you want to be the best there is. You don't count costs, because that's not the goal."

With Komatsu and others snapping at its heels, however, Caterpillar found this a very expensive way to do business. In July 1990, Chairman and CEO Donald Fites reorganized Caterpillar into 17 profit centers: 13 manufacturing units and four service units. The idea was to ensure that managers

earned an adequate return on accountable assets.

"Before the reorganization, there weren't many people in this company looking after profit. Because of the way we were organized, they didn't have a picture of accountable assets and accountable profits," says Wogsland. "A capital asset to a manufacturing plant manager was basically free, and he bought state of the art."

It wasn't easy to change that mindset, not for a highly integrated company like Caterpillar. "If you add up the sales of all our profit centers, that's more than double our net sales," points out Wogsland. "They sell a lot to each other." What Caterpillar did was order its divisions to sell to one another on the basis of market price. One of Fites's chief moves was to let business unit managers know that they were free to buy products and services outside the company.

Steering by accountable assets and returns on them is not a new idea, of course. But it was a critical improvement at Caterpillar because of two things. The company needed to know if the \$2.2 billion it was spending to modernize its factories was worth it. And the country was heading into a recession where every dollar saved would be a dollar earned.

As it happened, one of the first fruits of the focus on return on assets was that Caterpillar spent less on plant modernization than it had budgeted, an estimated \$1.9 billion versus the proposed \$2.2 billion.

"We made the divisions responsible for completing the program at the least cost," says Wogsland. "We probably spent some money that we shouldn't have spent in that program when we didn't have the return-on-assets goal."

Sitting in his spacious office in the forbidding gray pile of Caterpillar headquarters in downtown Peoria, Wogsland ticks off companywide successes. The modernization program encompassed 77 projects in 17 of 45 worldwide facilities. In total, they managed to reduce in-process inventory by 60% and throughput times—the time it takes to manufacture and assemble a complete machine—from 25 days to six.

Caterpillar is a very specialized manufacturer, so there were not many outside sources for components. Still, the company went to other manufacturers for pieces it couldn't make economically by itself, such as small engines, which it

buys from Perkins and Mitsubishi.

"The new organization does things much faster," says Wogsland. "We introduce new products twice as fast as we did before." Last year, Caterpillar introduced 48 new or improved products, twice the number in 1991. This year the company will introduce 70.

The new Caterpillar is evident at the Transmission Business Unit (TBU) factory in East Peoria, where transmissions for all Caterpillar vehicles are made, 16,000 of them a year. It is a robust combination of state-of-the-art equipment and common sense. One section is given over to 19 sophisticated robots that turn out 40,000 planet gears a month with minimal human intervention. Planet gears are the building blocks of transmissions, and Caterpillar spent millions of dollars on the fully automated line because making them involves a repetitive process best carried out by machines. Dennis Mott, manager of plant business resources, explains that since the robots came on line, rejections of planet gears have dropped from 15% to 5%.

But robots are absent from the area where the transmissions are put together. Here, in secluded assembly stalls, a worker builds a transmission from start to finish, compared with the old days when transmissions moved in various stages of completion along assembly lines. Says Mott: "We can track every transmission in every machine down to the assembly stall where it was put together." This helps when repairing faulty units.

Also, a computerized test bed that checks every transmission keeps a log of what went wrong, notifies the assembler, and suggests fixes based upon past answers to similar problems. Mott claims that returns of faulty transmissions have dropped to 0.5% of the total from 3.5% since the system was put in place.

The new emphasis on market-based pricing meant that TBU managers had to scour the world for the best and most cost-efficient processes. The benchmarking took them to companies like Zonrad Fabrik in Germany, which makes a self-correcting electronic transmission that goes into, among other things, the Corvette sports car.

Overall, says Mott, the focus on profits has led to the TBU, a \$100 million business in itself, becoming a much better performer. It is producing the same amount of product with 40% less factory



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space. Throughput times and inventory levels for the series of lines that make castings and gears are down an average of 50%.

The turn in Caterpillar's fortunes has not escaped Wall Street. Indeed, analysts are cutting expectations after watching the stock climb 51%, to a pricey multiple of about 35 times expected 1993 earnings. Still, Bob McCarthy of Duff & Phelps in Chicago says that besides the reorganization and the new products, Cat has two other things going for it. "After enjoying a honeymoon for some time," he says, "Komatsu is struggling with the strong yen and has announced a restructuring. And the UAW-Cat fight is completely stagnant."

Caterpillar broke the United Auto Workers strike last year by threatening to hire replacement workers. The UAW makes up 14,000 of the company's 20,000 U.S. hourly workers in such key facilities as Aurora, but Wogsland says that the company is determined not to accede to UAW demands for a "pattern" contract based upon the contracts signed with Detroit automakers. "We can't sign on to something that wouldn't make us globally competitive," he says. Word in Peoria is that Caterpillar will wait out the UAW: About a fifth of its experienced work force will be eligible for retirement in a few years and it may not replace them all.

As for Komatsu, which is being forced to increase prices to cover costs, Caterpillar is grabbing the chance to gain some market share by not raising prices as much.

Despite the internal tune-up, Caterpillar still has a long way to go. Wogsland points out that Caterpillar shipments, despite the recent surge in sales, are still below 1988's 10-year peak. Major markets such as commercial construction are almost dead, in spite of low interest rates. "The recovery is just not very strong, and the recovery drives things like that," says Wogsland. A lot of the increase in demand for Caterpillar machines is pent up from previous years.

Another question mark is public spending. Much of the money that buys expensive Caterpillar equipment comes from the government. And in these frugal times, Congress and local governments are less forthcoming. The Intermodal Surface Transportation Efficiency Act signed into law by President Bush two years ago has generated only a fraction of the \$122 billion it was supposed to over six years for large construction projects.

Caterpillar knows all too well the folly of assuming that financing will follow demand for equipment. Management assumed as much in the early 1980s, says Wogsland, "with all these petrodollars floating around." But few came forward

to finance equipment. Caterpillar ran up close to \$1 billion in losses between 1982 and 1984 as the country struggled through the recession.

"You go around this country," says a frustrated Wogsland. "There is plenty of evidence that something needs to be done. But the local county, the state, are not willing to finance it. They will finance it when it becomes so important that the cost of not doing it is very clear."

That is one reason why Chairman Fites is rooting so loudly for the North American Free Trade Agreement (f.w., Nov. 9). Caterpillar estimates that Nafta could help it sell an additional 350 pieces of equipment like bulldozers, tractors and backhoes in Mexico each year. That would add \$45 million a year to its \$200 million in revenues from Mexico. Even

without Nafta, sales of Caterpillar products to Mexico have surged since the government began reducing tariffs. Caterpillar sold 1,200 machines to Mexico in 1992, up from just 11 in 1983.

Indeed, foreign sales now account for more than half of total revenues. And Caterpillar is pushing hard in emerging giants like China. Cat's Siegfried Ramseyer, vice president for Asia, the Pacific and Latin America, explains that China is a dream market: an underdeveloped country newly converted to capitalism and growing at 13% a year. "Compare that to the anemic 2.5% forecast for the Western economies," he says.

China is a better investment than the former Soviet Union because with a 35% savings rate the Chinese have the money to buy equipment, says Ramseyer. And the Chinese, especially those in Hong Kong and Taiwan, are investing in the motherland at an amazing rate. Caterpillar already has a joint venture with 10 earth-moving equipment factories on the mainland and plans to do much more.

"I can see," says Ramseyer as if in a dream, "China becoming the world's largest economy in 2010, and that infrastructure development will be in the forefront in the next 20 years." That's the way you have to think when you're in the business of selling bulldozers at \$1 million a shot. ■

# EXHIBIT 019

# MACHINERY MAESTROS

Engineering News-Record

January 23, 1995

Copyright 1995 McGraw-Hill, Inc.

**Section:** COVER STORY; Vol. 234, No. 3; Pg. 24

**Length:** 1632 words

**Byline:** William G. Krizan and bureaus

**Highlight:** Equipment managers have their hands full keeping equipment fleets humming in an era of thin contractor margins and high costs

## **Body**

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Tucked away in shops, garages and offices of contractors across America are one of the industry's greatest treasures in the rough -- equipment managers. Multiple recessions and razor-thin project margins are changing the job from hands-on mechanic to professional manager who must procure, rent, move, maintain, assess and finally sell capital equipment. In large and small firms alike, they are expected to be maestros of machinery.

Orchestrating the highs and lows of machinery operations requires sophisticated computer tracking and diagnostic equipment, but also time-tested personal and company formulas for decision making. And all managers have their likes and dislikes of specific brands, which affect many millions of dollars worth of equipment sales and rentals annually.

"We are an owning company," says Al Horn, for the past 20 years vice president of equipment for J.A. Jones Construction Co., Charlotte, N.C. According to Horn, rentals typically account for only 5 to 10% of Jones' large equipment fleet. "We rent if it is a short-term or specific application piece of equipment," he notes. "If it is a piece of equipment that we can use all of the time then we buy... My old yardstick used to be six months" of use means a purchase, he adds.

Jones works worldwide and mobilizes all of its equipment out of Charlotte. When it is finished with them, Jones sells its trucks and autos at auction but sells most machines direct because of the bigger return. "We have a reputation for well-maintained machines," says Horn, who will retire this summer. He does not believe that sales to other contractors aid and abet the competition. "The equipment is more for use by small local contractors and is not [the type] to put on a two or three-year job; otherwise we wouldn't sell it," Horn explains.

Horn started his equipment career in marketing at Caterpillar and is one of the founders and a past officer of the Association of Construction Equipment Managers. Acem is about a dozen years old and is geared for managers of large fleets. It has about 35 members and meets twice a year. "We are very independent and don't endorse any products or take any positions," says Horn. The meetings generally have educational sessions on equipment management and finance presented by members or specialists from manufacturers or universities, he says.

Newer model machines are bigger, faster and easier to operate but "costs have gone up," says Butch Bedell, a vice president with Pizzagalli Construction Co., South Burlington, Vt. Bedell's responsibilities include the equipment division. As a result, a minimum utilization rate of 50 to 60% that used to be sufficient in the Northeast now is closer to 60 to 70%, he says.

Pizzagalli works on diverse projects along the Atlantic Seaboard to South Carolina. It prefers to own all key production machines and has about 75 worth about \$ 11 million.

Bedell has been with Pizzagalli for 27 years, starting out as a mechanic and working his way up to equipment manager and later vice president. His current responsibilities include managing the firm's water, wastewater and heavy construction projects.

## MACHINERY MAESTROS

"I'm kind of an unusual case because I was fortunate enough to work for a firm that was willing to let a relatively young person take on responsibility," he explains.

Pizzagalli's current equipment manager is Butch's brother Phil, who has been with the firm for 19 years, having cut his teeth managing equipment at a smaller firm. The most important task these days "is keeping our present equipment in good working order," says Phil Bedell. He claims new models "definitely are more efficient" and last longer, but are problematic because mechanics need special tools and a lot more schooling to maintain them.

Manufacturers that have helped Pizzagalli with technical training for its mechanics have a leg up when it comes time to buy. Liebherr, Link Belt and Komatsu have "very good schools," says Phil Bedell. "I think they have helped us a lot." The firm just purchased two large Liebherr excavators. "The main problem with even large construction outfits is to get qualified mechanics," he notes. "We have a lot of 15-year mechanics" and the older mechanics help the younger ones along, he says. "That's the atmosphere I try to encourage."

Paperwork. Many equipment managers complain about ever-escalating paperwork isolating them from the *machines* and projects that they love. "There is a lot more paperwork now; a lot more time at the desk, either on the phone or at the computer," says Mike Morrison, equipment manager for demolition contractor Brandenburg Industrial Service Co., Chicago. "If you're not careful, you lose touch with the field, who needs what and who is tearing up what type of equipment." To stay in touch, Morrison solicits feedback from field mechanics.

There have been many equipment developments since Morrison joined Brandenburg 15 years ago and became equipment manager in 1988. The firm is placing more emphasis on smaller, more versatile *machines* and hydraulic excavators, and less on crawler cranes under 250 tons. "When I started in this job, we probably had only three or four skidsteer loaders, but now we have over 50," he says. The excavators "are a lot easier to get operators for," he adds.

With 25 years as an equipment operator and 17 in the equipment department of J.S. Alberici Construction Co., equipment manager Ted Alberici also has his likes and dislikes in *machines*. He is not very fond of sophisticated computer controls. "Everything is good when it is new," he explains. When it gets older and is exposed to the elements, electrical connections get dirty and *machines* start shutting down, making them "much more costly," he says.

The complexity of the newer models also limits the pool of manpower available to operate them, says Alberici, who used to be training coordinator for operating engineers' union Local 513. "Keep it as simple as possible [to do the job] and work safely," he advises manufacturers.

The St. Louis-based contractor has hundreds of pieces of equipment with a replacement value of over \$ 100 million. In purchasing equipment, Alberici likes to "usually try to get quotes from at least three manufacturers and sometimes as many as five" of those brands that he considers superior. "We don't buy price, we buy quality," he notes. But parts availability and dealer support are equally important. "I would rather buy a second-class *machine* from a first-class dealer than a first-class *machine* from a second-class dealer," he says. "When I go down and have to wait three days for parts, that's a killer."

Sometimes bigger than a billboard, construction equipment can be an effective marketing tool along busy highways if it looks good, or an image deflator if it is beat up or graffiti covered. At Alberici Construction and some other firms, good looking equipment is a religion and paint and wash water are the offerings at the altar. "When [company Chairman Gabe] Aberici hired me, he said, 'Nothing goes out of here unless it is red and white, and I want to be able to see my name on it,'" says transportation manager Frank E. Kazenske. "He doesn't have a problem communicating the message."

Brown & Root Inc., Houston, tries to standardize brands throughout its fleet of 7,000 pieces of equipment and rolling stock with a replacement value of \$ 200 million. "When you standardize equipment, it is easier to train shop mechanics" and inventory parts, says equipment manager Norman Loosier, who has worked in the equipment department for 27 years.

Most of Brown & Root's equipment is from major manufacturers: Dirt *machines* mostly are *Caterpillar*, heavy cranes Manitowoc, rubber-tire loaders and backhoes Case, cherry pickers Dresser, cars and trucks Ford, welding equipment Lincoln and concrete and asphalt paving *machines* Gomaco and Barber-Greene. "From a relationship view, it helps," notes Gene Nethery, a vice president in Brown & Root Civil and big internal equipment customer.



## MACHINERY MAESTROS

Brown & Root mobilizes most of its civil equipment from Texas. But it is looking at new partnering relationships with dealers and manufacturers. "We have had a great deal of success in partnering in general and are exploring it," says Nethery, who has been with the firm for 35 years.

Brown & Root is using partnering in central Florida where it has about 70 pieces of equipment doing site work for a new gas-fired powerplant in Bartow for Florida Power & Light Co. Major equipment maintenance was contracted to local Cat dealer Ringhaver Equipment Co., Riverview. "It is important for us to get to know the players [and project priorities] and for them to get to know us and what our capabilities are," says Ringhaver service manager Vincent Aguayo, who attended the partnering meetings. "We would do it again," he adds.

Special conditions. Environmental firms have special equipment needs, says John Boes, director of corporate resources management for OHM Corp., Findlay, Ohio. He notes that OHM has to fabricate or modify equipment to suit special cleanup applications and maintain them more vigorously because of contamination. Boes claims OHM has over 4,000 pieces of equipment worth \$ 80 million.

Decontamination does not just mean washing the machines. "You have to redo the bearings and the seals and repaint each time," says Boes. Parts that can absorb chemicals, such as rubber gaskets, also must be replaced, he adds.

At Brown & Root and other companies, equipment and operations managers have to work together as a single management team, notes Nethery. He says equipment costs can account for 20% of the cost of a major civil project and that cooperation and support are "key to the success of the project."

URL: <http://www.enr.com>

## Graphic

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Table, Photograph: Clean equipment plays a key role in reflecting a positive company image and becomes mandatory when machines are used in environmental work.; Photograph: Ted Alberici (above), Gene Nethery and Norman Loosier (clockwise), Butch and Phil Bedell and Mike Morrison. The bottom line for equipment managers is to make sure there always is enough reliable machinery to service a job, but never too much. Meeting that goal today requires more management skills, they claim. ; Photograph: Maintenance is critical to equipment dependability. ; Photograph: Safety checks are mandatory at Brown & Root. ; Photograph: Skilled mechanics are prized at Pizzagalli and other firms. Training is tied to machine purchases.

**Load-Date:** January 26, 1995

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# EXHIBIT 020

## *No Headline In Original*

The Star-Ledger (Newark, New Jersey)

April 16, 1996 Tuesday, MIDDLESEX EDITION

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**Length:** 477 words

**Byline:** DANA YVETTE GEORGE

### **Body**

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There's big money to be made in the iron and dirt business, according to one Piscataway-based firm.

Foley Inc., a third generation company, is one of 65 North American dealers for Caterpillar, a heavy machinery manufacturer.

Caterpillar, a publicly owned company based in Peoria, Ill., manufactures cranes, tractors, loaders, excavators, trucks, backhoes, paving products, agricultural tractors and logging machinery.

Caterpillar sales in the United States were up 6 percent to \$7.42 billion out of the company's total 1995 revenue of \$16.07 billion, according to Caterpillar records.

Edward J. (Kim) Foley 3d, president and chief executive officer of Foley Inc., would not disclose the annual sales of his privately owned firm, but said the average Caterpillar dealership earns \$150 million in annual sales. In addition to CAT machinery, Foley sells truck engines and rebuilt hydraulic cylinders that enable the arms of cranes to move.

Foley, 49, said his CAT machines and truck engines help ``move the dirt, improve bridges and move goods on highways.``

"I'm the only one that gets happy when construction barriers are up," he said.

The three divisions of Foley Inc. are Foley Machinery, Foley Lift Co. and Foley Power Systems, all on Centennial Avenue in Piscataway. The machinery dealership was originally founded in Union Township, Union County, and moved to Middlesex County in the 1950s.

Contractors, miners and construction company representatives review CAT machines on an individual basis, just like the potential owner of a car. The bright yellow machines tend to roll out of the showroom one at a time, according to Foley.

"Large fleet purchases are far and few between," he said.

Foley Inc. also features 24-hour emergency service, seven days a week.

The inventory incorporates hundreds of different rebuilt components, including engines, transmissions, torque converters, alternators, generators and starters. Exchange components are completely rebuilt and come with the same guarantee as a new part, according to Foley.

Long before the Foley family made its mark in New Jersey as a heavy machinery dealer, the family was well-known for its car dealership in Newark.

Foley's grandfather, Edward J. Foley Sr. established the Foley Chevrolet Co. in 1922.

"At one time I believe it was the largest Chevrolet dealership in the country. It was substantial. Newark was the thriving capital of commerce, and hopefully it will be again someday," Foley said.

JENNY REILLY

No Headline In Original

Foley Sr. died in 1946, right after Foley Jr. came home from World War II and succeeded his father as president of the car dealership.

Foley Jr., 84, was born in Newark and grew up in Montclair.

Foley 3d, who has two sons and a daughter, said that while he is hopeful his children will someday inherit the business, he wants them to learn the basics of business by working for someone else first.

**Load-Date:** April 2, 2007

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# EXHIBIT 021

## News and notes

The Star-Ledger (Newark, New Jersey)

September 14, 1997 Sunday, FINAL EDITION

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**Section:** ACCENT / STYLE; Pg. 3

**Length:** 450 words

**Byline:** Jenifer D. Braun

### **Body**

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So you wanna be a model? Or maybe you want to get into the modeling business, behind the scenes? Here's your chance.

Finally there's a model search that accommodates everyone. If you're lucky enough to be between 13 and 25 years old and you're at least 5 feet 7, you can enter yourself into the Express/Find the Next Model Search sponsored by Express and Next Model Management.

If you win first prize in the contest, you'll get a \$150,000 three-year contract with Next, and may be included in an Express advertising campaign.

And if you're 12 years old or 5 feet tall, you can still get in on the action by entering somebody else in the contest. If your nominee wins first prize, you'll get a \$10,000 fee as the "scout" who found her.

The top 10 finalists in the competition will participate in a fashion show in Los Angeles in November. All finalists will receive modeling contracts, some with a smaller cash guarantee than first prize, and will have a chance to be in the Express ads.

To enter, find an application at any Express store before Oct. 31, fill it out and send it in with a head shot and full-body photo. (You must get a parent's signed okay if you're under 18.)

n Another way to launch a fashion career: The Fashion Institute of Technology in Manhattan is offering continuing-education classes in many fashion-related fields.

"Introduction to Image Consulting," "Introduction to Fashion Photography," "Collectible Jewelry with State of the Art Bead Stringing" and "Crochet is Back!" are among the courses offered; other courses are aimed at refreshing the skills of people who already work in the industry.

Classes meet evenings and weekends for no more than six weeks. Call the FIT Seminar Department at (212) 217-7715 for further info.

n Talk about brand awareness! If you needed any further proof that a recognizable name can sell just about anything, consider these:

Designer Donna Karan's DKNY company has introduced DKNY Blend coffee, which will be available, at least for now, only at Timothy's World Coffee shops. The blend of Costa Rican, Ethiopian and Guatemalan beans will be brewed into cups bearing the familiar DKNY gray-Hudson-river-with-skyline image.

Why coffee? Why not?

Karan already sells everything from sneakers to sweaters to stuff you add to your tea for that designer flair. Also, there is a Timothy's directly across the street from DKNY's 39th Street headquarters in Manhattan.

JENNY REILLY

## News and notes

At the same time, Caterpillar - the company that makes those big yellow machines that dig up the ground and put up new buildings - now has its own line of footwear, Caterpillar or "Cat" boots. They are supposed to be "like heavy equipment - authentic, durable and (meant for) work."

**Load-Date:** April 18, 2007

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# EXHIBIT 022



## CAT'S NEW HIGH-PRODUCTION COMPACTOR

Engineering News-Record

August 31, 1998

Copyright 1998 The McGraw-Hill Companies, Inc.

**Section:** EQUIPMENT TRACKS & TRENDS; Vol. 241, No. 8; Pg. 63

**Length:** 237 words

### **Body**

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Caterpillar Inc. has added a new machine to its pneumatic compactor line. The PS-360B is fully ballasted, weighs 55,115 lb and exerts 7,874 lb of pressure on each of its seven wheels.

Peoria, Ill.-based Caterpillar has designed the PS-360-B for maximum versatility. For example, it can be ballasted with water, sand, steel or a combination of each. These various ballasting methods allow the machine to be tailored to specific wheel loads or contractor preferences. Wide tires and large tire overlap adds to the machines versatility. The broad rolling width of 90 in. is designed to cover a standard highway lane in two passes.

The hydraulic system incorporates a pressure override (POR) valve in the propel circuit, adding to the PS-360B's fuel efficiency. The POR hydraulics sense the load on the propel motors and the pump supplies only as much oil as the motors can efficiently use. The propel system is completely hydrostatic and houses the drive motors and parking brakes in the engine compartment and uses a drive line to transmit torque to the drive axels. No chains are used. This keeps the hydraulic pump and motors, brakes and hoses above any contamination.

An all-wheel oscillation ensures uniform compaction across the entire rolling width. The oscillating wheels seek out and compact soft spots that other machines can bridge and they also help bond longitudinal joints, Caterpillar claims.

URL: <http://www.enr.com>

**Load-Date:** September 3, 1998

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# **EXHIBIT 023**

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EMBER 19, 1988

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## CORPORATE PERFORMANCE

# THIS CAT IS ACTING LIKE A TIGER

Caterpillar has beaten back the Japanese, is driving into new markets, and is heading for a record year. And by the way, it is revamping every plant in the company. ■ *by Ronald Henkoff*

**I**F YOU THINK you've heard all the Rust Belt recovery stories, think again. Caterpillar, the quintessential Midwestern metal basher, is not just reviving. It is being transformed.

Like other American manufacturers struggling back to competitiveness, Cat closed factories and pruned payrolls. But that was only the beginning. It is phasing in a hierarchy-busting reorganization of its entire 60,000-strong work force and revamping virtually every square inch of its remaining 30 factories. At the same time, it has beaten down Japanese competition and bulldozed its way into new markets. In four years it has doubled the number of products it offers, introducing new machines it

would not have thought of making in the old days, ranging from backhoes to farm tractors.

All this adds up to a corporate remake of almost unrivaled magnitude. Says Rudyard Istvan, a Boston Consulting Group competition expert: "What they're doing represents phenomenal internal change, the likes of which you can see at only one other company—Ford."

To put the change in perspective, consider where this once smug, closemouthed, and inflexible company has come from. For decades Peoria, Illinois-based Caterpillar was as invincible as the mammoth yellow earth-moving machines it produced. Like the D10 tractor below, standing 15 feet tall

and weighing in at 73 tons, Cat could push, crush, or roll over just about anything that got in its way. Competitors were too weak to be taken seriously. Customers were willing to pay fat premiums for Caterpillar quality and service. And workers, though periodically restive, could always be bought off with higher wages. With 50 consecutive years of profits and returns on shareholders' equity as high as 27%, Caterpillar was king of the mountain.

Then, in 1982, the peak erupted like Mount St. Helens. "Almost overnight the whole world changed for us," recalls George Schaefer, Cat's chairman and chief executive. Construction markets around the globe collapsed as the recession took

**Big equipment, like this mammoth D10 tractor, is selling briskly, but Caterpillar sees its greatest growth coming from smaller stuff.**



hold. Oil and other commodity prices plummeted, killing the demand for mining, logging, and pipe-laying equipment. As the dollar took flight, the Japanese—especially Komatsu—began to attack. In the midst of this onslaught, Caterpillar's blue-collar workers went on strike for seven months. From record profits of \$579 million in 1981, King Cat tumbled into a pit of red ink, with losses totaling \$953 million in the next three years.

Though Caterpillar is still carrying out its comeback plan, the results are already evident. Since late 1986, when plant closings and other expenses demolished earnings, the company has raced ahead. The third quarter was its most buoyant ever, handily beating security analysts' expectations. Sales were \$2.79 billion, up 22% from the same period last year, and profits were \$190 million, an increase of 30%. At this pace, Cat's full-year revenues will break the \$9.2 billion record set in 1981.

**L**ABOR RELATIONS, often tempestuous in the past, are improving. Ten of the past 16 contract negotiations between management and the United Auto Workers were marred by strikes, but the last two pacts (the most recent was signed in October) have been settled peaceably. Cat's North American market share has risen to a solid 32%, up two points from last year, estimates Manfredi & Associates, an industry consultant in Buffalo Grove, Illinois. Komatsu, which once had its sights set on a 15% tranche, peaked in 1986 at 12% and now has dropped to 9%.

The yen's sharp rise has helped, of course. So has a burst of growth among big customers. The prices of copper, timber, and other commodities have rebounded from their long slump to record heights, spurring producers to replace fleets of aging equipment. But Cat has no illusions about this prosperity. The surge of demand will begin to ease next year, predicts David Lewis, Cat's North American marketing manager. It is "an aberration," he says. So the company is relentlessly pushing its program of change.

Caterpillar has done a far better job of beating back Komatsu than, say, the Big Three auto companies have done in fending

REPORTER ASSOCIATE Mark Alpert



Schaefer and model excavator: a congenial people manager

off Toyota and Honda. The reasons are instructive. Unlike the automakers, Caterpillar has never turned out shoddy products. Costly yes, but its machines have set the world's standards for decades. Through boom, bust, and bounce-back, Cat has managed to hang onto something that other American companies have let slip—pride in workmanship.

Also unlike many of its American peers, Caterpillar has fought relentlessly to protect market share. When Komatsu began underselling it by as much as 40% in the early 1980s; the company made the wrenching decision to cut prices heavily in markets around the world. Its North American market share dropped 11 points from 1981 to 1986 anyway, according to Manfredi, but the company would have fared far worse if it had not stood its ground. "They had the choice of losing money or losing markets, and they chose to lose money," says Larry Hollis, an analyst at the Robert W. Baird & Co. brokerage house in Milwaukee. Finally, Cat is a seasoned global manufacturer. Half its revenues now come from foreign sales, and next spring it will celebrate the 25th anniversary of its recently expanded joint venture with Mitsubishi Heavy Industries.

Now that the good times are rolling, Caterpillar is still defending its turf. Says Hollis: "They haven't made the mistake that Detroit made of raising prices every time the dollar weakened." On average, Cat prices have risen just 5% a year since 1986.

Instead, Caterpillar has concentrated on driving costs down and improving its already vaunted quality. By contrast, Komatsu has been forced to tack on seven price increases in the past three years. The Japanese manufacturer recently launched a \$1 billion joint venture with Dresser Industries to build equipment in the U.S., but it will be several years before the new company works up to full steam.

Cutting costs, an exercise Caterpillar rarely bothered with in the good old days, is the company's foremost priority. That's because the nature of its marketplace has changed profoundly. For decades Cat's big-ticket products, like the D10 (whose current sticker price is \$529,100), practically sold themselves. But these days there are few huge highway and construction projects. The U.S. budget deficit,

the Gulf States oil crunch, and the Latin American debt crisis have seen to that. Says Schaefer: "The market is shifting to the smaller stuff."

Smaller products mean smaller profit margins—and keen new competition. Cat is brushing up against a rejuvenated Deere & Co., Tenneco's reviving JI Case subsidiary, and a host of Japanese niche players. All are cutting their costs too.

**F**IGHTING on so many fronts requires a new kind of agility. The word you hear repeatedly at Caterpillar these days is "peewaf," the vocalized acronym for Plant with a Future. It is a six-year, \$1.2 billion plan to modernize all 36 million square feet of Caterpillar's factory space. (That's on top of the \$850 million the company expects to spend on normal machinery replacement.) If all goes well, PWAf, which began in 1985, will have more than paid for itself by the early 1990s, cutting inventory costs alone by a cumulative \$850 million. PWAf means a total remake of Cat's tooling and manufacturing methods. "We are not going to compete with the Japanese by doing what they did five years ago," says Pierre Guerindon, the executive vice president in charge of PWAf. "That's not enough."

A high-spirited Frenchman who was previously Cat's top manufacturing manager in Europe, Guerindon has traveled the world studying the modernization efforts at other companies. He and his colleagues



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## CORPORATE PERFORMANCE

have learned two key lessons: First, don't become enamored of technology for its own sake. That, says Guerindon, should help Caterpillar avoid the Star Wars trap that many analysts feel General Motors fell into. Stick with "low risk" computerized machine tools, laser-read bar codes, and automated carrier systems; hold off on the unproven "paperless" integration of everything from engineering to finance.

**S**ECOND LESSON: Don't just change selected parts of your factory, as many manufacturers have done. To truly boost efficiency—that is, to reduce inventories, speed up assembly time, and improve quality—it's necessary to change the layout of the entire plant.

That requires deft logistical coordination. At a transmission factory in East Peoria, Illinois, for example, the clatter of jackhammers drowns out the normal din of clanging steel. While workers put together gears and clutch assemblies, hard-hatted construction crews just a few feet away drill an underground chamber the size of a high school gymnasium. This pit will become the foundation for a new, computer-controlled heat treatment system, just one part of the modernization program that will reach every corner of this 20-acre factory—and beyond. Transmission assembly formerly performed in five different buildings will be consolidated under its roof.



Caterpillar gets 20% of its revenues from selling diesel engines to other manufacturers.

It will take five years and \$200 million to turn the 40-year-old red-brick facility into a Plant with a Future. Nearly every one of the 500 machine tools will be moved or replaced. Caterpillar intends to accomplish all this without once slowing down the production lines. So far it has succeeded. "I'll tell you, the teamwork around here has been unbelievable," boasts Dan Coyle, the plant's PWA project manager.

In fact, efficiency has been rising even amid the uproar. By installing a computer-

ized inventory control system, Coyle and his colleagues have drastically compressed the time it takes to run components through the plant. The parts for a clutch housing used to hang around in various stages of assembly for 20 days before they were packed up and shipped out. They are now in and out in just four hours. It used to take 11 workers to machine, burr, balance, and wash planet carriers (the guts of a transmission). Now two workers do the job, running a manufacturing "cell" consisting of just six machines.



Sword into plowshare: Technology developed for a missile launcher produced a tractor.

**C**ELLULAR manufacturing is nothing new, but making it work requires a radical reorientation of old attitudes. Workers must be trained to handle multiple tasks, work in teams, and take responsibility for the quality of the parts they produce. Such changes do not come naturally to Cat's hard-boiled workers and managers. For all their shared pride in the big yellow machines they built, the shop-floor style was classically confrontational and hierarchical.

Middle managers still worry about losing their authority, and longtime screwdriver jockeys sometimes sour on the idea of running not just one, but several, newfangled machines. "When you go through change, there's just a fear of the unknown," says Gerald Flaherty, vice president for employee relations. "You're asking some people to go into a classroom who haven't been in one for 25 years."

But the new ways are catching on. Many



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employees, particularly younger ones, appreciate getting a bigger share of the action. Blue-collar workers are now encouraged—and expected—to pipe up on issues like product engineering, workplace layout, and quality improvement. “Five years ago the foreman wouldn’t even listen to you, never mind the general foreman or the plant supervisor,” says Gary Hatmaker, a 37-year-old assembly line worker in a factory that makes the D10 and other giant tractors. “Now everyone will listen.” When Hatmaker installs hydraulic hoses, he, not a spot-checking quality inspector, makes sure they’re put on right. “I know how these things are supposed to fit,” he says with pride.

Caterpillar has enlisted the shop-floor experts in shaping up its suppliers. Machinists, for example, may visit the suppliers’ factories to help the teams that evaluate and “certify” production quality. “Management has traditionally kept all the exciting parts of the job to itself,” says Sam Black, Cat’s director of quality, “and left the drudgery to the poor hourly guy.” Delegating the excitement appears to be paying off. Since 1982, Caterpillar has certified 800 of its 4,000 major suppliers around the world. The certified companies get preferential treatment in exchange for meticulous attention to quality. The reject rate for parts they furnish is 0.6%, vs. 2.8% for noncertified suppliers.

The new spirit at Caterpillar owes a lot to the skills of its chairman, an unlikely, 60-year-old revolutionary. An accountant by training, George Schaefer is a congenial, low-key executive who refers to himself as an “old bookkeeper.” Named CEO in 1985, the boss drives himself to work, often answers his own phone, and likes to spend weekends (when he can get them) playing golf or putting in the garden of his unpretentious Peoria home.

**L**IKE MOST Caterpillar executives, Schaefer, a native of Kentucky, has spent virtually his entire career at the company. He rose through a tight culture where managers speak of getting their “coat of yellow paint,” the symbolic mantle of institutional loyalty. What distinguishes Schaefer from the typically autocratic chiefs who preceded him is a gift for communication—with officers, managers, and factory workers. Says John Stark, editor and publisher of *Off-Highway Ledger*, a trade newsletter: “Schaefer is probably the best manager the construction machinery industry has ever had.”

Schaefer’s people skills should help keep relationships with the union improving. Caterpillar has reduced its work force by a third, or 30,000 jobs, in the past decade. The UAW, chastened by the debacle of 1982, has grudgingly lent its support to PWA. In 1986 the union agreed to increase the company’s flexibility by cutting the number of job classifications from a staggering 418 to 150—still high, but a number Caterpillar figures it can live with for a while, at least. Those concessions came at a price. In the most recent contract Cat agreed not only to a 3% pay hike and an extension of the quarterly cost of living adjustment, but also to stringent job securi-

| INVESTOR'S SNAPSHOT                          |                        |
|--|------------------------|
| CATERPILLAR                                  |                        |
| <b>SALES</b>                                 |                        |
| (latest four quarters)                       | <b>\$10.0 BILLION</b>  |
| CHANGE FROM YEAR EARLIER                     | <b>28.4%</b>           |
| <b>NET PROFIT</b>                            | <b>\$423.0 MILLION</b> |
| CHANGE                                       | <b>1,846.9%</b>        |
| <b>RETURN ON COMMON STOCKHOLDERS' EQUITY</b> | <b>15.5%</b>           |
| FIVE-YEAR AVERAGE                            | <b>-1.4%</b>           |
| <b>STOCK PRICE RANGE</b>                     |                        |
| (last 12 months)                             | <b>\$53.00-\$68.50</b> |
| <b>RECENT SHARE PRICE</b>                    | <b>\$62.625</b>        |
| <b>PRICE/EARNINGS MULTIPLE</b>               | <b>11</b>              |
| <b>TOTAL RETURN TO INVESTORS</b>             |                        |
| (12 months to 11/18/88)                      | <b>12.7%</b>           |

ty provisions. Caterpillar will be allowed to cut its work force if the market goes into the tank again, but it can't eliminate jobs just to lower costs.

Such restrictions could further delay the PWA program, which is already behind schedule. The company had hoped to pare 15% to 20% from its 1985 cost base by 1990, but it will not reach that goal until 1991. Caterpillar has been tripped up largely by the increased prices of supplies. Steel, which accounts for 20% of its costs, has risen 17% in the past 12 months. (As you might expect, Caterpillar is one of the most outspoken opponents of renewing the quotas on steel imports next year.)

Nevertheless, timing has favored Caterpillar's ambitious undertaking. PWA is being put into place when the market is booming. Demand is so robust that Cat has even begun, cautiously, to take on new employees. And in the future, if all goes well,

the company should be able to put employees made redundant by rising productivity to work on its new products.

The core of the new business is the so-called Century Line, a family of machines ranging from excavators to tractors, and Cat must develop brand loyalty in a whole new category of consumers—the small-scale owner-operators who build houses, repair roads, and install sewers. “We need to have Caterpillar be the first machine that an owner-operator buys,” says Lewis. “Emerging contractors have traditionally gone to Deere or Case.” Selling to them is different from selling to multinational project managers like Bechtel.

The company is off to a fast start. For example, Cat began selling backhoe loaders—multipurpose machines popular with small contractors—just three years ago. Last year, according to *Off-Highway Ledger*, it got a 7% share of the North American market. Cat won't say what its long-term goals are, but the leaders—Case, with 38.5%, and Deere, with 20%—should be worried.

**C**ATERPILLAR is also learning to play niche markets, which it will be able to exploit handily if it gets the payoff it hopes for from PWA's flexible manufacturing systems. It has no chance (and no intention) of shaking Deere's dominance in agricultural equipment, but that hasn't stopped it from launching the Challenger 65 tractor. This odd-looking contraption, which Cat says is selling well, has rubber tracks banded around rubber wheels, a design that is supposed to improve traction. The Challenger exploits technology that Caterpillar tried unsuccessfully to sell to the Pentagon for a mobile missile launcher.

Meantime the company is finding new customers for its existing products. It has long sold diesel engines to outsiders—they account for 20% of revenues. Now it has also started to market its highly regarded worldwide parts delivery system and is handling distribution for Navistar and Britain's Rover Group, among others.

Why didn't Caterpillar drive down these roads before? “You have to realize that we had had 50 years of nothing but success,” says Schaefer. “The formulas and policies and practices that we pursued had served us extraordinarily well.” The crisis of the mid-1980s shattered that complacency and set Cat on a course that could make it an exemplar for American industry. **E**

# EXHIBIT 024

## CONEXPO Roundup

Engineering News-Record

April 5, 1999

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### **Body**

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The show of shows in construction, CONEXPO-CON/AGG'99, drew well over its estimate of 100,000 visitors to Las Vegas March 23-27. The exhibition covered 1.6 million sq ft of space inside and outside the Las Vegas Convention Center, and even in the far-flung halls, exhibitors reported that business was brisk. Attendees had only one complaint: blisters!

**Dancing Diggers Draw Crowds, Vegas-Style** As part of its latest whirlwind tour, the Dancing Digger backhoe stunt team wowed observers on the Las Vegas Strip with a parade followed by a series of maneuvers choreographed to music ranging from Andrew Lloyd Webber to the Wedding March to the Firebird Suite. JBC INC.

**TRENCHER CUTS A NEW PATH IN NEVADA DESERT** To cut trenches up to 36 in. wide and up to 20 ft deep in rock- and sand-laden earth, the firm previewed the latest version of the T-1555 Commander rock trencher. Company Product Specialist Chris Lynch claims the 700-hp *machine* is the largest, most powerful trencher on the market. Because of its capacity, he claims it can also replace an entire excavation crew. VERMEER MFG. CO.

**KEEPING THE GREEN -- AND MORE** Executives of two major heavy construction equipment companies announced they would jointly market excavators and dump trucks.

Iwao Morikawa, senior vice president of Hitachi Construction *Machinery* Co., Ltd., Tokyo, said his company's move to increase its holding in Euclid-Hitachi Heavy Equipment Inc., Cleveland, from 40 to 80% produces a valuable package. Keith Richardson, president and COO of Euclid-Hitachi, says the company's name and distinctive green color will remain. Euclid also does custom colors, however. An Indonesian owner ordered 10 trucks painted with tiger stripes. EUCLID-HITACHI

**ELECTRIC BOOM LIFT CARRIES GENERATOR** An electric-powered boom lift with the ultimate extension cord -- an on-board generator -- made its debut at ConExpo here in Las Vegas. The new lift from JLG Industries includes a diesel engine-powered generator to keep batteries charged.

The Model M45A multi-power boom lift offers a vertical height of 45 ft and a horizontal outreach of 22 ft 8 in. Electric traction drive motors, operating on 48 volts, provide a top drive speed of 3.3 mph, says the manufacturer. The Model M45A lift charges batteries at twice the speed of standard on-board chargers. JLG INDUSTRIES INC.

**MAKING BULLDOZERS FLY** In an effort to plant the seeds of a better and faster, but not necessarily cheaper, way to get equipment to job sites, the Long Beach, Calif., office of The Boeing Co. showed off its MD-17 cargo plane. Made famous last

## CONEXPO Roundup

year by transporting the Orca that played "Free Willy" from Oregon to Iceland, the plane is most often used by the U.S. Air Force to transport tanks and other heavy equipment to remote job sites. Boeing spokesperson Rick Sandford says the craft has a payload of about 170,000 pounds, sports a 19-ft-wide by 14-ft-high cargo space with roller-fitted floor, and can land with a full payload on a rough-graded runway just 2,000 ft long. Sandford says the Air Force purchased over 140 of the planes to be delivered over the next eight years. For commercial freight carriers, a craft is at least two years away. BOEING CO.

**FUEL CELL-POWERED WORK PLATFORM SEEMS FUTURISTIC** JLG Industries debuted an experimental prototype of what may be the work platform of the future, powered by hydrogen and oxygen, exhausting just water vapor. JLG INDUSTRIES

**HYUNDAI DOZERS LAND IN U.S.** The U.S. market is the place to be and Hyundai Construction Equipment is upping its stakes there with a new crawler dozer line. Its new H70 model is the first of a series to be introduced over the next 18 months. HYUNDAI CONSTRUCTION EQUIPMENT

**KOBELCO DIGS IN WITH DOZER-EXCAVATOR** Kobelco's high-production excavator dozer drew lots of attention -- and not just because it was painted with stars and stripes. The ED180 Blade Runner comes standard with a six-way power angle tilt blade with a 3.26-cu-yd capacity. The excavator arm has 360-degree rotation. It also comes with an undercarriage that will withstand tough dozing and excavator applications.

Lorenz Merfeld, general manager for marketing, says the *machine* saves up to 30% of the cost of buying an excavator and dozer separately. The hand-painted model is going to work in the field right after the show. KOBELCO

**CAT'S NEW EJECTOR BODY PUSHES LOADS OUT THE BACK** *Caterpillar* Inc., Peoria, Ill., has a new ejector body matched to its D400E II articulated truck. It is rated at 40 tons and 28.6 cu yd. The ejector body uses many standard components, such as rollers from *Cat's* 621 scraper. It has a multistage hydraulic cylinder and the carriage tilts during ejection to loosen sticky material. "Since the ejector system eliminates the need to raise the body, the ejector truck can dump on side slopes, and it has greater stability when dumping on steep downhill slopes or on unstable ground," says *Cat*. **CATERPILLAR INC.**

**PLASTIC DUMP TRUCK BODY MAKES DEBUT** "Not a liner," declares Reiter Industries in describing its one-piece, seamless dump truck body made with an in-house formula of high-density polyethylene. The Dickinson, N.D.-based manufacturer wanted to test it to destruction, but no one could destroy it, claims Tom Knutson, general manager. Contractors "hailed large sharp-edged shot rock; mine-blasted flint rock; demolition debris; curbs and gutters; logs, tree stumps and scrap iron" without breaking the dump, he says. Dumps also were subjected to 520-ft-lb impact tests at -40 F. According to Reiter, the 1-in.-thick body is lighter than steel dumps, outlasts them, has greater payloads and has up to 42% reduced dump angle. REITER INDUSTRIES

**FAST PATCHER** Strapped transportation departments will get some help with pothole patching with tools introduced from Madison, S.D.-based Rosco Manufacturing. The firm's new RA-2000, a trailer-mounted spray patcher, features a four-step process for single-person pothole repair. According to the firm, the *machine's* 300-gal tank, ergonomically designed controls and one-step self-cleaning system now allow operators to work for long periods without interruption or fatigue. For larger jobs, the firm also introduced a new version of its RA-300 patcher truck. An auxiliary engine now allows drivers to patch holes while moving at slow speeds. ROSCO

[URL: http://www.enr.com](http://www.enr.com)

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JENNY REILLY

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# EXHIBIT 025

## Caterpillar dozers add performance features

Mining Engineering

April 1, 2000 Saturday

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### **Body**

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#### **FULL TEXT**

Caterpillar has made several performance enhancements to its D11R and D11R Carrydozer that add to their quality, durability, reliability and productivity. The D11R has incorporated several features that are already present in the D11R Carrydozer. In addition, several new features enhance the D11R and D11R Carrydozer tracktype tractors.

The new improvements in the D11R make it even more powerful and productive. Some of these improvements include electrohydraulic controls, information management capabilities and automated blade function.

The D11R Carrydozer was introduced in August 1998. The unit is a complete dozing system with all electronic controls, semiautomatic blade features and a unique dozer blade designed to handle large mining jobs like prime stripping and reclamation. The newest enhancements to the D11R Carrydozer provide for increased productivity.

New to both track-type tractors

The D11R and D11R Carrydozer's new features include the Cat 3508B EUI engine, rated at 634 kW (850 hp). This electronically controlled engine meets all emissions requirements for 2000. The fuel tank refill capacity has increased to 1,609 L (425 gal) from 1,471 L (388 gal) on both tractors.

The power train of the D11R and D11R Carrydozer features AutoShift. When activated, this feature automatically shifts the transmission from first forward to second reverse and from second reverse to first forward when the operator makes a directional change. Automatic shifting features easier upshifts and downshifts. This increases operator productivity, reduces fatigue and shortens cycle times. Operators can choose between manual shifting or the automatic shifting feature, depending on the application or the operator's preference.

New to the D11 R

New features to the D11R include Caterpillar's Vital Information Display System (VIDS). VIDS is an advanced diagnostic and equipment management tool designed to provide lower operating cost per ton. This information management system is also available on the D11R Carrydozer.

The D11R is now equipped with electrohydraulic dozer and ripper controls. So is the D11R Carrydozer. The low effort, comfortable hand controls have no mechanical linkages. And they offer semiautomatic blade functions that lower operator fatigue, resulting in increased productivity.

## Caterpillar dozers add performance features

The D11R now incorporates AutoPitch, an automated blade feature like that of the D11R Carrydozer. Caterpillar's Automated Blade Assist is a semiautomatic dozer control function. It increases efficiency and reduces operator workload. It does this by automating some of the common blade functions.

Like the D11R Carrydozer, the keypad of the D11R allows the operator to access and acknowledge machine and system information provided by VIDS. The operator can also activate semiautomatic dozer functions, access gauge values, customize factory settings and change operator preferences on the message center module. The easy-to-use keypad works in conjunction with VIDS and allows the operator to view details from alert messages to assist in diagnosis and fast troubleshooting.

## New to the D11R Carrydozer

Enhancements to the D11R Carrydozer include replaceable, hard-steel wear plating and router bits on the blade. This increases wear resistance and adds strength and durability. The Carrydozer also features two ripper configurations to match different applications. The single-shank ripper is used in applications where penetration is difficult or when more lift is needed. The multishank ripper is designed for use in less severe applications or when ripping close to a wall. This configuration offers the flexibility of one, two or three shanks.

Improvements to Caterpillar's D11R and to the D11R Carrydozer, shown here, include a 634-kW (850-hp) engine that meets emission requirements for 2000 and a larger fuel tank. An automatic-shifting feature shortens cycle times and increases productivity.

For more information, contact: Caterpillar, PO Box 10097, Peoria, IL 61612-0097, phone 309-675-8995, fax 309-675-4757.

**Load-Date:** March 15, 2016

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# EXHIBIT 026

# WIRED AT BIRTH / BETTER-MADE ELECTRONIC AND COMPUTER-BASED PRODUCTS FOR 'GEN W' FLOOD THE MARKETPLACE

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## **Body**

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WE'VE HAD SLACKERS (Gen X) and shoppers (Gen Y).

But the current generation might be most appropriately tagged Gen W, for they are the first totally wired-and wireless-generation, with computers, the Internet, PDAs, pagers and cellular phones all seemingly part of their birthright.

Even 5-year-olds who can't read the storyline text on their Game Boy cartridges seem to cannily dope out how the games are played and become proficient at them only hours after popping them into their handheld *machines*. Manufacturers, realizing that these sophisticated youngsters have visions of Sega Dreamcasts and Sony PlayStations-rather than sugarplums-dancing in their heads, are producing more, and better, electronic and computer-based merchandise for the marketplace.

As in the past, this holiday season has items that are in high demand but short supply. The year's scarcest item appears to be Sony's PlayStation2 ([www.us.playstation.com](http://www.us.playstation.com)), which retails for \$ 299.99 but sold on eBay for as much as \$ 2,500 in late November (though more recently could be had for \$ 500 to \$ 600). Not nearly as scarce, but also enjoying popularity are Tiger Electronic's robotic canine Poo-chi (\$ 29.99, [www.tigertoys.com/home.html](http://www.tigertoys.com/home.html)) and most any cartridge for the Nintendo Game Boy Color system.

But perhaps most surprising is the increase and type of PC and Game Boy software aimed at girls. While a few years ago many manufacturers created products that encouraged young women to explore less traditional careers and interests, this year's batch is unabashedly "girlie," with titles ranging from "Barbie Magic Genie Bottle" to "Cosmo Girl!" and "Diva Starz."

Following is a look at some of the more noteworthy electronic toys and software available for the gift-giving season. Whenever possible, try out demos of toys before purchasing and inquire whether software sellers allow for exchanges or refunds on unopened products. Make sure the software will run on the operating system of the recipient's computer and that the PC meets the software's minimum running requirements.

WIN denotes Windows compatible software, MAC denotes Macintosh compatible software. Hybrid software (WIN/MAC) is compatible with either system. Products listed are available at major toy or software retailers.

Strap yourself in, it's a pretty wild ride:

For those who believe it's never too early for a child to acquire cyber-skills, Fisher Price has created Baby Smartronics Computer Learning System (\$ 29.99, [www.fisherprice.com](http://www.fisherprice.com), age 9 months and up, WIN /MAC), consisting of an infant-appropriate keyboard that straps around a standard PC keyboard, accompanied by a CD-ROM featuring educational and entertaining activities. For the slightly older child, Disney's Mickey Toddler (\$ 19.99, [www.disney](http://www.disney)

JENNY REILLY

WIRED AT BIRTH / BETTER-MADE ELECTRONIC AND COMPUTER-BASED PRODUCTS FOR 'GEN W' FLOOD  
THE MARKETPLACE

interactive.com, 18 months and up, WIN/MAC) provides schooling in numbers, letters, shapes and colors. LEGO My Style Preschool (\$ 19.95, [www.lego.com](http://www.lego.com) /software, 2 and up, WIN/MAC) also teaches basic school-readiness skills but also builds up a child's confidence through encouragement and praise from the software's characters.

Learning is fun and user-friendly with LeapFrog's Turbo Twist Spelling, FactBlaster and Math toys (\$ 39.99, [www.leapfrog.com](http://www.leapfrog.com), 7 and up), interactive cylinders that pose questions, after which the user twists one side to display and choose the correct multiple-choice answer. The optional LeapLink Connector (\$ 24.99) allows the toy to interface with LeapFrog's Web site to download additional content and track a child's progress. Scholastic's popular I Spy series returns with two new titles, School Days (\$ 25.99, [www.knowledgeadventure.com](http://www.knowledgeadventure.com), 5 and up, WIN/ MAC) and Junior Puppet Playhouse (\$ 19.95, 3 and up, WIN/MAC). The former title contains new riddles, Codebreakers and object-association games, while the latter uses puppets, props and sets as a backdrop to build reading and thinking skills.

For the child who's ready to go to work, Tonka Power Tools Playset (\$ 49. 99, [www.hasbrointeractive.com](http://www.hasbrointeractive.com), 5 and up, WIN) supplies a multipurpose toy power tool that interacts with the PC's monitor to create hands-on drilling, sawing, painting, cutting, gluing and sanding fun. Kids looking for more heavy-duty jobs can take them on with Matchbox Caterpillar Construction Zone for Game Boy Color (\$ 29.99, [www.mattelinteractive.com](http://www.mattelinteractive.com), 5 and up), which contains 25 missions-including digging trenches, building structures and moving boulders- on CAT construction vehicles.

Forty-five years ago, dolls that could "drink" and "wet" seemed real. Baby "I Know" by Toy Biz (\$ 29.99, [www.marvel.com](http://www.marvel.com), ages 4 and up), not only can identify her "mommy" by the locket she wears, but the soft-bodied doll also speaks 300 phrases and can recognize objects, colors, letters and numbers, as well as play interactive games.

For slightly older girls who just wanna have fun, there is Mattel Interactive's Barbie Magic Genie Bottle & CD-ROM (\$ 39.99, 5 and up, WIN), an adventure game that comes complete with an "I Dream of Jeannie"-like bottle that lights up and interacts with the onscreen action. More serious youngsters might prefer Barbie Pet Rescue (\$ 29.99, 5 and up, WIN) in which the blond heroine finds lost animals and nurtures them back to health at the Pet Rescue Center.

Christina Aguilera Follow Your Dreams (\$ 17.99, 7 and up, WIN) by Knowledge Adventure/Simon & Schuster features the pop singer ("What a Girl Wants") in three play areas including a scrapbook with over 100 of Aguilera's family photographs, a fortune teller-inspired game and a dream finder that helps girls figure out who they are and what is important to them. Wannabe divas can check out Mattel Interactive's Diva Starz (\$ 19.99, 6 and up, WIN/ MAC) in which Alexa, Nikki, Summer and Tia-four teen mall rats-visit their favorite shopping place to try on Diva-A-Licious outfits, mix Groove- O-Matic music and create Cute-Errific hairstyles.

Game Boy girls won't feel left out this season, either. New products showcasing female leads include Disney's Alice in Wonderland (\$ 29.95, 5 and up) and The Little Mermaid II: Pinball Frenzy (\$ 34.95, 5 and up), Knowledge Adventure/Simon & Schuster's Sabrina the Animated Series Zapped! (\$ 29.95, 5 and up) and The Powerpuff Girls Bad Mojo Jojo (\$ 37.99, [www.bam4fun.com](http://www.bam4fun.com), 6 and up) by bam! entertainment.

And girls who want to secretly share info on their latest finds can use Girl Tech's Laser Chat (\$ 15, 8 and up, [www.girltech.com](http://www.girltech.com)), which records short voice messages and transmits them up to 35 feet away to other Laser Chat units.

With all the products recently spun off of his character, Dr. Seuss' Grinch certainly won't be singing it isn't easy being green any time soon. Among the entries is Konami's The Grinch for Game Boy Color (\$ 29.99, [www.konami.com](http://www.konami.com), 6 and up), an action-adventure romp in which players become The Mean One to go on 24 missions filled with puzzles in Whoville and other environments, and Dr. Seuss' How the Grinch Stole Christmas! Walkie Talkies (\$ 29.95, 5 and up) by Columbia Telecommunications Group Inc. Perfect for Grinch hunting, the 12-inch-high communicators have six transistors, take a 9-volt battery and can be used for Morse code or speaking.

Disney's 102 Dalmatians: Puppies to the Rescue (\$ 29.99, 8 and up, WIN/MAC) is also based on a current film. Kids play as a male or female puppy (" Malcolm in the Middle's" Frankie Muniz voices Domino) to save the rest of the litter from the clutches of Cruella De Vil. The engaging action (a 3-D accelerator card is required) enables you to run, jump, bark, dig, roll, fetch and sniff.

## WIRED AT BIRTH / BETTER-MADE ELECTRONIC AND COMPUTER-BASED PRODUCTS FOR 'GEN W' FLOOD THE MARKETPLACE

Kids on the move can program Toymax' Starter Up Jimmy the Jumbo Jet (\$ 34.99, [www.toymax.com](http://www.toymax.com), 4 and up) to follow their directions by pressing keypad buttons on the plane's back that store up to 32 commands including takeoff/landing, go, reverse, turns, pilot announcements and random flying patterns. Similarly, how you load the "smart" blocks in the payload area of Mattel's Matchbox Programmable Block Truck (\$ 39.99, [www.mattel.com](http://www.mattel.com), 3 and up) directs the vehicle to move, turn, circle or dump its cargo. The truck also "speaks" and makes truck noises. Parents who are tired of stepping over and around toy train tracks can move the setup to the computer monitor with Sierra's 3-D Ultra Lionel Train Town Deluxe (\$ 29.99, [www.nowthisisfun.com](http://www.nowthisisfun.com), 8 and up, WIN), software that allows users to design track layouts, solve puzzles and explore unique environments on Earth or in outer space.

For the need to speed, there's the wheelie-popping, super-charged action of Toymax' Dragonfly (\$ 69.99, 8 and up), a remote-controlled racer with wings that open and close to allow it to squeeze through narrow spaces and perform stunts. Virtual racers can check out Hasbro's Grand Prix 3 (\$ 39.99, [www.grandprix.games.com](http://www.grandprix.games.com), 8 and up, WIN), which strives to achieve the ultimate in "real feel" through its 3-D track graphics, wet weather and collision- damage effects. Hot Wheels Slot Car Racing (\$ 34.99, 5 and up, WIN), a CD-ROM game by Mattel, comes with two slot-car controllers that players use to manage the speed of the car on eight different tracks. Sierra's 3-D Ultra RC Racing Deluxe (\$ 29.95, [www.sierra.com](http://www.sierra.com), WIN) uses graphics and realistic motion to simulate remote-control racing on 16 tracks. The software also features a customized paint editor and four levels of difficulty.

Radica has designed a series of products for sports enthusiasts who prefer a bit more physical feel in their virtual reality. Its Play TV Baseball (\$ 49.99, 8 and up) plugs into a TV or VCR and uses XaviX technology to allow one or two players to actually move a ball and/or bat that interact with the field displayed on your TV screen. Two new Game Boy Color selections are also aimed at sports buffs. Activision's Tony Hawk's Pro Skater 2 (\$ 29.99, [www.activision.com](http://www.activision.com), 6 and up) brings all the excitement of skateboarding to the very small screen with its choice of 13 pro riders and seven courses. For those who prefer the agony and ecstasy of going for the gold, Konami has developed ESPN International Track & Field (\$ 34.99, 6 and up), with 750 authentic, motion- captured animations featuring world-class Olympic athletes Maurice Greene, Ato Boldon and Jeff Hartwig. The game's 12 events include the 100-meter dash, long jump, fencing, javelin, hurdles, high jump, weight lifting, pole vault, trap shooting and table tennis. And for those who just can't kick the habit, Humongous' Backyard Soccer MLS Edition (\$ 19.99, [www.humongous.com](http://www.humongous.com), 5 and up, WIN/ MAC) features 30 neighborhood players plus pint-sized versions of 15 Major League Soccer and U.S. Women's National Team players, including Cobi Jones, Carlos Valderrama and Brandi Chastain.

## Graphic

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Photos - 1) 9 months + The Fisher-Price Baby Smartronics Computer Learning System is available for \$ 29.99 via [www.fisherprice.com](http://www.fisherprice.com). It has an infant-appropriate keyboard that straps around a standard PC keyboard. 2) 7+ LeapFrog's Turbo Twist Spelling FactBlaster, available for \$ 39.99 on [www.leapfrog.com](http://www.leapfrog.com), adds a new twist to learning for ages 7 and up. 3) 6+ The Grinch for Game Boy Color costs \$ 29.99 on [www.konami.com](http://www.konami.com) and provides 24 puzzling adventures. 4) 8+ Disney's 102 Dalmatians: Puppies to the Rescue, for ages 8 and above, is \$ 29.99. 5) 8+ Radica's Play TV Baseball, \$ 49.99 for ages 8 and up, plugs into a TV or VCR and allows one or two players to move a ball and / or bat on the screen. 6) 5+ Humongous Backyard Soccer MLS Edition is \$ 19.99 on [www.humongous.com](http://www.humongous.com) and features 30 neighborhood players plus pint-sized versions of pro players. 7) 8+ Girl Tech's Laser Chat, available for \$ 15 on [www.girltech.com](http://www.girltech.com), records short messages and transmits them up to 35 feet to other Laser Chat units. 8) Newsday Composite Illustration - Toys for children of all ages

**Load-Date:** December 13, 2000

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# EXHIBIT 027

# Cat's New Claws

**Caterpillar introduces its first (of many?) tillage tools.**

**W**hen Caterpillar announced last fall that it had a working agreement with Krause Corporation, you knew some new tillage tools with yellow and black markings were on the way. "We are looking to build a broad line [of tillage tools] but not a full line," says Aaron Faivre of Caterpillar.

The TL2 Series in-line rippers and the TL3 Series disc rippers are the first tillage implements designed specifically for use with Caterpillar's rubber-tracked tractors; each has pivoting mechanisms to accommodate Cat tractors' sharp turning radius.

"The Challenger pivots near the center of the tractor and can turn quicker than wheeled tractors," Faivre explains.

That's an advantage in some situations. But if you're dragging a tillage implement,

sharp turns can cause steering and performance problems. To address that issue, engineers added pivot points to the shanks on the TL2 Series in-line ripper. Those shanks can pivot 6 degrees in either direction (12 degrees total).

Caterpillar initially will offer the in-line ripper with 30-inch spacings in five-, seven- and nine-shank versions. Customers can choose spring reset shanks or rigid shanks. Working widths will be 12 feet, 6 inches to 22 feet, 6 inches.

The TL3 Disc Ripper features a drawbar that pivots from side to side, and urethane mounts cushion shocks during steering corrections. After an initial manual leveling, the hitch is self-leveling, Faivre says.

Front blades are fixed at an 18-degree cutting angle; parabolic shanks and rear



PHOTO: COURTESY OF CATERPILLAR

**The TL3 Series disc rippers combine deep ripping, residue cutting and incorporation into one pass.**

disc gangs follow to lift compacted soil, then level it; and front and rear discs feature hydraulic depth control.

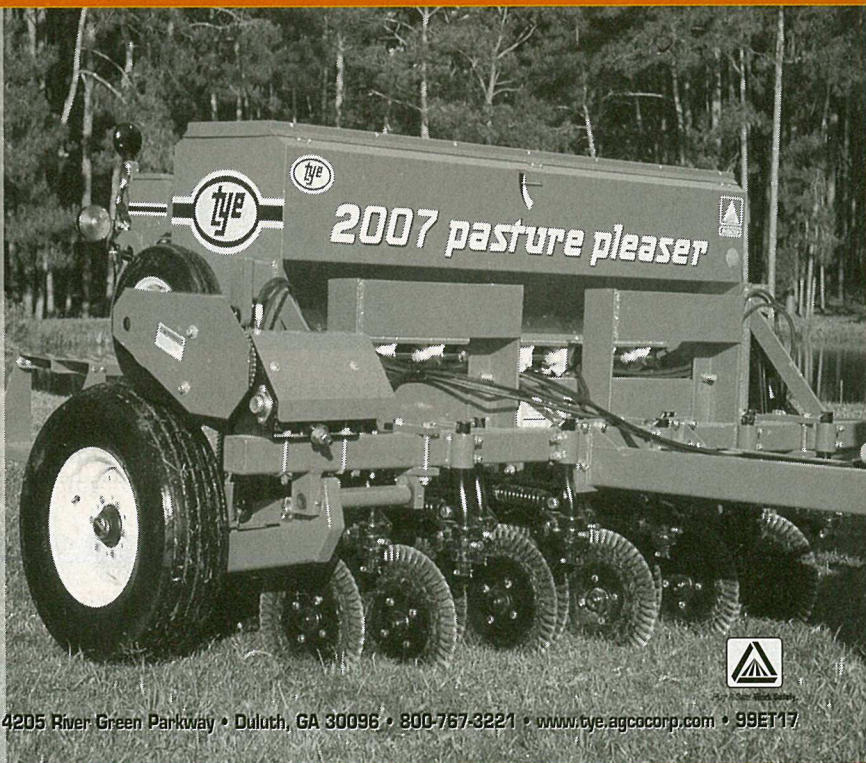
The TL3 Series initially will come in 30-inch spacings and in five-, seven- and nine-shank versions. Working widths vary from 12 feet, 6 inches to 22 feet, 6 inches. The larger models have a three-part frame fold for transport.

Both tools will be available this fall. Prices "will be competitive," Faivre says.

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# EXHIBIT 028

## *Cashing in On the World's Energy Hunger; Caterpillar Is Riding High on Demand for Diesel Generators*

The New York Times

May 22, 2001 Tuesday, Late Edition - Final

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**Section:** Section C; Column 2; Business/Financial Desk; Pg. 1

**Length:** 1767 words

**Byline:** By DAVID BARBOZA

**Dateline:** LAFAYETTE, Ind.

### **Body**

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Ted Lewis lowers a gigantic iron block into place, clamps it down, and begins drilling holes in the skeleton of what will become an 8,000-pound diesel engine.

That engine, an array of bolts, fuel lines, filters and pistons, rolls off the assembly line at the *Caterpillar* plant here, ready to be bolted onto a two-megawatt electric generator that will create a *machine* capable of delivering the power that everyone seems to crave these days.

The generators, which are nearly twice as big as a midsize car, are being shipped to California so that Internet server centers there will have the uninterrupted power they need to keep the digital age humming; they are going to hospitals and police departments, which are obligated to have emergency power; and they are being installed at big manufacturing operations and office buildings, which are bracing in a few parts of the country for a summer of rolling blackouts.

"These companies are saying, 'We can't rely on the utilities anymore; we're going to put our own standby units in,' " said Jim Parker, director of electric power generation at *Caterpillar*, which is based in Peoria, Ill. "And they're saying, 'How much power do you have and how fast can you get it here?'"

For *Caterpillar*, the world's largest manufacturer of construction and earthmoving equipment, soaring demand for diesel-powered generators is bolstering profits in a fast-growing unit and helping stabilize a company that is coping with slowing sales of construction and mining equipment.

Analysts say the growth of the engine business is making *Caterpillar* much less of a roller coaster ride than it was in past downturns, when it invariably lost money at the low points. And they say that global energy demand is expected to continue to rise for several years, raising the company's long-term prospects. By 2006, if power generation sales continue to grow by 20 percent a year, as they have for the last six years, they could account for a fifth of the company's revenues.

The strength of its engine business is helping *Caterpillar* transform itself into a diversified equipment supplier and service provider; it is no longer just a builder of its traditional yellow earthmovers, tractors and other equipment. Indeed, all the company's energy-related businesses -- turbines, diesel-engine generators, oil and gas exploration equipment, and coal mining trucks -- are growing rapidly, benefiting from the nation's energy shortfall.

"One of the reasons *Caterpillar*'s profits in this downturn are better than the downturn in the early 90's is their strength in the engine business," said David Bleustein, an analyst at UBS Warburg .

The value of *Caterpillar* shares has nearly doubled in the last eight months and is up 18 percent this year. The stock, which is still well below its 1999 high of \$64 a share, closed yesterday at \$55.70, up 45 cents.

JENNY REILLY



## Cashing in On the World's Energy Hunger; Caterpillar Is Riding High on Demand for Diesel Generators

Of course, with the overall economy weakening, Caterpillar is still too heavily tied to the construction industry to avoid a downturn entirely. Profits on about \$20 billion in global sales are expected to drop about 14 percent this year, according to Wall Street analysts.

Others are gaining from the energy shortages as well. Cummins Engine and Detroit Diesel -- the nation's other big diesel engine makers -- have also experienced strong demand for the large engines that power small electric generators, though demand has weakened a bit lately. But Caterpillar dominates the world market in diesel-powered generators, which the company says are selling just as strongly overseas.

"You have to understand that the guts of the energy story is offshore," John McGinty, an analyst at Credit Suisse, said. "In the developing world, it's primary power."

Caterpillar has been building diesel engines -- for trucks, buses and locomotives, as well as power generators -- for decades. The acquisition of Perkins Engines in 1997 strengthened the company's grip on the market. By 1999, Caterpillar was the world's biggest maker of diesel and natural gas engines, with nearly \$7 billion in sales.

Over all, the company was riding high, bolstered by explosive demand for large trucks and buses. But now, with large truck sales down sharply in the last year, it is Cat Power, as the company calls the power division, that is insulating the company from a steeper downturn and giving Caterpillar a new image.

Much of the generator sales growth a few years ago came from Year 2000 computer concerns. Now it is coming from demand in the western United States, where power shortages are most feared.

Major corporations, hospitals and manufacturing operations are installing backup generators. The diesel-powered generators are used primarily for standby or emergency use, largely because they are relatively expensive to operate and maintain; in some states there are also restrictions on the emissions that come from diesel engines.

Internet server centers are among the biggest purchasers of Caterpillar diesel engines and generators. They not only want continuous power, they need the power modulated so the electric flow does not fluctuate with power spikes and dips.

"Anybody in the data business has to be thinking seriously about this," said Sam Bogoch, the chief executive of Big Storage, which provides storage systems for Internet and other companies.

Standby generators are also in vogue in New York City, which some utility experts say could face power shortages this summer. By some estimates, 80 percent of all skyscrapers in New York are equipped with standby or emergency generators.

Though sales to telecommunications and Internet companies have slowed in the New York region, other corporations and even residences are buying up smaller generators, according to Jim Delaney, a vice president at H. O. Penn Machinery, the region's Caterpillar dealer.

Even utility companies themselves are renting or purchasing standby generators. Some want to plug them into their power grids. Others are buying mobile power modules as Caterpillar calls them: trailers equipped with a generator set with switching gear that can speed to a site to supply backup power. Production of the modules has quadrupled in the last nine months, the company says.

Two years ago, Commonwealth Edison, the big Chicago utility, rented about 200 power modules from Caterpillar for emergency use. This summer, the utility says it expects to have enough power; but nearly a dozen trailers are strategically positioned around the Chicago area, just in case.

Exactly how many diesel generator sets are in operation in the United States is unclear.

Caterpillar's popular two-megawatt diesel generators -- enough to supply the average needs of 2,000 homes -- sell for about \$250,000 each. One generator can supply electricity to a hospital; larger buildings often have three, four, even eight generators.

## Cashing in On the World's Energy Hunger; Caterpillar Is Riding High on Demand for Diesel Generators

In New York, Goldman Sachs just placed eight Caterpillar generators atop its downtown headquarters at 85 Broad Street. The World Trade Center hoisted four units atop one of its buildings. And AT&T purchased dozens of generator sets to back up the Web hosting sites it opened around the nation early this year.

In California, Caterpillar's standby power is not connected to local utility grids. Instead, it is hooked up to individual factories, office towers and other buildings.

Rental power is also a lucrative business for Caterpillar and its independent dealers. Operating, maintaining, servicing and selling the parts for the units is typically far more profitable than simply selling them.

The generators Caterpillar builds this year are capable of producing 25 gigawatts of power, enough to supply electricity to about 25 million homes. And about half of the company's electric power sales are going overseas, to places like India and Brazil.

"One-third of the world's population still has no access to electricity," said Mr. Parker at Caterpillar.

There are drawbacks, though, to relying on the generators as a primary source of power. Diesel generators create much more pollution than other sources of electricity. In California and New York, where emissions standards are high, some generators are only allowed to operate for about 200 hours a year. New York State is moving to expand the use of such diesel generators when brownouts or blackouts loom. California is facing similar questions about pollution.

"It'll supply the electricity if it's needed, but it's going to create a huge smog cloud," said Robert Burns, a senior researcher at the National Regulatory Research Institute, which does studies for state public utility commissions.

Caterpillar officials point out that diesel engines do not belch out the black clouds of smoke they did a decade ago. But they are aware that cleaner and more efficient modes of power may eventually topple the diesel engine. Caterpillar is already researching alternative sources of power, everything from dual-fuel engines to alternative fuels.

"There are alternative technologies that are some day going to challenge this market, like fuel cells and microturbines," Mr. Bleustein at UBS Warburg said. "But right now, in today's market, it's diesel engines."

Caterpillar says that more of the generators it sells over the next decade will run on natural gas, a much cleaner fuel. Today, about 10 percent of its two-megawatt generators are powered by natural gas; that figure is expected to jump to 50 percent within a decade, the company says.

Diesel-powered generators are not the only source of excitement at Caterpillar these days. Sales of coal mining equipment, like large trucks, shovels and mobile power generators, are soaring because of a resurgence in demand for coal-powered electricity.

Oil and gas exploration is also booming, and Caterpillar sells engines that power offshore rigs and compressors that gather, store and pump gas through pipelines. The company's financing unit is also growing, with profits of \$182 million last year. These strengths are offsetting a 50 percent drop in orders for truck engines, and a marked slowdown in demand for construction equipment so far this year.

With its growing emphasis on energy equipment, is Caterpillar less cyclical than it was a decade ago? It seems so, though it is still hard to tell how much more it will suffer if this economic downturn turns out to be as long and difficult as the recession and slow initial recovery of the early 1990's. Still, most analysts are confident that Caterpillar is in a good position to ride out the storm.

"Energy stuff is giving you some offset," Mr. Bleustein said. "Cat may be the only company I follow that hasn't had a significant profit revision."

<http://www.nytimes.com>

## Graphic

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Photos: A Caterpillar electric power generator, left, atop a Manhattan skyscraper. By some estimates, 80 percent of all New York skyscrapers are equipped with standby or emergency generators. (H. O. Penn Machinery); Monte Dehne, left, and Jon Hodgen install a heat shield on a generator at a Caterpillar plant in Lafayette, Ind. (Tom Stratman for The New York Times)(pg. C1); Bill Belt works on a diesel generator at Caterpillar's plant in Lafayette, Ind. Soaring demand has bolstered profits and stabilized a company faced with slowing sales in construction and mining equipment. (Tom Stratman for The New York Times)(pg. C9) Chart: "Getting Off the Economy-Go-Round" For decades, Caterpillar has been the definition of a cyclical business -- one whose fortunes rise and fall with the economy. Now, by developing its business of selling small electric power generators, the company is insulating itself more from economic ups and downs. Chart shows weekly closing stock price of Caterpillar since 1998.(Source: Company reports; Bloomberg Financial Markets) 1996Sales of power generators: \$1.2 billionPercentage of total revenue from generators: 7.3 1997Sales of power generators: \$1.3 billionPercentage of total revenue from generators: 6.9 1998Sales of power generators: \$1.6 billionPercentage of total revenue from generators: 7.6 1999Sales of power generators: \$1.8 billionPercentage of total revenue from generators: 9.1 2000Sales of power generators: \$2.3 billionPercentage of total revenue from generators: 11.4(pg. C1)

**Load-Date:** May 22, 2001

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# EXHIBIT 029



# THE WALL STREET JOURNAL.

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# In Europe, Hot New Fashion for Urban Hipsters Comes From Peoria

## The \$500 Jacket, \$80 Jeans In Caterpillar's 'Cat' Line Borrow Bulldozers' Allure

By CECILIE ROHWEDDER  
And JOSEPH T. HALLINAN

Staff Reporters of THE WALL STREET JOURNAL



Fritz Rychly, a 25-year-old tattoo artist in Berlin, doesn't look as if he's ever set foot on a construction site, much less picked up a shovel. But in Europe, he's a more typical

buyer of Caterpillar-brand clothing than the building crews that normally wear the U.S. construction company's heavy boots and rugged shirts.

Most Americans associate Caterpillar Inc., with heavy machinery, which it has made for more than a century. But in Europe, the brand is now a fashion statement. After backpacks and sport utility vehicles, international urbanites have latched onto "Cat" gear as the new symbol of American outdoor culture, with an air of durability and honest hard work.

"The boots look tougher than all that other trendy stuff," says Mr. Rychly, browsing the Caterpillar boutique in Berlin's upscale KaDeWe de-



*'Cat' brand items are catching on in Europe*

partment store. He fingered an \$80 pair of five-pocket jeans with a yellow patch on the back. Caterpillar has bigger plans, including a \$285 pair of limited-edition jeans and opening stores in London and New York.

Mary Elizabeth Mastrantonio wore a Cat hat in "The Perfect Storm." Arnold Schwarzenegger wears Cat shoes, the company says. Some U.S. stores, such as Urban Outfitters Inc. and Nordstrom Inc., carry Cat merchandise. Still, this is

one fashion craze that hasn't yet hit full force in the U.S. While trendsetters have discovered the black-and-yellow Cat label on boots, sandals, handbags, and watches, safety wear for real construction workers still makes up most of the company's U.S. apparel business.

Indeed, Caterpillar says it is branching out into casual wear mainly to boost its image among people who drive its trucks and tractors. "In order to expand our share in the work shoe market, we have to be in the growing casual business," says Bill Brown, president of Cat footwear at Wolverine World Wide Inc., a Rockford, Mich., company that holds the global license to make Cat shoes and boots.

In Europe, the situation is reversed. Cat gets a high reading on the hip meter but wants more customers who wear its construction gear at work to buttress its industrial image. Europe contributed more than half of Caterpillar's \$900 million in world-wide sales of licensed merchandise last year. "Even if people here don't know the brand, they have a feeling that they know it," says Stephen Palmer, whose London company, Overland Ltd., is the world-wide license holder for Cat apparel. "They have seen Caterpillar tractors from an early age. It's subliminal, and that's why it's working."

There aren't any dump trucks or forklifts in sight in the Cat showroom at Overland's London headquarters. But there are sneakers and sandals, flip-flops and pink baby shoes, nylon handbags, college-style sweatshirts and pastel sun-

hats. The closest most of these items will ever come to a construction site is the jackhammer-like music at the Bootstore, whose stores on Kings Road, Notting Hill Gate and other London shopping streets sell Cat footwear.

So far, there is just one free-standing Caterpillar store—a 5,000-square-foot shop across the street from Cat's headquarters in Peoria, Ill. It's a pretty hip place, for Peoria. The interior is bright Caterpillar yellow and dominated by a life-size replica of a Cat-sponsored racing car. Whenever someone approaches a display, motion sensors trigger heavy machine noises, like the beep-beep-beep of a truck backing up. Part of the floor is made of wood blocks, just like Cat's factory floors.

In addition to a \$500 Cat racing jacket, there's a \$289.95 Coach leather bag with "Cat" stamped on it and a Tiffany bracelet for \$300 with a sterling silver Cat charm. Cat says it is using such products mainly as advertising—"to get our brand to people who wouldn't normally come in contact with us," says Kimberly S. Neible, the head of Caterpillar's global brand management group.

Next year, Cat plans to extend its line into "fashion forward" accessories like sunglasses and sandals, much of it aimed at 18- to 24-year-olds. Also in the works: a line of children's clothing. For now, though, 64-year-old Bob Hodel, who spent 41 years as a Cat employee, is a more typical customer. "Anything that has 'Cat' on it, I have," said Mr. Hodel, shopping in the Peoria store. Eventually, he found something new for his collection: a \$7.99 model of a Cat-sponsored Nascar race car.



# EXHIBIT 030

# COMPACT RUBBER-TRACKED LOADER GOES WHERE SKID STEERS FEAR TO TREAD

Engineering News-Record

December 17, 2001

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**Section:** EQUIPMENT TRACKS & TRENDS; Vol. 247, No. 25; Pg. 21

**Length:** 352 words

**Byline:** By Janice L. Tuchman in Peoria

## **Body**

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Caterpillar Inc.'s line of compact loaders just became more versatile with the addition of two new rubber-tracked Multi Terrain Loaders that can work in soft wet conditions and on slopes as steep as 3:1.

"The MTL will do some jobs that a skid steer cannot do at all and others that would have to wait for the weather to clear up and the ground to dry up," said product manager Reid Waitt at the launch at Cat's Peoria demonstration center on Dec. 5.

The new loaders are an offshoot of Cat's alliance with undercarriage expert ASV Inc., Grand Rapids, Minn. They have updated the "maximum traction and support system" undercarriage developed by ASV and combined it with the upper portion of similar-sized Cat skid steer loaders.

The MTLs exert ground pressure of only 3.1 psi. "They won't walk on water, but they are the closest thing to a machine that will," said Kevin Ingall, manager of compact products. "In places where a person would walk and sink, this machine will stay on top." The high traction and low ground pressure also help the loaders minimize damage on sensitive surfaces such as turf.

There will eventually be five sizes of Cat MTLs. The 267 and 277 models, which have operating capacities in the 2,000 to 3,000-lb range, are now in production. The 277 has a larger, 74-hp Cat diesel engine. A third model will be in production next spring and two more later in 2002. ASV offers MTLs that range down and also up in size from these.

Ingall cautioned that the rubber-tracked machines are not appropriate for hard improved surfaces or rocky terrain. He also pointed out that MTLs are not intended to replace skid steers. "If a skid steer can do the task, it will have a lower overall acquisition and operating cost," Ingall said.

A significant advantage is that the MTL has multiple levels of suspension. Each track assembly is mounted to the chassis through a set of flexible torsion axles, and each assembly can flex independently of the other. The tracks can crawl over obstacles and uneven ground without losing traction and with minimal shock to the operator.

URL: <http://www.enr.com>

JENNY REILLY

## Graphic

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Table, Photograph: SMOOTH RIDE Multiple levels of suspension assure comfort. PHOTO COURTESY OF CATERPILLAR

**Load-Date:** December 27, 2001

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# EXHIBIT 031

## BUSINESS

SATURDAY  
FEBRUARY 7, 2002

Amtrak trains wait at Union Station. The national passenger railroad has asked Congress to pledge \$1.2 billion for next year.

## Amtrak finances near end of line

Funding boost  
sought to avert  
route shutdownBy Jon Hilkevitch  
Tribune staff reporter

Warning that it is at the end of its financial rope, Amtrak said Friday it will be forced to shut down almost all of its long-distance train routes by October and cut 1,000 jobs unless Congress quickly pledges \$1.2 billion for next year.

Confronted by a Dec. 31 deadline to become operationally self-sufficient—considered extremely difficult to meet even with the deep cutbacks just unveiled—the national passenger railroad said it was still attempting to resolve its financial problems, announcing \$200 million in spending cuts as well as delaying maintenance projects.

Amtrak officials said its major



Lindsey Jenkins of Smithville, Tenn., waits in Union Station to have her luggage transferred to a train headed for Montana.

routes that mostly involve overnight travel would be the first cut. They did not list the threatened routes, although Amtrak sources cited the Empire Builder, a two-day train trip from Chicago to Seattle, as an example of the most unprofitable runs likely to get axed.

Amtrak directly employs 2,000 people in Chicago. Its na-

tionwide reservations center is located in the Loop.

Amtrak said it will be able to maintain no better than the status quo even if Congress appropriates the requested \$1.2 billion for fiscal 2003—more than twice Amtrak's \$521 million appropriation for 2002. Railroad officials said that because of a \$5.8 billion shortfall in funding capital repair projects Act are needed on the system, the money requested for next year will not lead to service improvements.

"Everyone knows that you can't make a profit while running a network of unprofitable trains, but that is exactly what we're expected to do," George Warrington, Amtrak's president and chief executive officer, said in announcing the cuts in Washington. He called on the federal government to come up with both short- and long-term strategies to not only rescue Amtrak, but also to lay

PLEASE SEE AMTRAK, PAGE 2

## EARNINGS

United losses  
soar; revenue  
down sharply2001 red ink hits  
record \$2.1 billionBy John Schmetzer  
Tribune staff reporter

Shares of UAL Corp. plummeted more than 8 percent Friday after the parent of United Airlines reported a huge fourth-quarter loss and said revenues during the quarter fell more sharply than those of its competitors.

And the Elk Grove Township-based company warned that it anticipates reporting a "significant" loss for this year's first quarter.

The carrier reported that, excluding special items, it lost a record \$649 million, or \$1.74 a share, compared with a loss of \$234 million, or \$2.41 a share, in the year earlier period.

That was much better than anticipated by Wall Street analysts, who had predicted the airline would lose \$1.06 a share, or about \$200 million, according to a survey by Thomson Financial-First Call.

UAL, however, offset the \$630 million loss by adding a total of \$322 million realized from the sale of stock held in Galileo International and Cendant Corp., along with the second payment of the federal airline bailout. As a result, the company reported net losses of \$308 million, or \$3.09 a share, compared with a net loss of \$1.1 million, or \$1.10 a share, a year earlier.

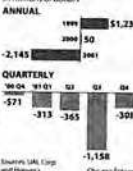
For 2001, the company said it lost an industry record \$2.1 billion, or \$40.04 a share, compared with earnings of \$50 million, or 4 cents a share, in 2000,

but the company, which said

UAL continues  
its descent

UAL Corp. announced its fourth-quarter earnings Friday. The fallout from the Sept. 11 attacks and the airline's labor problems dragged the carrier to its sixth consecutive quarterly loss.

Revenues  
in billions of dollars

Net income and loss  
in millions of dollars

Source: UAL Corp. and Reuters

Accounting  
group drops  
resistance to  
SEC limitsRestrictions likely  
on consulting workBy Robert Manzer  
Tribune staff reporter

The movement to reform accounting practices sparked by the collapse of Enron Corp. gained momentum Friday, as an influential trade association said it would accept new regulations aimed at preventing conflicts of interest.

The American Institute of Certified Public Accountants said it no longer opposes pre-emptive limits on consulting work done by accounting firms. During the late 1990s, the AICPA and the accounting industry fought efforts by the Securities and Exchange Commission to limit consulting.

"The AICPA would not oppose federal legislation restricting the scope of services that accountants may provide to their public audit clients," said association spokeswoman Linda Dunbar. "That may be what is necessary to restore the public's confidence."

Investors are increasingly nervous about accounting practices, worried that more companies will revise their financial results downward. At Enron, hundreds of millions of dollars in debt were canceled for years, while its auditing firm, Andersen, said the company's financial statements were accurate.

Critics of the accounting industry say that when an auditing firm like Andersen offers lucrative consulting services to

## Jobless rate down, but message mixed

By James R. Miller  
Tribune staff reporter

A mixed bag of economic data released Friday offered a sobering reminder that the troubled U.S. economy—despite evidence it's on the verge of shaking off its malaise—remains a long way from true health.

Even as one closely watched index showed the battered manufacturing sector edging even closer to the start of a rebound, unsettling January employment figures cast a shadow over optimists' hopes for quick improvement in the labor market.

The latest labor report "is good news, just not quite as good as we hoped," said Bill Cheney, chief economist at John Hancock Financial Services. "We're still on the road to recovery," Cheney added, "but not hitting on all cylinders yet."

Ironically, the most troubling statistic for many observers was included in a Labor Department report that showed the nation's unemployment rate unexpectedly declined in January to 2.6 percent from the six-year high of 5.6 percent it reached in December. Experts had been looking for the January figure to rise slightly.

While a fall in the jobless rate



Construction is under way on the Millennium Center condominiums on Ontario Street. Spending on construction rose just 0.2 percent in December, well below analysts' expectations.

is generally cause for good cheer, January's decline was essentially a statistical fluke. The number of Americans actually finding a job fell by 507,000, to 133.5 million, but a record

924,000 people dropped their job search. Because the Labor Department only counts those people who are actively job hunting in its labor force data, the net effect was a drop in the unemployment

rate. Given that numerical quirk, the latest employment results are "considerably weaker" than

investors.

PLEASE SEE ECONOMY, PAGE 2

Investors  
cash in, end  
2-day rally

Tribune staff and wire reports  
Wall Street retreated Friday as investors rebuffed their wins from two-day rallies that the selling was subdued and focused on the technology sector.

The pullback wasn't surprising, given the size and speed of the market's advance. Volatility and Thursday Analysts said the losses also reflected investors' lingering doubts about whether stocks could maintain their upward momentum.

"The mood is cautious, a little bit unsettled," said Donna Van Vliet, director of trading at Broadview Asset Management. "There have been so many incredible disasters lately, like the accounting stories, that people want to err on the side of caution and be a little bit high."

The Dow Jones industrial average closed down 12.94, at 9907.26, ending a two-session, triple-digit winning streak.

The losses were more significant for the technology-dominated Nasdaq composite index, which fell 22.29, or 1.2 percent, to 1912.4. The Standard & Poor's 500 index dropped 8 points, to 1922.50.

For the week, the indexes were mixed. The Dow rose 0.7 percent, the S&P 500 fell 1.4 percent and the NASDAQ rose nearly 10 percent.

On Friday, Chicago-area con-

PLEASE SEE MARKETS, PAGE 2

## BY THE NUMBERS

| DOW JONES             |         | NASDAQ                |         | 10-YEAR-NOTE    |       |
|-----------------------|---------|-----------------------|---------|-----------------|-------|
| Change                | Close   | Change                | Close   | Change          | Close |
| -12.74                | 9907.26 | -22.79                | 1912.24 | -0.06           | 4.98  |
| Volume: 1,662,116,710 |         | Volume: 1,637,132,200 |         | Volume: 480,654 |       |
| Gainers: 1,460        |         | Gainers: 1,543        |         | Gainers: 1,543  |       |
| Losers: 1,672         |         | Losers: 1,993         |         | Losers: 1,993   |       |
| S&P 500               |         | RUSSELL 2000          |         | 10-YEAR-NOTE    |       |
| -8.00                 | 1122.20 | -3.06                 | 480.64  | -0.06           | 4.98  |

PLEASE SEE FULL MARKET REPORT, PAGES 1 &amp; 2

## Chicago stocks

Futures index ends 13

BIGGEST GAINERS

| Symbol  | Change | Close | Vol.  |
|---------|--------|-------|-------|
| IBM     | +0.07  | +0.07 | +12.5 |
| Norfolk | +0.06  | +0.06 | +11.9 |
| CAV     | +0.06  | +0.06 | +11.5 |
| US West | +0.05  | +0.05 | +11.4 |
| Walmart | +0.05  | +0.05 | +11.9 |

Source: Associated Press and Reuters

## Inflation in Euroland

Inflation in the countries that

adopted the euro as their

currency rose at a 2.5 percent

rate in January after a 2.1 percent

rate in December. Higher taxes and

food prices were blamed.

Euro-zone inflation at an

annualized rate by month



Source: Associated Press and Reuters

## INSIDE

BROKER SOUGHT

Investor loss probe

Lehman Brothers cooperates

with FBI in records

investigation, PAGE 2

INSIDE RETAILING

MARKETS

INSIDE RETAILING SUSAN CHANDLER

# Designer bids adieu to eveningwear shop

Do more stores covered with pinstriped fasteners than evening gowns? No more evening dresses crafted from unusual combinations of sparkling metal and wool—at least for now.

Marie Pinto, one of Chicago's premier designers, has closed her 11-year-old eveningwear business. In a letter to retail buyers, Pinto said she was closing Maria Pinto & Co. Inc., effective Jan. 18.

She said she chose to close, Pinto wears, because the company "suffered a series of setbacks from which we were unable to recover," including unexpectedly large losses on accounts receivables, embroilments with an employee and a contracting vendor.

The final blow, Pinto says, was a financial attack in New York and Washington, which threw a scare into the nation's merchants. New orders slowed dramatically, Pinto says, so that many pending orders were being canceled or rattled retail.

Despite the difficult decision to let her employees go, Pinto is promising to get back into the market possibly as soon as six months from now.

"The best I can do now is fix what's broken about my business," she said Friday. "I want to continue on the path but I can't do it until I've earned a little over 10 years. I want to be able to add and subtract."

For now, Pinto is enjoying the quiet of her home, which trips to sunny spots and going



Chicago designer Maria Pinto, known for her unusual eveningwear creations, cites multiple reasons for closing her business.

for long walks, activities she has neglected since starting her own design business. She also is pausing to reflect on how the world has changed since Sept. 11, trying to figure out what dressing up is about in 2002.

Pinto's loss would be a sorry few new companies, which may involve partners, will still be dedicated to making "the most beautifully crafted apparel," she says.

For those who are thinking this might be an opportunity to buy her inventory, Pinto is looking at target prices, first at 50 percent, then a final sample sale. The clothes she has left will simply go to clothes buyers, she says.

**Receipts felled by bankrupts**  
 Kurt Corp. filed for bankruptcy protection.

tion Jan. 22, the giant discount retailer's return policy may be affected by the Chapter 11 filing. We printed that, so did lots of other newspapers around the country.

What Kmart didn't say was that it returns policy had changed Jan. 11, requiring customers to have a receipt for anything they wanted to return or exchange.

It was the post, more restrictive policy that wasn't changed. It was the post, more restrictive policy that wasn't changed. It was the post, more restrictive policy that wasn't changed.

## AMTRAK: Some experts see need for \$10 billion

Continued from page 1

groundwork for the creation of a high-quality service that is crucial to high-speed rail.

But the American Transportation Builders Institute (ATBI) says that in addition to providing additional funding, lawmakers must define whether a program is an essential rail service or a non-essential transportation option.

"It's up to Congress. We're the ones who created this mess by continuing to shortchange capital investment in Amtrak and we have to fix it," said Sen. Dick Durbin, D-Ill. "We have a president who has not given Amtrak a vote of confidence in one of the most critical areas. We don't know where all this is headed."

Amtrak rail reports said that only a long-term blueprint funded by at least \$10 billion in lending would allow it to first-rate Amtrak system.

But some of the experts count Amtrak up to blame for focusing its limited resources on the Northeast Corridor, where the 100-m.p.h. Amtrak trains operate and ignoring the rest of the \$22.4-billion system.

"Amtrak really blew it by going to Congress asking for money exclusively for the Northeast Corridor," said Richard Harnack, executive director of the National High-Speed Rail Coalition. "That the Northeast project has been stymied by cost overruns and the trains barely get close to their advertised top speed. Now Amtrak is threatening to make cuts in service and ask for more grant attention away from the mistakes they made in the Northeast."

Amtrak, which serves more than 400 communities, is legally required to announce any route cuts at least 60 days before the affected areas six months in advance.

Hornack is expected to begin later this month on Amtrak's funding reauthorization for next year.

The first round of the Amtrak-Britain Contract is scheduled to be confirmed, measures to restructure Amtrak and to set up a passenger rail service to other countries.

By Staff Reporter Karen Hirschman contributed to this report.

## HOW TO CONTACT US

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 Chicago, Ill. 60611  
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 Or e-mail: business@tribune.com

## THE TICKER

### GRANT HOSPITAL Facility's potential buyers say financing is lined up

Meeting a federal judge's deadline, the would-be buyers of Grant Hospital said Friday that they have secured financing for their \$10-million purchase of the troubled North Side health-care facility.

The financing plan, which still has to be approved by a judge in Chicago next week, is the only hope for keeping Grant open, the hospital's managers say.

Grant lately has been trying to find new creditors and finalize a sale to a group of investors led by New York health-care financier and a south suburban cardiovascular surgeon.

Healthcare Transactions Inc.

the would-be buyer, also said it is providing a "seven-figure" amount of time required by U.S. District Court Judge Wayne Anderson. If the deal fails to close, the hospital must be sold to get the money to defray the cost of shutting it down, its attorney said.

Grant is trying to avoid accounting to a similar fate of its sister facility, Edgewater Medical Center, which closed in December amid millions of dollars in losses and debts owed to providers. Grant, which closed in an alleged health-care fraud ring, has no allegations of fraud at Grant.

By Staff Reporter

### Reporters' notebooks

**SUNDAY**  
 Inside Travel

**MONDAY**  
 Inside Technology

**TUESDAY**  
 Inside Health Care

**WEDNESDAY**  
 Inside Commercial Real Estate

**THURSDAY**  
 Inside Small Business

**FRIDAY**  
 Inside Travel

**SATURDAY**  
 Inside Retailing

A Kmart spokesman says the change was made to keep Kmart "competitive in the marketplace." The fact the change comes so close to the Chapter 11 filing is merely a "coincidence," she adds.

Kmart says its competitors have been using policies "in a lot of instances, we were getting a lot of merchandise returns. Some items were required for returns or exchanges with no tag receipt," the spokesman said.

So let it be clear: Kmart's new exchange return policy is this. However, some returns for returns or exchanges within 90 days for a full refund. Contact [ashel@kmart.com](mailto:ashel@kmart.com).

### Investor losses probed; broker sought

Several Illinois investors who may have been cheated out of millions of dollars are among the clients of a Lehman Brothers unit from Chicago under investigation by federal authorities, sources said.

Chicago Brothers Holdings Inc. officials acknowledged they had been working with the Federal Reserve Bank of Cleveland and Cleveland authorities to patch together customer records associated with broker Philip H. Krawcheck, a Lehman unit in Chicago after their firm left moving to Cleveland several years ago.

Lenders say their clients' losses may amount to more than \$10 million.

When not known at this point, however, so how much client money had been invested, how much of it was lost and the market decline of the last two years and how much might have been stolen, said Andrew Sulzmann, a Chicago attorney whose firm is representing some clients.

Lehman Brothers spokesman said that Lehman did not purchase the assets of the business of St. Louis Securities Corp., where Krawcheck worked from 1989 to 1991. The broker got his start in Chicago, opening a local office of Hambrick & Smith in 1987. In 1987, stock market crash. That is, if you closed in 1989.

### MARKETS: Accounting concerns are wild card

Market-oriented stocks had a somewhat trading, with Lincolnshire-based Fortune Brands and Chicago-based, the same day, letting 22-week highs and Northfield-based Kraft Foods hitting new highs.

The most significant health-care companies—AMGEN Laboratories and Baxter International—ended the same day, letting 22-week highs but closing with losses on the day.

The market is so quite noisy. The only problem now is this "Krawcheck" issue. There's a lot of speculation about what's going on. It's Peter Cardillo, chief of Global Partners Securities, who says the market will focus on the securities, which obviously point to economic rebound.

It's a concern that the market is so noisy that it is not measurable level.

Among those manufacturing firms approved by the Fed is a new issue that will be approved to build and that manufacturers are starting to see a recovery in the months ahead.

Economists had been expecting a recovery in the second quarter, but 49.9 January's unexpectedly solid recovery is a positive sign for the bond market. The Fed's new policy is to keep the ISM index low, but the Fed's new policy is to keep the ISM index low, but the Fed's new policy is to keep the ISM index low.

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### DELTA AIR LINES Flight attendants vote against union

WASHINGTON—Flight attendants at Delta Air Lines rejected union representation in a recent ballot, according to a Delta spokesman Friday.

Of Delta's 180 flight attendants, 100 voted against the union, which is represented by the Association of Flight Attendants. The union said that it would not be represented by the union, which is represented by the Association of Flight Attendants.

Delta's flight attendants have been in a dispute with the National Mediation Board, which oversees labor relations at airlines, ever since Delta has announced and introduced flight attendants.

Atlanta-based Delta, the nation's second-largest carrier, is the least profitable of the major carriers. Delta is one of the largest employers of flight attendants.

Delta's flight attendants have been in a dispute with the National Mediation Board, which oversees labor relations at airlines, ever since Delta has announced and introduced flight attendants.

### MIDWEST BREEFS

#### Cat unit to acquire financing company

Caterpillar Financial Services Corp., a subsidiary of Deere & Co., has acquired a financing company, the construction industry FCC to be based in Jacksonville, Fla. Terms were not disclosed.

#### Forsyth-Telenius deal

Shelton-based Forsyth-Telenius Group Inc. has acquired the security integration and consulting services arm of the construction industry FCC to be based in Jacksonville, Fla. Terms were not disclosed.

#### Brunswick forms unit

Lake Forest-based Brunswick Inc. is forming a new operating unit, Brunswick Tech Systems, to focus on high-growth initiatives in software and electronics applications.

#### LIMITS: Firms once fought limits

As a result of the Fed's lobbying of Congress, he said.

Enron, which ended bankruptcy protection accounting disaster in January, but it is by no means the only one, and that is just the beginning of the accounting disaster on regulators in 2001.

PNC Financial Services, a large Pittsburgh bank, retained its earnings on Wednesday, upping \$12 million in profits. It had claimed last year. Earlier this year, PNC Financial Services Corp. acknowledged that it had \$11 million in debt that had not been disclosed in reports.

The SEC is in Congress with more limits on auditors who offer consulting.

It's not just the desire of auditors to maximize fees and the pressure on companies to restructure their financials, but also the desire of auditors to maximize fees and the pressure on companies to restructure their financials, but also the desire of auditors to maximize fees.

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### UNITED: Investors send stock down \$1.27

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# MIDWEST BRIEFS

## Cat unit to acquire financing company

Caterpillar Financial Services Corp., a subsidiary of Peoria-based Caterpillar Inc., has agreed to purchase FCC Equipment Financing Inc., which specializes in direct financing and leasing of heavy equipment in the construction industry. FCC is based in Jacksonville, Fla. Terms were not disclosed.

## Forsythe-Telenisus deal

Skokie-based Forsythe Solutions Group Inc. has acquired the security integration and consulting services arms of Rolling Meadows-based Telenisus Corp. Terms were not disclosed. David Nolan, Telenisus' chief operating officer, will join

Forsythe as the general manager of Forsythe security solutions, while Gordon Reichard Jr., Telenisus' former president and CEO, will consult for the firm. About 25 former Telenisus workers will also join Forsythe.

## Amerock plans layoffs

Amerock Corp., which makes cabinet and window hardware, is laying off 225 of the 1,000 employees at its Rockford plant. The layoffs include both part-time and full-time employees.

## Brunswick forms unit

Lake Forest-based Brunswick Corp. is forming a new operating unit, Brunswick New Technologies, to focus on developing growth initiatives in software and electronics applications.

*From Tribune staff, wire reports*

# Cat unit to acquire financing company

Caterpillar Financial Services Corp., a subsidiary of Peoria-based Caterpillar Inc., has agreed to purchase FCC Equipment Financing Inc., which specializes in direct financing and leasing of heavy equipment in the construction industry. FCC is based in Jacksonville, Fla. Terms were not disclosed.



# EXHIBIT 032

**PRESIDENT'S ADDRESS**

**Bush: China, Europe Should Eat U.S. Beef**

Before an auditorium packed with cheering cattlemen, President George W. Bush called for expanded free trade and for a new farm bill that is both "generous and affordable."

Cattlemen lined up two and a half hours before the president's address to pass security. They were asked to leave their belt buckles and pocket knives in their rooms.

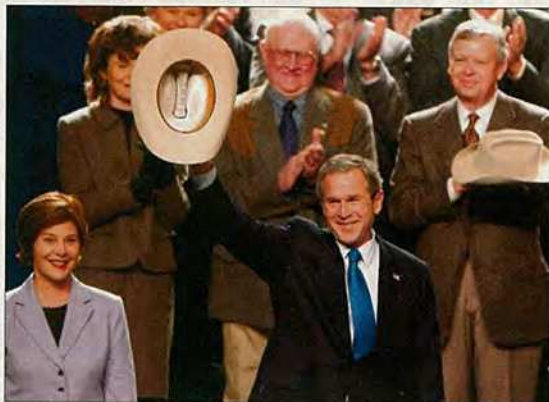
Bush stopped at the National Cattlemen's Beef Association annual convention in Denver on his way to the Olympic opening ceremonies. Flanked by cattlemen decked out in white Stetsons, Bush's speech was all red meat.

"Thank goodness," Bush said, "we don't rely on someone else's meat to make sure our people are well fed."

The president called for trade agreements that make China more open to U.S. agricultural products, including beef. He added that Europe needs to buy U.S. beef as well. The European Union has balked at U.S. beef because of its concerns about the hormones used in beef production.

Cattle ranching, the president said, "is not only a part of America's past, [but] I view it as a great part of America's future. We gotta eat meat."

Bush told the cattlemen he was increasing spending to prevent acts of biological terrorism and to ensure that the



**FELLOW CATTLEMAN:** President Bush, with wife Laura, waves to the enthusiastic crowd. PHOTO: AP WIDE WORLD PHOTOS

food supply is safe. He says his administration's efforts to date are already paying off. "I told [Ag Secretary] Ann Veneman to stop hoof-and-mouth, and she did," Bush said.

Bush also addressed the new farm bill. "We want to provide a safety net, without encouraging overproduction by raising loan rates too high," he said.

Bush has committed to \$73.5 billion in new spending over 10 years. The president endorsed a farm and ranch savings plan in which producers could divert income from flush years into a tax-deferred account for use in low-income years.

In addition, Bush wants a strong conservation component in the farm bill. He specifically calls for increased spending in the Environmental Quality Incentives Program. It is now a \$200-million-a-year program, half of it devoted to livestock environmental issues.

will carry the Caterpillar name. They will still be sold exclusively by Caterpillar dealers in North America.

Customers should not be confused by the ownership change, says Theo Freye, general manager for the company that is still named Caterpillar Claas America. "We are the same team," he says.

Claas and Caterpillar have a second joint venture that sells Claas Challenger tractors in Europe. It too will be dissolved.

On another front, Claas is negotiating to supply AGCO with Claas belt-drive tractors under the Claas name.

**BY THE NUMBERS**

President Bush's fiscal 2003 budget proposal includes a 10-year, \$73.5-billion commitment to new agricultural spending. Here are some of the spending proposals:

**\$6.1 Billion** For conservation, including \$1.856 billion for the Environmental Quality Incentives Program; \$63 million for "other" conservation efforts; and a \$50-million increase for conservation operations and technical assistance.

**\$2.3 Billion** For research on prevention and control of animal diseases.

**\$146 Million** For programs to protect food from animal and plant pests and diseases, and to strengthen food safety programs and research.

**\$60 Million** For two new presidential initiatives, the Landowner Incentive and Private Stewardship programs. The programs provide technical and financial help to states and private landowners interested in conserving wildlife habitat while continuing to engage in traditional land-use practices.

**\$0** For the Wetlands Reserve Program. The million-acre reserve has reached capacity and needs congressional approval to add new acres.

**AGRIBUSINESS**

**Cat Sheds Combines**

Now it's the Lexion brand of combines that Caterpillar has unloaded. Caterpillar was last in the news when it exited the tractor market by selling its Challenger line to AGCO.

In its latest move, German Claas KgaA bought out Cat in the Caterpillar Claas America LLC joint venture that makes and markets Lexions. The five-year-old Lexion line remains intact, and the combine



**COMBINES:** Caterpillar takes another step away from the ag market by selling combine line.

# EXHIBIT 033

## *Falling sales for mountainous machines*

Chicago Tribune

March 31, 2002 Sunday, CHICAGOLAND FINAL EDITION

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**Section:** BUSINESS; ZONE: C; Pg. 1

**Length:** 1276 words

**Byline:** By James P. Miller, Tribune staff reporter

**Dateline:** LAS VEGAS

### **Body**

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In this improbable desert playground, they say, you can buy just about anything that catches your fancy. But not everything: New visitors hoping to pick up an all-terrain horizontal directional drill with 27,000 pounds of pullback force and standard backreaming adjustments, for example, are too late.

Ditto for those in search of an excavator-mounted stump mill. Or a 44-foot-long vibrating grizzly feeder, equipped with a single-toggle jaw crusher. Those items, too, are going to be hard to find along the Las Vegas Strip, now that the big party's over.

Every three years, the heavy-equipment industry gathers in Las Vegas to conduct a mammoth show-and-tell known as Conexpo-Con/Agg. As usual at the five-day expo that recently wrapped up at the Las Vegas Convention Center, the crowd was big--more than 111,000 people attended--and the equipment the visitors looked over was really big.

Attendees saw pile-driving equipment larger than some houses and stared up at a mini-forest of cranes reaching high into the blue desert sky. They marveled at the JCB Dancing Diggers, an octet of backhoes that hydraulically rear up to perform a choreographed routine, much like steel Lipizzaner horses. They gazed at a hydraulically operated rock-breaker--a giant jackhammer, in other words--that stands almost 12 feet high.

Many of the outsized products on display proudly claim to pound, pierce, dig, dump, smash or flatten things better or faster than ever before. Not everything is better than ever, though: Since hitting a cyclical peak in 1998, sales in the equipment industry have dropped about 30 percent, and 2002 is expected to see an additional drop of about 10 percent. Most experts think it will be 2003 before a solid profit rebound takes hold.

Although this year's crowd was about 11 percent smaller than the record throng of 125,000 that poured into Las Vegas for the last show in 1999, "we were a little surprised the attendance was as good as it was," said Jim Mitchell, manager of marketing communications for Deere & Co.'s construction equipment segment.

The contractors who came "were really upbeat," he said. Of course, Mitchell added, their good cheer might be due in part to the fact that "contractors love new equipment, love looking at it and climbing all over it." For the contractors who build America's roads, bridges, malls, tunnels and skyscrapers, he said, Conexpo is a once-every-three-years chance to look and see all the new gear.

Showcasing brands

And the industry's big players don't hold back. Case Construction Equipment, a unit of Lake Forest-based CNH Global NV, had a hundred employees on the scene. Conexpo isn't primarily a platform for generating direct sales, explains Bill Seidel, senior director of marketing for the construction group.

JENNY REILLY

## Falling sales for mountainous machines

"It's more of an imaging and positioning effort for us," Seidel said. "We're selling the Case brand." Racine, Wis.-based Case, like many other players, used the expo to introduce a number of new products.

Peoria-based Caterpillar Inc., the industry's biggest player, shipped more than 300 employees out to staff company-sponsored events in Las Vegas, says a spokesman.

In addition to the dinosaur-size dozers, excavators and mining trucks on display at Cat's 50,000-square-foot exhibit, the company sponsored a fashion show featuring Caterpillar-brand clothing and footwear, held a luncheon for Wall Street analysts and laid on a big dinner-and-drinks evening for clients and Cat dealers at the Flamingo Hilton hotel and casino.

"You gotta do whatever it takes to move the iron," said Midwest Research analyst Mark Koznarek, referring to the dancing diggers, the eye-catching can-can dancer at a French equipment-maker's display and the excavators that demonstrated their agility by picking up basketballs and dropping them gently into a small barrel.

Pricing pressure, which Caterpillar and other players blame on industry overcapacity, has battered profit margins for equipment-makers for years.

The key question for the equipment industry, Koznarek says, is why demand hasn't been stronger, given that funding for highway and bridge work has been relatively healthy in recent years and housing starts--a key industry driver--have remained very solid throughout the nation's economic slowdown.

"Construction activity has been strong without generating solid demand for equipment," he says. "It's a phenomenon."

## Holding off purchases

Many of the hard-used pieces of gear employed in open-pit mining, timber harvesting, road building and excavation normally are replaced after three or four years on the job. Cost-conscious customers can defer replacement for a while, but eventually they must buy new equipment. The question for the industry is when.

A number of companies say they expect a bad 2002 first half will give way to a stronger performance in the latter half, but Koznarek isn't so sure. Given the fragility of the economy's rebound and other factors, he says, there's reason to wonder if the hoped-for second-half strengthening may not simply be wishful thinking.

"We can see definite gloom through midyear" for the industry, Koznarek said, "and then there's a glimmer of hope, but we just don't know." Despite the apparent optimism at the expo, he says, "maybe the pent-up demand isn't there yet. Maybe it will be next spring" before the holdouts give in and start buying new gear in quantity.

Financial issues aside, the 1.9 million-square-foot show presents an astonishing spectacle, filling the convention center and spilling onto the asphalt lots outside.

Not too far from the Stardust Casino, Vermeer Mfg. Co. unveiled a mammoth piece of terrain-busting equipment that resembles a medieval siege device. A Japanese producer, Sakai, showed off a model unromantically named the SV400TB vibratory soil compactor with padfoot drum and strike-off blade. The SV400TB is poised in a realistic action pose atop sand that has been trucked in and dumped onto the parking lot.

## Hands-on event

Throughout the parking lots and the huge halls of the fair, large, laconic men stare with ill-disguised admiration at spotless work vehicles sitting on carpeted asphalt, and the sound of blunt commerce is everywhere.

"Go on, climb on up in there," says a sales rep to one willing attendee. The pudgy visitor, clad in shorts and Hawaiian shirt, clambers up into the cab of the digging machine and begins a businesslike checkout of the various levers. "Yeah," he says.

"This is the biggest one in the world," says one host, fondly patting a massive pile-driving unit sporting hydraulic hoses thick as hawsers.

One company that makes mobile hydraulic lifting systems has suspended a gleaming new cement truck six feet in the air.

## Falling sales for mountainous machines

At another site, a demonstrator for a producer of high-speed cutting torches is methodically cutting through half-inch steel plate, spraying orange beads of melted metal onto the ground and literally stopping some passersby in their tracks.

Not everything at the expo is larger than life. There is ground-penetrating radar that allows workers to look for buried gas mains or power lines before they dig. There are laser-based systems for establishing perfectly straight lines and level grades. Cranemaker Manitowoc Co. showed off a computerized simulator (akin to those used for training pilots) that it uses to train crane operators.

"I like to come and see what's new" every three years, says Don Garcia, largely retired after 52 years in the asphalt paving business in South Lake Tahoe, Calif. At the Conexpo, he says, with many vendors "you don't just meet a salesman, you can meet the company president." And, he adds, looking out towards the Las Vegas skyline, "You get away."

## Graphic

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PHOTOS 3PHOTO (color): The tires of a giant truck tower over a visitor to the Conexpo-Con/Agg heavy-equipment show in Las Vegas.

PHOTO: Visitors to the Conexpo-Con/Agg show watch a "dancing backhoes" demonstration. The show's attendance was down 11 percent.

PHOTO: An exhibitor demonstrates a rotating excavator. The show filled 1.9 million square feet of space. Tribune photos by Bonnie Trafelet.

**Load-Date:** March 31, 2002

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# EXHIBIT 034



Michele Perez (left), widow of Officer Benjamin Perez, and daughter Katarina, 9, leave the officer's funeral Monday.

## Hailed as hero, loved as a dad

### Officer killed in drug stakeout gets fond farewell

**By James Janega**  
Tribune staff reporter

Jaws set and heads bowed Monday as Katarina Perez, 9, approached the church microphone and read what had been a class project titled "What My Father Means to Me." She is faithful and he loves us," she told the hundreds who had come to St. Daniel the Prophet Catholic Church to mourn her father, fallen Marquette District Officer Benjamin Perez. "He is strong, truthful, loving, caring, kind, nice,

neat, healthy, handsome, tall, courageous, responsible, fair, wealthy, funny and very smart." She told them how he had finished college, worked four jobs, and knew everything there was to know about math, English and social studies.

Tears welled up among the officers sitting shoulder to shoulder in the Southwest Side church. Outside, officers listening on speakers shook their heads.

On Wednesday evening, Benjamin Perez and his partner had received word of a drug deal being conducted near the Burlington North-Santa Fe tracks in the 2100 block of South Squidling Avenue.

As Perez, 32, a husband and fa-

PLEASE SEE FUNERAL, BACK PAGE

## Blair to release Iraq files

### Dossier aims to bolster U.S. case

**By Tom Hundley and Bob Kemper**  
Tribune correspondents

LONDON—When he is on his game, no one better articulates the Bush administration's Iraq policy than British Prime Minister Tony Blair. Not Dick Cheney. Not Donald Rumsfeld.

Blair proved it earlier this month when he went before anti-war trade unionists and eloquently made the case against Saddam Hussein. Much to its own surprise, the audience gave

him a warm ovation.

On Tuesday, Blair will have to do it again. Facing mounting domestic criticism and a torrent of ridicule from the rest of Europe for siding so steadfastly with the United States, the British leader will release a 55-page intelligence dossier aimed at proving that Hussein has been seeking to build up an arsenal of chemical, biological and nuclear weapons.

According to senior officials who have seen it, the dossier does not contain any groundbreaking revelations about Iraq's weapons programs, but it will contradict Iraqi Foreign Minister Naji Sabri's assertion last week that Iraq has no weapons of mass destruction.

The Blair presentation is part of the White House effort to rally an international community that is skeptical about U.S. claims that Hussein presents an immediate threat and that is willing to accept Iraq's offer to allow the return of weapons inspectors.

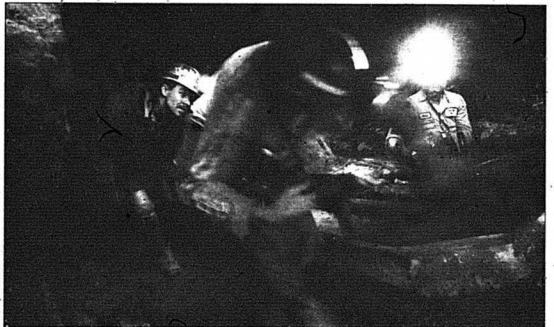
At a political fundraiser and an airport rally in New Jersey on Monday, President Bush again expressed impatience with the United Nations Security Council and negotiations over the wording of—and possibly even the need for—another resolution against Hussein.



Tony Blair on Tuesday will try to show that Saddam Hussein is an immediate threat.

PLEASE SEE IRAQ, BACK PAGE

## TRIBUNE SPECIAL REPORT THE HUMAN COST OF COAL MINING



Miners Jimmy Combs (from left), John Grigs and Matthew Hall work at Eagle Ridge Mining in Kentucky. The number of seriously injured by safety infractions grew markedly in eastern Kentucky and southern West Virginia, where cash-strapped companies excavate seams almost exhausted from decades of mining.

## Safety is casualty as firms chase profits in coal country

### Appalachian coal

MSHA eastern Kentucky and southern West Virginia inspection districts

Source: USGS Chicago Tribune

### Violations in Appalachia rise, but companies face few consequences from federal regulators

**By David Jackson and Geoff Dougherty**  
Tribune staff reporters

Even as many underground coal mines slowly improve their safety records, America's Appalachian coal cradle is plagued by rising injury rates and growing numbers of safety violations linked to company negligence, federal records show.

Eastern Kentucky and southern West Virginia produced about a quarter of the nation's coal from under-

ground mines between 1998 and 2000 but accounted for two-fifths of the citations given on those mines for "unworkable failure" to comply with federal safety laws, the Tribune found. Those were cases in which coal operators showed reckless disregard, intentional misconduct or seri-

PLEASE SEE COAL, PAGE 14

## 9 Palestinians die as Israel hits Gaza

**From Tribune news services**

GAZA CITY, Gaza Strip—Israeli tanks backed by helicopters stormed into Gaza City early Tuesday and battled Palestinian gunmen in clashes that left nine Palestinians dead and 24 injured, hospital officials said.

The tanks penetrated a half-mile into Gaza City in one of the most violent incursions since Israeli forces began a series of operations in the region in April, witnesses said. The soldiers also blew up a metals factory.

The army confirmed that a

military operation was under way in the Gaza Strip and said no soldiers had been injured.

One of the nine men killed was Mohammed Kishkko, 45, a local leader of the Al Ajza Martyrs Brigades militia, linked to Yasser Arafat's Fatah movement. Kishkko died of shrapnel wounds from tank shell explosion, said Dr. Moawia Hassanin at Shifa Hospital.

The incursion into the eastern Shejia neighborhood was an apparent effort to enter the homes of several Palestinian militants killed by Israeli troops

PLEASE SEE MIDEAST, BACK PAGE

## English is very, very good to Sosa

### The Cubs slugger, nearing his 500th home run, owes much of his charisma to his way with words

**By Marlen Garcia**  
Tribune staff reporter

Words come to Sammy Sosa with extraordinary ease. They come in Spanish or English or a mixture of both, a sign of his mastery of the English language after years of hard work, a struggle to become fluent similar to that of millions of immigrants in the U.S.

In fact, according to those who know him, Sosa has come as far with the English language as he has with his home-run hitting.

"It is my second language, but I do very well with it," Sosa said in a recent interview, adding that in recent years he has become as comfortable communicating in English as in Spanish.

the language of his native Dominican Republic.

His slugging has made Sosa one of baseball's most celebrated players. He is on the brink of becoming the fifth player in major-league history to hit 600 home runs, taking a total of 498 into Tuesday night's game with Cincinnati at Wrigley Field.

But it is his charisma—derived in no small part from his ability to express himself in English—that has made him one of this nation's biggest sports celebrities, even as he plays for a mediocre team.

Sosa probably is the most popular Latin American sports star in the U.S. since his idol, Hall of Fame baseball player Roberto

PLEASE SEE SOSA, PAGE 16



AP photo by Ted S. Warren  
Confident he can express himself well in English, Sammy Sosa doesn't duck microphones.

## Medicare HMO slashes 11,000 seniors from list

**By Bruce Japsen**  
Tribune staff reporter

One of the nation's largest managed-care companies plans to pull out of the Medicare program in parts of Cook and Kane Counties and Lake County, leaving nearly 11,000 seniors without drug coverage and other low-cost health benefits.

In Cook County, Humana's decision primarily impacts nearly 7,000 participating seniors in Evanston, Arlington Heights, Des Plaines, Lincolnwood, Northbrook and other north and northwest suburbs, as well as parts of Chicago's Rogers Park neighborhood.

The change also will affect about 3,000 people in Lake County.

Seniors affected by the

change will be notified by mail next week of Humana's decision, which takes effect Dec. 31.

Across the country, about 300,000 seniors are expected to experience similar disruptions in their health care coverage by the end of the year as health insurers disclose plans for limiting or withdrawing from Medicare's managed-care program.

In Cook County, Humana's decision primarily impacts nearly 7,000 participating seniors in Evanston, Arlington Heights, Des Plaines, Lincolnwood, Northbrook and other north and northwest suburbs, as well as parts of Chicago's Rogers Park neighborhood.

The change also will affect about 3,000 people in Lake County.

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As the economy stalls, corporate travelers have learned how to live on tight budgets.

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# Chicago Tribune

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TUESDAY, SEPTEMBER 24, 2002

50¢

# Berliners recall Red Army atrocities Central America sends its favorite chicken stateside

## Soviet archives exposed in book tell of mass rape

By Nora FitzGerald  
Special to the Tribune

BERLIN—On the day the Red Army arrived in central Berlin in April 1945, Magier Wiedland took shelter in the cellar of her apartment house. The first Soviet soldier to find her was a 19-year-old Central Asian who raped her.

"I was completely alone," Wiedland said. "It was horrible. He was swooning with the idea that he would be his girlfriend. But I knew more soldiers would come."

They were quite angry and thin and without shoes," she said of a group that arrived later that same day. They looked hungry and hungry for a normal life.

Wiedland was raped again. "Again I was alone with him and this one, he was brutal," she recalled, tapping herself on the forehead as if to knock away the memory.

The Dowfall, 1945 buttresses personal accounts from survivors with material from long-sought Soviet archives.

Publication of the book is part of a growing movement in Germany to look at how its citizens were victimized, even as Germany also evades the Nazi Holocaust and exposes the role of its soldiers playing in creating and sustaining Hitler's regime.

**Shattering taboos**  
Gunter Grass, the German writer and winner of the Nobel Prize for literature, was the first to break the taboo this year with a novel chronicling the deaths of ethnic Germans who died by the thousands in a massive postwar ethnic cleansing of Czechoslovakia, Hungary and Russia.

Wiedland dug out Soviet archives, clearly demonstrating that Germans knew about the barbarism and rapes



Soviet soldiers hoisting their flag on the Reichstag building in Berlin after its capture in World War II. Germans are finally learning of the horrors committed against women by the conquering troops.

by their troops. When the book was released in the United States and Britain last spring, it was called it "lies, blasphemy and slander."

Some estimates, compiled by Beevor, suggest that up to 2 million German women may have been raped by the Soviets at the end of the war. Beevor's show that at least 100,000 women were raped in Berlin, and that 90 percent of the city's women contracted venereal disease. The number of abortions rose dramatically in the spring of 1945, as did the number of suicides.

Beevor wrote the book as a sequel to his history of the World War II battle of Stalingrad, now called *Volgograd*. It was the only found research he did to describe in harrowing detail the atrocities committed by the Germans against Russians, that brought the historian to Berlin. "This is a doggy area," said Beevor. "Germans are reluctant to criticize Russia for what happened 60 years ago."

What found researchers and Stalingrad were opposing documents led to the political department of the Red Army, the historian explained. "The archives show that they knew

damn well that mass rape was going on and the troops were out of control."

Nowadays, the German government is keen to keep good relations with Vladimir Putin's Russia, which may keep official reaction to the book muted, Beevor said.

Michael Gramer, a spokesman for the Russian Embassy in Berlin, said he was familiar with the book but dismissed it by saying that "everybody tries to rewrite history in his own way."

**Quiet as troops reined in**  
After three days of mass rape, looting and killings in Berlin—underscured by women jumping off balconies and Nazis killing their own families to prevent their capture—the city became oddly quiet on the fourth day, Frintrop recalls.

The officers and commanders had returned in their troops. It was on this day, with no running water to wash herself or prevent infection, that Frintrop made it to a nearby doctor's office.

"I heard horrible stories from the women there—women whose breasts were partially bitten off or with genital injury," she recalled. "A lot of women tried to save themselves by saying they had

sexually transmitted disease, but it usually made the rape worse because the soldiers would go so angry."

Rape occurred all along the Eastern Front, said Beevor. As a result, severe medical and social problems were left in its wake: crude abortions, syphilis, broken marriages and illegitimate children, many of whom were abandoned.

Red Army soldiers were known to rape girls and women aged 12 to 80, according to his research.

It was the indiscriminate nature of the rapes that made them less clearly a case of revenge, said the historian, who also said that Polish, Ukrainian and Belarus laborers were found raped.

Frintrop recalls Ellen Goetz, a Jewish woman who escaped from a Berlin prison and took refuge in April 1945 in Giesebrechtstrasse 10, a place where many Jews had been hidden with the help of journalist Hans Giesecke, Frintrop's first boss.

A Russian soldier took Goetz out of the large cellar to rape her, and Frintrop tried to intervene by telling him, "she's Jewish."

## Chain sees growth in the land of KFC

By David Gonzalez  
New York Times News Service

GUATEMALA CITY — The only memento Ruth Gonzalez's relatives in Los Angeles want from her cannot be found among the thick ceramic mugs, elaborate woodcarvings or brightly colored weavings she sells at her airport souvenir shop here.

They want chicken. Lots of chicken.

Like thousands of her compatriots, her last stop before heading to the United States is at the airport branch of Pollo Campero, a fast-food franchise whose overwhelming popularity has made the airport smell more like fried chicken than fuel. People struggle to get carrying the familiar yellow-and-white bag holding a hot chicken, but some entrepreneurs on the fly have even filled duffel bags with hundreds of soft drinks, fries and breads that they will resell for as much as \$1 apiece.

To hunkered Central American, a crunchy bite of Pollo Campero chicken is wistfully evocative.

"I never revisit my relatives in December and they told me not to bring anything but Pollo Campero," said Gonzalez, who dutifully toted 65 pieces to her mother for the holidays. "Chicken is now folklore. And our people in the United States miss it."

Not for long. In April, Pollo Campero opened three franchises in southern California, with several more planned for Houston, Washington, Chicago and Long Beach. In a region where the population in the United States there were doubts about whether the company could compete in the land of the free, soon vanished, however, amid the long lines of apparently insatiable customers.

### Selling 'Latin' concept

"Is he cheeky, eh?" said Rodolfo Jimenez, Pollo Campero's director of international strategic marketing. "At the end of the day, we are selling fried chicken, and what is more American than that? We are also selling the Latin concept, which nobody else has. The difference is when you get our restaurants, it's Latin's service in a Latin environment."

Campero, as it is popularly known, was started in 1971 in Guatemala and El Salvador by Dionisio Gutierrez, the patriarch of a Guatemalan cultural conglomerate. The restaurants soon caught on, not only for chicken that tasted of adobo seasoning and marinade but also for table service, which made it unique among fast-food competitors.

Today the chain has 73 outlets in Guatemala and nearly 100 in the rest of Central America and Ecuador. In rural parts of the country, executives send a mobile kitchen and courier to deliver chicken, a service that allows the company to test potential new markets.

A similar close to the ground savvy spurred the decision to open U.S. restaurants. In the mid-1990s, executives at TACA Airlines, the region's dominant carrier, started complaining to Campero executives about the smell of chicken on their planes. The airline executives asked about an airtight package, but the company resisted that, saying it would spoil the chicken's taste and texture. But the trafficking in chicken led Campero executives to begin exploring the North American market, especially when they realized huge sales were being rackled up at the airports.

### Precious cargo

In a recent stroll through the Guatemala City airport, dozens of people could be seen waiting for their flights with boxes of chicken piled high atop their suitcases and in their laps. Some suitcases were even grabbing the names of relatives and friends on boxes.

Maria Josefa Garcia waited for her flight to Boston with 51 pieces of chicken, destined for her son and his friends. Even though she had an eight-hour trip ahead of her, with connections, she said the chicken would be happily devoured once it had been reheated.

"Campero executives would not disclose total sales for the privately held company, they said the two airport restaurants in 2001 year sold \$4 million in takeout orders. The single biggest order was for 100 pieces of chicken, arranged in advance by a woman who later hauled the chicken in duffel bags to the airport. In fact, though there, she did it piece by piece, ultimately covering her plane fare and a credit card fee according to Campero executive.

After several years of studying in the U.S., market chain nationally opened in Los Angeles in April. The restaurants are open to the Guatemalan elite, though there is no table service because that was too expensive.

Without benefit of advertising the store took off, with lines snaking wrapping around the building in its first seven weeks alone, sales topped \$1 million.

Of course, long lines might not be the only reason the customers at a Pollo Campero restaurant that will open soon in Washington, D.C., are flocking there is the chain's expansion into Poland, Portugal and other European countries.

There is only one more border to cross, and it is a symbolic one: the border of "I think so," Jimenez said. "Not yet."

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|---|-----------------------------|--------------|
| Sept. 23 Pick 3                             | 647                         | 739          |
| Sept. 23 Pick 4                             | 519                         | 999          |
| Sept. 23 Lotto (6/49)                       | 05 09 30 10 16 26           |              |
| Sept. 23 Mega Millions Jackpot \$10 million |                             |              |
| Sept. 23 Daily 3                            | Midday: 083<br>Evening: 047 | Evening: 821 |
| Sept. 23 Lucky 5                            | 04 05 16 26 36              |              |
| Sept. 23 Daily 3                            | Midday: 083<br>Evening: 047 | Evening: 821 |
| Sept. 23 Lucky 5                            | 04 05 16 26 36              |              |

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### WINNING LOTTERY NUMBERS

#### Illinois

|                                |                |         |
|--------------------------------|----------------|---------|
|                                | Midday         | Evening |
| Sept. 23 Pick 3                | 681            | 739     |
| Sept. 23 Pick 4                | 5924           | 9998    |
| Sept. 23 Little Lotto          | 05 09 10 14 26 |         |
| Sept. 25 Lotto jackpot         | \$13 million   |         |
| Sept. 24 Mega Millions jackpot | \$30 million   |         |

#### Indiana

|                  |                |         |
|------------------|----------------|---------|
|                  | Midday         | Evening |
| Sept. 23 Daily 3 | 083            | 914     |
| Sept. 23 Daily 4 | 0477           | 8251    |
| Sept. 23 Lucky 5 | 04 05 16 26 36 |         |

#### Michigan

|                   |                   |         |
|-------------------|-------------------|---------|
|                   | Midday            | Evening |
| Sept. 23 Daily 3  | 761               | 777     |
| Sept. 23 Daily 4  | 7269              | 8022    |
| Sept. 23 Rolldown | 01 02 26 29 33    |         |
| Sept. 23 Keno     | 02 09 12 20 28 29 |         |
|                   | 30 31 32 33 37 41 |         |
|                   | 48 50 56 60 63 65 |         |
|                   | 68 73 74 79       |         |

#### Wisconsin

|                     |                   |
|---------------------|-------------------|
| Sept. 23 SuperCash! | 04 06 26 27 31 36 |
| Sept. 23 Pick 3     | 096               |
| Sept. 23 Pick 4     | 5544              |

# Adelphia founder, 4 others indicted

## Securities fraud charges added to July complaint

From Tribune news service

NEW YORK—Adelphia Communications Corp. founder John J. Rigas, his sons and two other former executives were indicted Monday for allegedly stealing hundreds of millions of dollars from the sixth-largest U.S. cable television company.

The 24-count federal indictment charges the men with conspiracy, securities fraud and wire fraud, and seeks \$2.5 billion in forfeited assets.

Their arraignments were scheduled for Oct. 2.

The court papers name Rigas, his sons, Timothy and Michael, James R. Brown, former vice president of finance, and Michael C. Mulcahey, former direc-

tor of internal reporting. The charges expand on a criminal complaint in July, adding securities fraud charges and conspiracy charges stemming from allegedly false statements made in filings to the Securities and Exchange Commission.

Federal authorities accused the Rigases of making the company into their "personal piggy bank."

The scheme charged in the indictment is one of the most elaborate and extensive corporate frauds in U.S. history," says James Comey, U.S. attorney for the Southern District of New York.

Comey accused the Rigases of creating "a towering facade of false success, even as Adelphia was collapsing under the weight of its staggering debt burden... and the Rigas family lined their pockets with shareholder dollars."

The maximum sentences for



John Rigas



Michael Rigas

conspiracy and wire fraud are five years in prison and a \$250,000 fine. Securities fraud carries a maximum sentence of 10 years in prison and a \$1 million fine for each count. Bank fraud carries a maximum of 30 years in prison and a \$1 million fine.

Rigas, the 77-year-old founder, and his sons were arrested July 21 at their apartment on Manhattan's Upper East Side. An earlier criminal complaint charged them with fraud for allegedly hiding \$2.3 billion in liabilities from investors.

The Rigases have been free on \$10 million bail each, secured by cash, land and other property.

Rigas issued a statement Monday insisting the transactions detailed in the indictment were perfectly legal.

"The corporate and personal reputation I have worked to build over the last 50 years has been irreparably damaged," Rigas said. "My family and I have always acted with integrity and honesty and are committed to restoring our credibility and that of Adelphia."

Lawyers for all five former ex-

ecutives have denied that their clients have committed any wrongdoing.

Adelphia, based in Coudersport, Pa., filed for Chapter 11 bankruptcy protection June 20.

The Rigases stepped down from their board seats and executive posts at the company in May.

Federal prosecutors have accused the family of using \$252 million in company money to pay margin calls, or demands for cash payments on loans for which they had put up Adelphia stock as collateral.

It also alleged that Adelphia employees regularly performed work for other companies owned by Rigas family members, and that the companies' bills were regularly paid out of Adelphia bank accounts.

John Rigas, who was the company's chief executive officer and president, and his sons also have been named as defendants in more than 40 civil lawsuits.

The company lawsuit accused the Rigases of conspiring to use company funds for their own benefit, and that the company off-the-books transactions and self-dealing by the Rigas family resulted in damages and loss in market capitalization of \$1 billion, for which the company sought triple damages.

The company also obtained a temporary restraining order Aug. 27 barring John Rigas and family members from selling any real estate until it could be determined whether Adelphia held part ownership.

## THE TICKER

SALOMON SMITH BARNEY

# Regulators fine brokerage, file complaint on analyst

NEW YORK—Securities regulators on Monday fined Salomon Smith Barney \$5 million for allegedly issuing misleading stock research and filed a separate complaint against its former star telecommunication analyst, Jack Grubman.

Salomon, a unit of Citicorp Group, said in a statement that it denied wrongdoing in a settlement with the National Association of Securities Dealers. The settlement covers Salomon's research on Winstar Communications Inc., a telecom company whose stock Grubman strongly recommended until a few weeks before it filed for bankruptcy protection last year.

"A \$5 million fine is probably considered over there [at the SEC] for a violation," said John Smith, a professor at New York

University's business school.

"That's small change."

The settlement, the third-largest in the NASD's history, is about the same as the \$22.3 million severance package Grubman was granted last month when he resigned. "The complaint said Grubman and his research assistant, Christine Gholivo, recommended Winstar to investors in public but expressed contrary views in private," Grubman's lawyer said that he was "extremely disappointed" and that Grubman's research was honest.

Grubman's reports failed to adequately disclose the risks of investing in Winstar, the NASD said. Between February 1999 and July 2001, Salomon helped Winstar, a client, raise more than \$250 million, earning \$24 million for its services.

## DOLE FOOD CO.

# Chief offers \$1.26 billion for company

NEW YORK—Shares of Dole Food Co. surged Monday, a day after the top executive of the world's largest producer of fresh fruits offered to buy the private with a \$1.26 billion cash offer.

Real estate magnate and Dole chairman David Murdoch said he would pay \$29.50 a share for the 76 percent stake he and his family do not own in Westlake Village, Calif. based Dole.

That pushed the company's stock up as much as \$6.50, to \$30.99, before it closed at \$28.99, up \$4.50, or 18.4 percent, on the New York Stock Exchange.

Analysts and investors said it seemed likely that shareholders would like Murdoch's offer, which is a 20.1 percent premium over Dole's closing stock price of \$24.95 on Friday.

"The man has a lot of dough and seems like he wants to spend," said Kevin Johnson, partner in Arouson + Partners, a Philadelphia fund that holds about \$2.05 billion of Dole shares. "This thing is up 20 percent and still looks cheap."

The 79-year-old Murdoch recently ranked 148th in the Forbes list of the 400 richest Americans, with wealth estimated at \$1.3 billion.

## JUNK BONDS

# Defaults set record; rater predicts more

NEW YORK—Moody's Investors Service said Monday that junk bond defaults set a record in 2002 and that the U.S. economy will keep the default rate much higher this year than last, the credit rating agency had forecast.

Moody's said \$129.5 billion of bonds have defaulted this year, compared with \$135 billion for all of 2001, which was the previous record.

It also said the 12-month default rate, now 9.6 percent, will end this year near 9.8 percent. Moody's last month forecast that the rate would end the year at 8.8 percent, well above the 6.8 percent year-end rate it forecast in January.

"The concern now is the U.S. economic recovery doesn't seem to have legs," said David Hamilton, Moody's director of default research.

## EXELON CORP.

# No SEC objection in accounting flap

NEW YORK—Exelon Corp., the parent of Commonwealth Edison Co., has found a round in an accounting dispute with the SEC. In a filing with the Securities and Exchange Commission, Exelon said that the SEC informed the Chicago-based energy firm that it would not object to its accounting method.

The dispute, sparked by an order from the Federal Energy Regulatory Commission, would force ConEd to transfer an undisclosed portion of a \$4.8 billion asset to an unregulated affiliate of Exelon.

The \$4.8 billion asset is good will related to the merger two years ago of Philadelphia-based Peco Energy Co. and Union Corp., as the parent company of Commonwealth Edison.

Despite the nod from the SEC, it is unclear whether the FERC will reverse its ruling.

## THE SBA LOAN



1. Study the paperwork



2. Study more paperwork



3. Try to fill out paperwork



4. Talk to a LaSalle lending specialist (skip steps 1, 2 & 3)

## MIDWEST BRIEFS

# Buffett firm to buy Pampered Chef

Berkshire Hathaway Inc. said Monday that it will acquire Pampered Chef Ltd., an Addison-based direct seller of housewares.

Terms of the deal were not disclosed.

Omaha-based Berkshire Hathaway, the investing firm of billionaire Warren Buffett, said it will acquire Pampered Chef from the company's founder, Derris K. Christopher, and her family.

Christopher and the company's current management team will continue to run the headquarters in Addison.

Pampered Chef, which offers branded kitchen and housewares, employs 67,000 independent contractors as sales representatives.

The transaction is expected to close in the fourth quarter.

## Law firms to merge

Piper Rudnick LLP, one of Chicago's largest law firms, said Monday that it will merge on Oct. 1 with Vernon, Liljefors, Bernhard, McPherson and Hand, a Washington law firm that specializes in lobbying and government affairs. The deal adds about 80 lawyers to Piper's roster of 625 in 10 offices. The combined firm will operate under the Piper Rudnick name.

## Cat lands engine deal

Caterpillar Inc. announced a long-term engine supply agreement under which it will supply the majority of engines for North America's leading manufacturer of school buses, Pl Valley, Ga.-based Blue Bird Corp. Financial terms of the agree-

ment were not released. The agreement is a bit of good news for Peco's-based Caterpillar, which posted disappointing second-quarter results and warned in July that it expects next-year earnings to be down by 15 percent from last year.

## BMI purchased

Laird Technologies, a U.K. firm whose North American headquarters is in Delaware Water Gap, Pa., bought Schuamburg-based BMI Inc. for \$28.7 million in cash and the assumption of \$1 million of long-term capital leases. BMI, a 30-year-old privately held business, opened a plant in China this summer in an effort to serve an increasing number of its customers, particularly in the cell phone industry.

## Peoples downgrade

Despite a ratings downgrade by Moody's Investors Service, Chicago-based Peoples Energy Corp. said that it maintained a strong financial position. The downgrade lowered its senior unsecured debt rating and the senior secured debt ratings of its gas distribution subsidiaries, Peoples Gas and North Shore Gas. The new ratings remain well within investment grade.

## Boeing buyout

Boeing Co. said it agreed to acquire the remaining half of an aviation training venture set up in the late 1990s with Flight-Safety International. Terms of the deal were not disclosed. The Chicago-based Boeing said it plans to keep the management team of the Seattle-based venture in place.

From Tribune staff, wire reports

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Chicago Tribune beyond words

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*From Tribune staff, wire reports*

# EXHIBIT 035

## Senate votes to ban type of abortion

ANALYSIS

### Court challenge likely to focus on 2 'flaws'

By Jan Crawford Greenburg  
Washington Bureau

WASHINGTON—When the Supreme Court invalidated state laws three years ago that banned a controversial procedure known as partial-birth abortion, the justices handed legislators a road map of sorts for drafting new statutes.

In the court's 5-4 majority opinion, and in a separate opinion by Justice Sandra Day O'Connor, the justices indicated they would approve laws that were narrowly written to ban only a specific procedure and in-

cluded an exception that allowed doctors to perform the procedure if the woman's health dictated it.

But the legislation Congress sent to President Bush late Tuesday doesn't clearly do either. Although supporters say they are optimistic it will pass constitutional scrutiny, the ban provides obvious grounds for legal challenges from doctors.

Several doctors and organizations have vowed to file suit to block the federal ban as soon as the president signs it into law, including Dr. LeRoy Carhart, who successfully challenged a

Nebraska ban before the Supreme Court in 2000. "We will file suit as soon as the president signs the bill seeking to ban an injunction as possible to protect women and doctors throughout the country," said Nancy Northup, president of the Center for Reproductive Rights, which represents Carhart.

The bill approved Tuesday is Congress' response to the court's bitterly divided decision three years ago in Carhart's case. Douglas Johnson, legisla-

About the procedure

So-called partial-birth abortion is medically known as dilation and extraction (D&X), a very rare procedure. Though the numbers are in dispute, one survey found that of 1.3 million abortions in the U.S. in 2000, about 2,200 were D&X. The bill defines the procedure as delivery until "the entire fetal head is outside the body of the mother or, in the case of the breech presentation, any part of the fetal trunk past the navel is outside the body of the mother for the purpose of performing an overt act that the person knows will kill the partially delivered fetus."

### President applauds passage, promises he will sign bill

By Jill Zuckman  
Washington Bureau

WASHINGTON—In the first federal ban of a form of abortion in 30 years, the Senate voted overwhelmingly Tuesday to prohibit the controversial procedure that its opponents call partial-birth abortion.

The Senate's action clears the legislation for President Bush's promised signature, as well as for certain legal battles. It also marks a victory for the Republican-controlled Congress, which has long promised to deliver such a ban to its conserva-

tive supporters. The vote was 61-31 to criminalize the procedure and include many senators who typically support a woman's right to an abortion. Although 17 Democrats joined 47 Republicans in the vote, only three Republicans voted no, with 30 Democrats and an independent, Sen. Dick Durbin (D-Ill.) voted against the measure, while Sen. Peter Fitzgerald (R-Ill.) voted for it.

The bill would punish anyone who performs the procedure—

## Iran OKs inspections of nuclear program

### Also agrees to stop enriching uranium

By Douglas Frantz  
Tribune Newspapers

VIENNA—Dawning to international observers, Iran said Tuesday that it would suspend uranium enrichment and sign an agreement permitting international inspectors to make site-ranging checks of its nuclear program.

A senior Iranian official announced the decision in Tehran after four hours of negotiations with the foreign ministers from Britain, France and Germany. He said Iran would sign an additional protocol to the nuclear non-proliferation treaty permitting the broad inspections and would suspend the controversial program to enrich uranium.

Iran faces an Oct. 31 deadline set by the International Atomic Energy Agency to sign the agreement, suspend the uranium-enrichment program and provide detailed information about its nuclear program. The agency demanded that Iran meet the deadline or face the prospect of the matter being referred to the United Nations.



Terri Schiavo's feeding tube was removed Oct. 15. She was expected to die within days.

*'We are just ecstatic. It's restored my belief in God.'*  
—Bob Schindler, Terri Schiavo's father

## Florida rushes law to place woman back on life support

### Gov. Bush orders nutrients resumed for comatose Terri Schiavo

By Patrick Kampert and Michael Martinez  
Tribune staff reporters



Florida Gov. Jeb Bush is pressed by reporters and photographers Tuesday as the Schiavo bill was moving through the Legislature.

PINELLAS PARK, Fla. — A long-running right-to-die dispute involving a comatose Florida woman took a dramatic turn Tuesday when the state's Legislature passed a bill giving Gov. Jeb Bush the power to order the reinstatement of a feeding tube in the woman, who had gone without food or water for six days.

The governor immediately signed the bill and gave the order, and an ambulance spirited away Terri Schiavo from her hospice to a hospital in the Tampa Bay area, where she was taken Tuesday.

Her husband, Michael Schiavo, had been trying for years to have her feeding tube disconnected, contending that his efforts were based on her expressed wishes. Terri Schiavo's parents have been battling to keep her alive.

It appeared that her husband had prevailed when her feeding tube was removed Oct. 15 — with her death expected in 7 to 10 days — but Bush and the Legislature found a novel way to come to her aid.

Outside Weeksday Hospice in Pinellas Park, where Terri

was being cared for, the governor's move was seen as a victory for the woman's family and supporters.

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PLEASE SEE (BANK) PAGE 1

## Stroger shifts gears, plans outside probe of fire

By Mickey Sokolko  
Chicago Tribune  
Tribune staff reporter

After several calls by senior public officials for an outside investigation into Friday's Leap high-rise fire that killed six people, Cook County Board President John Stroger changed his mind Tuesday and said he would appoint an independent

committee to investigate the fire.

Stroger and Chicago Mayor Richard Daley on Monday had both said they were not opposed to an outside investigation of the fire at the county-owned building, but neither went so far as to call for one.

But Tuesday, two days after

procedures, while high rise of fire workers are taking a fresh look at how they would escape during a fire.

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But Tuesday, two days after



Pontiff installs 30 cardinals

New Cardinal Keith O'Brien of Scotland celebrates Tuesday in St. Peter's Square after Pope John Paul II, fighting illness, elevated 30 men to Roman Catholicism's College of Cardinals. O'Brien is a debate on the issue of priestly celibacy. PAGE 6.

## Mortgage party's ending; lenders brace for cutbacks

By John Handley  
Tribune Staff Reporter

SAN DIEGO—For mortgage lenders, a two-year party is ending in a downcast mood as the hangover to come.

Bankers gathered here for an annual convention predict their business will fall by 20 percent next year, with an accompanying loss of industry jobs and smaller lenders.

"We think 100 to 200 mortgage companies will disappear in the next 2 to 3 years," Douglas Duncan, chief economist for the Mortgage Bankers Association, said Tuesday.

ward of 150,000 new workers to help process paper, work with customers and arrange financing. But as mortgage interest rates have risen in more than 6 percent from a low of 3.2 percent for 30-year fixed-rate loans in early summer, refinancing has become less attractive.

Duncan estimates that mortgage originations will total \$3 trillion this year, with about 10 percent to fall to \$1.8 trillion, with fewer than 10 million loans.

The result will be harsh layoffs and job losses, up to 100,000 of the new positions added during the boom, Duncan said.

## INSIDE

### GOOD EATING

#### Food Network cooks up a decade of dining

With a small but loyal viewership, cable's culinary channel has whetted America's appetite for flavorful programs with **HAM**—just a dash of irreverence.



### WORLD

#### In wake of raids, Israelis debate tactics

Some lawmakers and Cabinet members criticize air strikes targeted at Hamas that killed several bystanders. PAGE 3

### SPORTS

#### Rick Morrissey on the Bears' season

*Jerry Angelo says 'There's a bit of football yet to play... which sounds more like there than a rallying cry.'*

### SPECIAL SECTION

Primed for success  
Commissioner on aging takes active approach to the future.





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### WINNING LOTTERY NUMBERS

#### Illinois

|                               |                |           |
|-------------------------------|----------------|-----------|
|                               | Midday         | Evening   |
| Oct. 21 Pick 3                | 376            | 281       |
| Oct. 21 Pick 4                | 1568           | 0852      |
| Oct. 21 Little Lotto          | 06 17 19 23 24 |           |
| Oct. 22 Lotto Jackpot         | \$4 million    |           |
| Oct. 21 Mega Millions         | 18 34 46 51 52 | <b>38</b> |
| Oct. 21 Mega Millions Jackpot | \$22 million   |           |

#### Indiana

|                      |                |         |
|----------------------|----------------|---------|
|                      | Midday         | Evening |
| Oct. 21 Daily 3      | 634            | 984     |
| Oct. 21 Daily 4      | 7957           | 7204    |
| Oct. 21 Lucky 5 mid. | 03 12 16 33 36 |         |
| Oct. 21 Lucky 5 eve. | 08 24 28 30 32 |         |

#### Michigan

|                  |  |         |
|------------------|--|---------|
|                  | Midday   | Evening |
| Oct. 21 Daily 3  | 678  | 617     |
| Oct. 21 Daily 4  | 7932   | 5505    |
| Oct. 21 Rolldown | 06 22 23 25 32   |         |
| Oct. 21 Keno     | 01 02 03 05 07 11<br>14 17 23 24 38 43<br>45 46 48 51 53 54<br>63 66 74 76 |         |

#### Wisconsin

|                    |                   |
|--------------------|-------------------|
| Oct. 21 SuperCash! | 02 06 21 25 28 36 |
| Oct. 21 Badger 5   | 09 10 22 23 31    |
| Oct. 21 Pick 3     | 536               |
| Oct. 21 Pick 4     | 9006              |

# CBOT cuts fees for electronic trading in a salvo at Eurex US

By Mark Skaric  
 Tribune staff reporter

To compete with Eurex US, the Chicago Board of Trade has borrowed from the playbook of retailers and manufacturers. When someone wants to take your market share, try to come up with something that's better and cheaper.

On Tuesday, the Board of Trade's leadership said that fees for electronic trading are going to drop, and that the lower costs will save market users an estimated \$60 million annually. The new fees are scheduled to be in place on Oct. 1.

Fees were reduced in anticipation of Eurex's arrival in the U.S. The Swiss-German exchange, the largest futures exchange in the world, has announced plans to open Eurex US by Feb. 1.

But those plans hinge on regulatory approval, and last week federal regulators said they were taking Eurex off fast-track approval so they could take a closer look at the application.

Bernard Dan, the Board of Trade's president and chief executive officer, said the Eurex application should get more scrutiny because it involves many questions unanswered.

Eurex, he said, has made promises in its public statements, but has not addressed those points in its application with regulators.

"What you don't do is apply with one business plan and meet it with another," said Dan.

A spokesman for Eurex declined to comment.

The Board of Trade has been preparing up for Eurex's anticipated arrival for months. On Tuesday, Dan and Charles Carey, chairman of the board, outlined their new plan.

"Our future rates will be at, or significantly below all published rates of any prospective competitor," Dan said. "And there's no opportunity about pricing. It is what it is."

Eurex CEO Rudi Forstha has said his U.S. exchange will charge a maximum of 30 cents per contract, with most trades priced at less than 20 cents per contract. He also said the exchange would commit to holding those prices for five years.

For Board of Trade members, the average rate will be 5.5 cents per trade, down from 12 cents. Non-members using a member's account will pay an average 22.5 cents a trade, down from 27.4 cents.

Those two categories account for about 80 percent of trading, Dan said. The remainder is non-member account trading, where the average trade will cost 85 cents, down from \$1.60.

## THE TICKER

### EUREX Clearing Corp. shareholder group seeks sale vote delay

**Blowback by a lawyer representing about 10 shareholders of Chicago-based Clearing Corp. has asked the company to delay a vote on a plan to sell a stake to Eurex AG, the world's biggest futures market.**

Frankfurt, Germany-based Eurex has filed a plan with the Commodity Futures Trading Commission to start a U.S. exchange in February that would trade U.S. Treasury futures. 99 percent of which are handled by the Chicago Board of Trade.

Eurex US would clear its trades through Clearing Corp., in which it plans to take a 453 million minority stake. The vote is scheduled for Thursday.

Last week, the CBOT offered Clearing Corp. shareholders a financial incentive to reject the sale of the stake.

Alton Harris of Chicago-based law firm Ungerski & Harris asked Clearing Corp. to provide a "fairness opinion" from an investment banking firm on the proposal to sell a stake to Eurex. He also asked Clearing Corp. to say what would happen if the agreement is not approved by regulators.

The 17 brokers who own Clearing Corp. are being asked to decide whether to approve a plan to reduce ownership by current shareholders to 50 million through a share buyback, with a stake to Eurex and give Eurex the option to acquire 10 percent of the company should there be a competing bid.

A separate letter from Harris to the CFTC asked regulators to "exercise appropriate intervention" to delay the meeting until the request are met.

## MIDWEST BRIEFS

### United bringing back 300 flight attendants

United Airlines is reeling about 300 flight attendants who were on voluntary furlough. The flight attendants will return to duty effective Dec. 1, spokesman Jason Schreiber said Tuesday. He did not provide further details. The Association of Flight Attendants, in disclosing the recall to its members, said on its Web site that the changes are being made due to the recall by its members, said Tuesday. It also said that carriers, plans to increase flights in December.

### Corn Products action

Corn Products International Inc., a maker of sweeteners used in soft drinks, is seeking about \$22 million from Mexico for lost profit and damages caused by a tax on drinks containing high-fructose corn syrup. The U.S. government has indicated a damage claim under the North American Free Trade Agreement would be permitted. The Westchester-based company said Corn Products sweetener business was hurt by a 30 percent tax on Mexico imports in January 2002 on drinks containing high-fructose corn syrup. The tax, intended to protect Mexican sugarcroppers, eventually was reduced to 15 percent of the company's high-fructose corn syrup in Mexico.

### Conseco sues ex-CEO

Conseco Inc. is seeking reimbursement of a \$14 million mortgage on former Chief Executive Stephen Hillbert's mansion as part of a plan to recover \$217 million the company says it still owes. It filed a lawsuit for damages in Cook County Circuit Court. Hillbert, 57, is a former insurance salesman who left the firm in 1991. He is now a consultant for Hillbert, David Kline, Hillbert's former chief of staff, said. Hillbert is now a consultant for Hillbert, David Kline, Hillbert's former chief of staff, said. Hillbert is now a consultant for Hillbert, David Kline, Hillbert's former chief of staff, said.

### Cat sells 'clean' diesels

Caterpillar Inc. said it has sold more than 200 clean-diesel engines to King County, Wash., which operates a fleet of about 1,300 buses and serves about 100 million travelers annually. In the Seattle area, financial details were not disclosed. Tribune staff wire reports

## ACCOUNTING BOARD

### Auditing firms face deadline to register

**WASHINGTON**—The new U.S. Board set up to police corporate auditors said Tuesday it has registered the Big 4 accounting firms. But about 300 smaller firms still have not applied for board registration.

With only one day left before the deadline to file an application to register, the Public Company Accounting Oversight Board said it had received 423 applications as of Friday. There are about 700 U.S. accounting firms that audit the workings of publicly held corporations.

"Appraisers are still coming in," said board spokesman Anthony Heston.

Order requests issued last week by a Congress panel went with audit for momentum, the board reviewed all U.S. firms that audit public corporations to apply to register with it by Wednesday. The deadline for non-U.S. accounting firms is in 2004.

So far, the board has approved applications for and registered 400 auditing firms. Heston said. Among the firms registered, he said, are Ernst & Young, KPMG, Deloitte & Touche and PricewaterhouseCoopers.

## RETAIL

### Holiday spending increase forecast

**Beacon**—U.S. consumers are planning to spend more on gifts, greeting cards and other holiday goods this year than they did a year ago, according to two surveys released Tuesday.

The National Retail Federation, a trade group, said consumer risk average are budgeting \$67.89 for this holiday season, up about 3 percent from a year ago. The group has forecast a 3.5 percent increase in holiday sales, which would be the biggest since 1997.

Last year's holiday season generated the smallest sales gain in more than 30 years.

A separate survey by tax and consulting firm Deloitte Touche & Debevoise found that, for the first time since 2004, consumers are planning to spend more than they did the previous year. Deloitte estimated retail holiday spending could increase in the range of 4 percent to 7 percent.

Despite the recent outlook, consumers remain cautious about the retail. The retail federation says about three out of four people planned to shop at this point stores.

## PULTE HOMES

### Petruska named chief operating officer

**Indianapolis**—Steven C. Petruska has been named executive vice president and chief operating officer of Pulte Homes Inc. based in Bloomfield Hills, Mich. The appointment is effective Jan. 1. Petruska fills the post left vacant when Harold J. Duane Jr. became president and chief executive in July.

Petruska will oversee all of Pulte's domestic home building operations in 41 markets and 25 states. He most recently was area president for the company's Arizona and Nevada operations, which delivered about 4,000 homes valued at more than \$1.1 billion in 2002.

In related moves, Patrick J. Berne, Midwest area president, is leaving Illinois, Minnesota and Missouri operations. He has been named regional president. West and Jeffrey B. Casagrande, president of the Great Lakes region, oversees Indiana, Michigan, Ohio and Tennessee. He has been named regional president. East. Both promotions are effective Jan. 1.

## HOW TO CONTACT US

Comments, questions and suggestions about articles in this section are welcome.

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*Tribune staff, wire reports*

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# EXHIBIT 036

## CAMPAIGN 2004

## Kerry rolls; Edwards out

### Decisive victories in 9 states virtually clinch nomination

## ANALYSIS

#### Voters face stark choice in the fall

By Michael Tackett  
Tribune news correspondent

Democrats in general, and Sen. John Kerry in particular, have only one person to thank for the state of their presidential race: George W. Bush.

Bush's decision to wage pre-emptive war in Iraq kindled the stunning rise of former Vermont Gov. Howard Dean. And the president's economic plan provoked the rhetorical profanity for the widely granted "I'm A-OK with the Iraq war" campaign of Sen. John Edwards of North Carolina.

States won Tuesday by —

Kerry

Edwards

Bush

Other

None

None

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None

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None

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Primarily won by —

Kerry

Edwards

Bush

Other

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States won Tuesday by —

Kerry

Edwards

Bush

Other

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By Jeff Zeleny  
Metropolitan Bureau

WASHINGTON — Sen. John Kerry of Massachusetts won the Democratic presidential nomination Tuesday in a decisive nine-state victory as voters across America validated his leadership and predicted that the party should now come together to confront President Bush.

Even as ballots still were being cast in four states and counted in several others, Sen. John Edwards of North Carolina announced a second debate and stepped aside to the biggest night of the primary season. He wanted to close his campaign Wednesday, clearing a path for

Kerry voters weigh new political game plan. PAGE 10

Kerry's little engine. PAGE 10

Got updates through the day at CHICAGOTRIBUNE.COM

Kerry is beta on the left strand.

From California to New York to Ohio, Kerry secured commanding wins that put across all results of the Democratic Party. After accepting a congratulatory call from Bush, Kerry declined a stern warning to his Republican rival.

"The message could not be

clearly. All across this country change is coming to America," Kerry said, speaking of a rally just blocks from the White House. "I think we will tell the truth about what has happened in our country and we will fight to give America back its future and its hope."

While Kerry will not formally accept the nomination until winning more delegates, this spring, the general election fight effectively begins at once. An upcoming round of presidential primaries, including 21 from across the March 15, will almost certainly carry Kerry well above any support.

HEAD OF CAMPAIGN, PAGE 10

But those presidential politics, which skirted a deep-seat, almost visceral dislike of the president among Democrats, ultimately prompted the party to turn to the candidate who was seen strongest in the anchor position to lead them, on both fronts.

That was not too far from the way the young and energetic crowd. There were more miles on Kerry than was low state about him, but there was a full-on sense of his power and experience to go with a vision.

PLAY BY ANALYSIS, PAGE 10

## Bill aiming to protect gunmakers is scuttled

### Amendments sink Senate measure to ban liability suits

By Kristina Harmobler  
Tribune Bureau

WASHINGTON — In a dramatic victory for gun-control advocates, including Chicago Mayor Richard Daley, the Senate on Tuesday rejected a popular bill to protect gun manufacturers, wholesalers and dealers from liability lawsuits in gun cases used in crimes.

The bill had broad support in the Senate and was supported by gun rights groups, and President Bush had said he would sign it, but when it was introduced in the Senate, supporters decided to kill the bill, instead of accepting the amended version.

Before the final vote, Sen. Larry Craig (R-Idaho), the chief sponsor of the liability protection legislation, said that once the gun-control amendments were added, the House of Representatives never would accept the bill so there was no point trying to pass it.

"This was a very important bill, a substantial move to get reform. It was clear and it was clear," Craig said. "But I now believe it is no longer politically sound that it should not pass and I ask my colleagues to vote against it."

Minutes later the Senate rejected the bill — which now had 55 sponsors — on a 50-47 vote. Craig's original bill would have granted legal immunity to gun manufacturers, wholesalers and dealers from liability suits in gun cases used in crimes committed by gun owners. Chicago officials said the bill would have blocked

## Iraq bombings target Shiites



Iraqis carry a victim of one of several explosions Tuesday in Karbala during the Shiite holiday of Ashura. Police arrested nine people suspected in the attacks.

### Coordinated blasts disrupt holiday, kill at least 143

By Mike Downing  
and Christine Spolar  
Tribune Correspondents

KARBALA, Iraq — Nearly 20 simultaneous explosions ripped through Shiite Muslim holy sites in Karbala and Baghdad on Tuesday, killing at least 143 people and injuring more than 400 in the bloodiest day of the U.S. occupation of Iraq.

The attacks, several by suicide bombers, came at a time of extraordinary religious and political sensitivity and threatened to aggravate tensions between the long estranged Iraqi

Shiites and the minority Sunni Muslims who dominated Iraq under Saddam Hussein's regime.

Tuesday was the holiest day of the Shiite religious calendar, Ashura, an emotionally charged festival marking the death and killing of an early Shiite cleric named Hussein. Hundreds of thousands of pilgrims, had come to visit his tomb in Karbala, and set to mark a holiday that had been banned by the Hussein regime.

"There was an explosion, and all of a sudden I was covered with blood," said Abdul Karim Jassir, 38, a Baghdad office worker who journeyed to Karbala to observe the death of the cleric. "It was like a huge wave of death. The angels were upset around."

The assaults were launched a day after leaders of Iraq's competing Shiite groups reached a hard-fought agreement on an interim constitution designed to launch democracy.

Only hours after the attacks in Iraq, more than 200 and 1000 grenades at a Shiite mosque in Karbala.

Shiite religious leaders, including Ayatollah, an emotionally charged festival marking the death and killing of an early Shiite cleric named Hussein. Hundreds of thousands of pilgrims, had come to visit his tomb in Karbala, and set to mark a holiday that had been banned by the Hussein regime.

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## Slaying stuns Bellwood

Calvin Ector is mourned after the 7-year-old Proviso East High honor student is mysteriously gunned down by masked assailants.

By Angela Rojas  
and Joseph Spataro  
Tribune Staff Writers

Proviso East High School basketball player who was scheduled to receive an academic award Tuesday was instead mourned by his relatives and classmates as they gathered in his honor at his home on the 3000 block of Madison Street, which was surrounded by a police cordon.

Calvin Ector, 17, of Bellwood was released Tuesday

from Loyola University Medical Center in Maywood, where he was treated for four gunshot wounds to his legs, relatives said. Gregory Johnson, 17, had been a death suspect, authorities said.

White police chased back toward Ector's mother's home in Bellwood, where he was held in the stairwell of his home on the 3000 block of Madison Street, talking about his young life.

PLAY BY ANALYSIS, PAGE 10

## Mars rover sends NASA cascade of water evidence

By Jeremy Marder  
Tribune Staff Writer

The Martian plain where the rover Spirit landed was once soaked in water, NASA scientists said Tuesday after the rover sent a cascade of evidence that the planet once had water capable of supporting life.

Neither Opportunity nor its twin rover Spirit had found any sign that life ever existed on Mars. But experts said NASA officials said pinpointing where water once flowed is crucial for

robotic missions and perhaps eventually human explorers.

The finding marked the first direct evidence that the Martian surface was once warmer and soaked in liquid water on a scale that rival scientists believe ended billions of years ago. It took just five weeks after Opportunity landed in a small crater but the discovery of the dried "NASA scientists.

"The purpose of this mission was to go to Mars and see whether or not it once had habitable conditions," said NASA spokesman. "This is a major step in that direction."

## INSIDE BUSINESS

### Ebbers indicted

Honored Wisconsin chief charged with fraud, conspiracy

### Supersize no more

McDonald's will drop controversial giant portions of fries and drinks

Full index, Page 2



# Chicago Tribune

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CHICAGO

157TH YEAR — NO. 63 CHICAGO TRIBUNE

# Venezuela hit by riots after recall bid fails

Panel: Chavez foes lacking signatures

By Fabiola Sanchez Associated Press

CARACAS, Venezuela—Protesters intended across Venezuela on Tuesday after the election results ruled that government opponents lacked enough signatures to force a recall referendum against President Hugo Chavez.

Protesters then staged a series of rallies firing at anti-Chavez protesters, who fought back with rocks and Molotov cocktails in Caracas.

Rioting, which began Tuesday as they signed petitions, also targeted the ruling, also was reported in several other cities in the hours after the council's decision.

Chavez opponents say they submitted more than 2 million signatures. Some 3 million are required for a recall election.

But council President Francisco Carrasco announced Tuesday evening that just 1.6 million signatures were valid. Another 670,000 signatures were not counted because they did not include the petitioner's name.

Many opposition leaders had said they would not accept a decision requiring voters to confirm their signatures. The council said that voters would have between 10 and 15 days to confirm their signatures.

Venezuela's opposition claimed that more than 6 million, including hundreds of thousands of citizens, would postpone the referendum or demand it entirely.

Opposition lawmaker Julio Borges called for more protests. Besides Caracas, the capital, protests hit Maracaibo, Puerto La Cruz, Maricao, San Felipe, industrial centers of Valencia and Barquisimeto and the western city of Maracaibo.

National guard troops in armored personnel carriers rolled through several of the cities to disperse protesters and fired tear gas and live rounds at protesters.

Chavez's law have been signing their names to a petition to force a recall election. He said he would sign the petition if he were to see a government plan to verify the information.

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A Venezuelan soldier carries a woman away from violent protests Tuesday by opponents of President Hugo Chavez in Caracas.

Protests have forced government to shut 20 health offices, prevented garbage collection, closed public buses and disrupted emergency vehicles.

The opposition tried to shut down Chavez's popular radio station, but it was blocked by the government. The opposition tried to shut down Chavez's popular radio station, but it was blocked by the government.

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# China touts new churches, but rules crimp faithful

Government still controls religion

By Michael A. Lev United Press International

BEIJING—Government officials Tuesday announced plans to build the first new churches being built in the capital in more than 50 years.

The full picture, however, is far more complex. While the government arches its back to the growth of Christianity, it also seeks to control the growth of the faith.

The rules make clear that allegiance to the party comes first, and strict regulations must be followed, including a ban on baptisms and Sunday school participation.

Protestants also is forbidden to evangelize in public places.

Due to these government controls, millions of Chinese Christians attend the state churches and worship in unofficial or "house" churches. Others, particularly in the countryside, attend house churches because there are no state churches nearby.

They're high profile and are often targeted for arrest. At times, they are targeted for arrest. At times, they are targeted for arrest.

The government has been trying to rein in the growth of Christianity, which according to some estimates is expanding at a pace of a year.

Bureaucracy with rules

Two leading sources of the official Protestant Church in China, the official Protestant Church in China, the official Protestant Church in China.

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| Date          | Winning Numbers    |
|---------------|--------------------|
| March 2, 1999 | 11, 12, 13, 14, 15 |
| March 3, 1999 | 16, 17, 18, 19, 20 |
| March 4, 1999 | 21, 22, 23, 24, 25 |
| March 5, 1999 | 26, 27, 28, 29, 30 |

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\*\*Sunday only service includes Thanksgiving Day issue.

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|  | Midday         | Evening |
|--|----------------|---------|
| March 2 Pick 3                             | 865            | 712     |
| March 2 Pick 4                             | 4431           | 6312    |
| March 2 Little Lotto                       | 05 16 18 21 31 |         |
| March 3 Lotto jackpot \$6 million          |                |         |
| March 2 Mega Millions                      | 25 30 35 40 50 | 04      |
| March 2 Mega Millions jackpot \$20 million |                |         |

#### Indiana

|                      | Midday         | Evening |
|----------------------|----------------|---------|
| March 2 Daily 3      | 901            | 825     |
| March 2 Daily 4      | 8926           | 6382    |
| March 2 Lucky 5 mid. | 04 06 11 17 29 |         |
| March 2 Lucky 5 eve. | 07 13 15 28 31 |         |

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#### Michigan

|                  | Midday  | Evening |
|------------------|---|---------|
| March 2 Daily 3  | 649   | 512     |
| March 2 Daily 4  | 4273  | 6393    |
| March 2 Rolldown | 02 06 10 14 32  |         |
| March 2 Keno     | 02 06 07 11 16 17 24 27 34 36 38 44 45 47 49 50 59 60 69 74 75 77 |         |

#### Wisconsin

|                    |                   |
|--------------------|-------------------|
| March 2 SuperCash! | 02 09 16 29 32 33 |
| March 2 Badger 5   | 01 02 15 18 26    |
| March 2 Pick 3     | 395               |
| March 2 Pick 4     | 8849              |

## Mustang likely to get some stablemates

Watch for Lincoln and Mercury to wind up with a vehicle based on the Ford Mustang that's coming out this fall.

The 2005 Mustang was expected to share platform, or basic architecture, with the Ford Thunderbird and Lincoln LS, but will be built on a new platform instead. Ford, however, is committed to platform sharing and flexible manufacturing, building more than one vehicle of a platform in the same plant to suit development and production costs.

The Ford F150 Hundred and Mercury Montego cars and Ford Freestyle crossover, for example, share platforms with the Volvo XC90 sport utility vehicle and all three, plus an unnamed Mercury crossover, will be built in Chicago.

"I'd be disappointed if Mustang was the only vehicle off that platform," said Dan Samardich, executive director for small front and rear wheel drive vehicles at Ford, which includes Mustang and Focus. "We could use it for other brands in the Ford stable. It would also make for a credible Lincoln."

Though she refused to elaborate, a source noted: "We're looking at with-



Jim Mateja  
Autos

ins to replace some existing Lincoln and Mercury cars as well as some cars for new segments to help them grow.

Perhaps a high-performance rear-wheel-drive Lincoln to rival the CTS-V addition to the Cadillac lineup?

Perhaps the concept rear-wheel-drive Lincoln Mark X radiator on this year's auto show circuit could be used as a derivative of the Mustang platform rather than the Thunderbird-LS platform on which it rests.

Samardich was only a bit more open on plans for a low priced, high-mileage car smaller than the compact Focus to attract those on a budget, namely youth.

"A small car is critical for our dealers and our company," Samardich

said in an interview. "When people come in looking for the cheaped car they can buy, it would be nice to have something other than Focus so that Focus can be a higher margin car."

The car likely would be developed with Mazda, in which Ford owns controlling interest. Mazda is helping develop its new Ford, Mercury and Lincoln cars, including the Ford Focus and unnamed Mercury sedan plus a Lincoln crossover, off its midsize Mazda sedan platform.

"Leveraging another company" would be a smart and low cost way to bring a low price car to market, she said.

A new small car would allow Ford to use Focus upscale rather than have it show as its low cost and low profit entry level model on which consumers might balk.

Chrysler has done that with the Acela, priced from less than \$100,000, from its Daewoo operations in South Korea for 10 years. Acela allows Chrysler to replace the subcompact Cavalier with a more upscale, higher price, higher profit Corolla this year's auto show circuit.

General Motors also displayed a new family of small, rear-wheel-drive cars



The '05 Mustang, with CEO Bill Ford, may get Lincoln and Mercury cousins.

built off a new Kappa platform. The 2004 Explorer Sport Trac is for the first, and the Chevy II mid-size wagon and Saturn Curve sport coupe await approval.

"I wouldn't say no, but traditionally we've done it for higher profit performance cars," she said. "I struggle with the idea of mass-produced rear-drive cars. While some see front drive as a malady, those who live in the

northern states feel safer with front or all-wheel drive."

This year's Lincoln Navigator Freestyle and Mercury Cougar will be front-wheel drive as standard, and all-wheel-drive an option, she said.

Read Jim Mateja's analysis in Transportation and Wednesday and Friday in Business. Hear him on WJBM AM 710 at 6 a.m., WJBM-FM 112.7 at 8 a.m.

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### MIDWEST BRIEFS

#### GM, Chrysler sales up; Ford falls 3.2%

General Motors Corp. and Daimler Chrysler AG's Chrysler group reported modest increases in February sales of cars and light trucks on Tuesday, but Ford Motor Co. said sales dropped. U.S. vehicle sales rose 4.6 percent from February 2003, to a seasonally adjusted annual rate of about 1.4 million. GM said sales rose 5.8 percent, Chrysler reported a 2.2 percent increase, though car sales plummeted 28.2 percent. Ford posted a 3.2 percent decline, with car sales tumbling 15.2 percent. Asian carmakers share of the U.S. market rose for a third straight month, to 31.1 percent, according to Autodata Corp. Sales surged 19 percent at Nissan Motor Co. and 10 percent at Toyota Motor Corp. Honda Motor Co. said sales rose 11 percent. "I don't know how they're going to reverse that market share loss unless they're bringing out new models," said Brian K. Senhardt, vice president of Evisalton Investment Advisors in

Great Falls, Minn. Slack demand has left the three U.S. automakers with an estimated 27 million unused vehicles, which may lead to more layoffs or production cuts. Ford said it was cutting second-quarter production at its North American assembly plants by 5 percent from last year.

**Walgreen sales rise 16%**  
Walgreen Co. had February sales of \$3.2 billion, up 1.4 percent from February 2003. Same-store sales, or sales at stores open at least a year, increased 13.8 percent. Same-store sales are considered the best indicator of a retailer's health. This year's February sales benefited from one extra day because of leap year. Pharmacy sales increased 18.6 percent, while same-store pharmacy sales rose 11.2 percent, the Deerfield-based company said.

#### Cat sees revenue surge

Caterpillar Inc.'s revenue could increase more than 10 percent within three years because of a surging worldwide economy and the company's expansion plans in China, India and Russia, according to the Peoria-based company's new chairman and chief executive, Caterpillar's annual income could top \$10 billion by 2006, a top Caterpillar analyst had forecast for the end of the decade. Jim Owens said during his first official briefing with analysts and investors. He has been running the company since Glen Barton retired a little more than a month ago. Caterpillar reported 2003 with revenue of \$2.25 billion.

### THE TICKER

#### MARTHA STEWART

### Defense attorney denies coverup, asks for acquittal

NEW YORK (AP) — Martha Stewart's defense attorneys argued her innocence by a federal jury Tuesday and said she was a single parent in her own home when the legal stock market crash that day befell the coverup.

Instead, Stewart's attorneys Robert Mervin told the jury of her three hours of closing arguments that it was time to let her go back to what she does best: "I ask you to acquit Martha Stewart and allow her to return to the freedom of quality of life for all."

#### FREDDIE MAC

NEW YORK — U.S. home prices increased 1.4 percent last year, added by historically low mortgage rates and confidence in an improving U.S. economy, mortgage giant Freddie Mac said Tuesday.

If sales prices jumped 11.8 percent in the fourth quarter, the fastest pace in 20 years.

"The gain is the largest quarterly growth rate since 1977, when it was 21 percent," said Freddie Mac's chief economist of Freddie Mac.

This year, she said, home values should rise between 8 percent and 10 percent.

Freddie Mac said the home ownership rate in the fourth quarter was 64.9 percent in the fourth quarter, up up from the previous high of 64.1 percent in the third quarter.

#### FORD MOTOR CO.

#### Taurus, Sable set to end run in Chicago

Production of the Ford Taurus and Mercury Sable at Ford Motor Co.'s Tazewell Assembly plant in Chicago will end April 30 as the factory can be retooled for a new family of vehicles.

Ford had announced it planned to close the plant for an extended period to change over to the next model.

When the plant reopens at all unspecified date during the summer, it will produce the Ford F150 Hundred and Freestyle and Mercury Montego.

The South Side has built the Taurus and Sable since 1983.

#### ALLSTATE CORP.

#### Settles California case for \$3 million

SACRAMENTO — Allstate Corp. has agreed to pay \$3 million to the state charity that it used negative credit information as a reason to deny coverage to at least 1,000 California car owners.

In a case filed in response to complaints from consumers, the state Department of Insurance said the accuracy of risk evaluation violated the state's Proposition 103 by effectively using a factor in rating policyholders that is not permitted by the law. The 1988 ballot initiative prohibits the use of credit histories as a factor in setting auto insurance rates.

Allstate denied it took any lax loans. Using credit scores "increases the accuracy of our risk evaluation, controls the cost of insurance and helps us make in-vestments in a more diversified way," Allstate spokeswoman Maie Sa Wanmaker said.

Los Angeles Times

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## Cat sees revenue surge

Caterpillar Inc.'s revenue could increase more than 30 percent within three years because of a surging worldwide economy and the company's expansion plans in China, India and Russia, according to the Peoria-based company's new chairman and chief executive. Caterpillar's annual income could top \$30 billion by 2006, a goal Caterpillar earlier had forecast for the end of the decade, Jim Owens said during his first official briefing with analysts and investors. He has been running the company since Glen Barton retired a little more than a month ago. Caterpillar ended 2003 with revenue of \$22.7 billion.

*Tribune staff, wire reports*

# EXHIBIT 037

SPECIAL ISSUE

# Forbes

## Billionaires



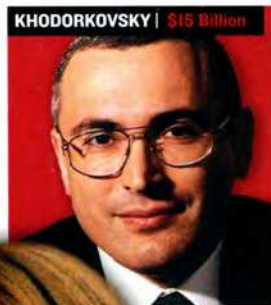
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TRUMP | \$2.5 Billion



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## Cat's in the Bag

A global recovery, vast construction demand, a weak dollar aiding U.S. exports. What could be better for **CATERPILLAR (77, CAT)**, the world's largest maker of earthmoving equipment? Add in that Cat is expanding in the hot China market and that rising commodity prices are boosting demand for its mining equipment. In a grand postrecession recovery, Cat finished 2003 with a 38% earnings increase to \$1.1 billion on revenue of \$22.7 billion, up 13%—a sweet circumstance following two years of dropping net income.

The stock has done well in the past year, but Credit Suisse First Boston analyst John E. McGinty says it will keep plowing ahead. One drag on the shares is the risk of currency losses; half Cat's revenue is outside North America. But the currency concern is overblown, says McGinty in a recent report. He sees a longer-term upside driven by recovering Asian and Latin American economies and commodity prices (oil, gas, minerals). This should help drive sales of big machinery and trucks (74% of operating profit). Fourth-quarter sales accelerated 20% (double expectations) and should keep driving. At 25 times trailing and 17 times projected earnings, it is in line with rival Deere & Co.

—Mark Tatge



## Software Sahib

India hasn't gotten so much attention in the West since Rudyard Kipling's day. Amid all the fears about shifting U.S. tech work to the Subcontinent, **INFOSYS TECHNOLOGIES (87, INFY)** stands out as a major job threat—or investor opportunity. A tidy 70% of its sales come from U.S. companies looking to cut costs by outsourcing.

India's largest public software exporter (only private Tata Consultancy Services is bigger in tech) racked up, in its first three fiscal quarters, earnings of \$194 million, equal to all of the previous fiscal year. Revenue exploded 41% to \$760 million.

Infosys American Depositary Receipts trade at a heady 56 times trailing earnings. Ashish Thadhani of Brean Murray & Co. says that's justified, given the company's growth rate and improving prices for its software.

—Lisa DiCarlo



## Heartbreak Hotel

The triple whammy of recession, terrorism and SARS made life hellish for the lodging industry. Things are looking up at luxe **FOUR SEASONS (55, FS)**, where revenue per available room in the September-ended quarter grew at an impressive 10.6%, compared with an industrywide increase of only 2.4%. Four Seasons was able to raise rates. Still, the chain suffered a \$6 million loss during 2003's first nine months amid a 7% sales drop to \$193 million. Plus, archcompetitor Ritz-Carlton is adding more hotels.

Bryan Maher of Credit Lyonnais Securities sees Four Seasons expanding earnings nicely in 2004 to \$1.12 per share. But at 49 times that number, versus the sector's 30 multiple, this stock is too luxurious. Maher rates it a sell. If you want to make that a short sale, cover at \$40.

—Christopher Helman



## Heal Thyself

The stock of the largest U.S. hospital company, 40,000-bed **HCA (43, HCA)**, is up 50% from lows hit last April when it missed the consensus forecast by six cents. A program of share buybacks, debt reduction and higher dividends has been a key part of that recovery. In 2003 earnings leapt 64% to \$1.3 billion on revenue of \$21.8 billion, up 11%. But Sheryl R. Skolnick, analyst with Fulcrum Global Partners, doesn't expect the stock to keep those gains.

At issue is the cost of care for the uninsured, beyond HCA's control. While patient intake is up, adjusted cash flow per admission is down 8% because of nonpayers. Skolnick says limited job growth means this problem isn't going away. Despite its seemingly reasonable multiple of 16 times trailing earnings, we say the stock is too rich. Short and cover at \$37.



# EXHIBIT 038





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New York: **Today:** Warm with ample sun, high 87. **Tonight,** mostly clear, low 70. **Tomorrow,** partly cloudy, a bit more humid, high 87. **Yesterday,** high 78, low 69. Weather map is on D8.

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NEW YORK, SATURDAY, JULY 10, 2004

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COMPANY NEWS

AT&T TO PAY \$490,000 FOR DO-NOT-CALL VIOLATIONS
The AT&T Corporation, which operates the federal "do not call" registry, has agreed to pay \$490,000 to settle charges that it failed to maintain...

SAP LICENSE REVENUE ROSE 15% DURING SECOND QUARTER
SAP, the world's largest maker of business-management software, said yesterday that second-quarter license revenue rose 15 percent...

ALCOA CUTS PRODUCTION AFTER STRIKE AT CANADA FACTORY
Alcoa Inc., the world's biggest aluminum maker, said yesterday that it will reduce production at its Ontario, Quebec, smelter where union workers are striking...

DANA SELLS REPLACEMENT PARTS BUSINESS TO CYPRESS
The Dana Corporation, an auto parts maker, said yesterday that it has sold its replacement parts business to the Cypress Group...

CITING UNFULFILLED ORDERS, OHYSYS MISSES FORECASTS
The Ohysys Corporation, a seller of server computers and consulting services to customers including Co. Communications Inc., said yesterday that second-quarter profit was flat, missing its forecast...

CAT LOGISTICS TO BUY MOVER FOR \$165 MILLION
General Logistics Services Ltd., provider of supply chain systems, has agreed to buy the parts and materials division of MG Rover Ltd. for \$165 million...

DELTA AND PINE LAND CUTS EARNINGS WARNING
Shares of Delta Air Lines Inc., which makes medical scanners, said yesterday after an earnings warning from the company...

DELTA AND PINE LAND CUTS EARNINGS FORECAST
The Delta and Pine Land Company, the nation's top cottonseed producer, said yesterday that its third-quarter profit rose 10 percent...

STATE STREET AVOIDS EXTRA PAYMENT ON DEAL
The State Street Corporation, the world's largest custodian of assets, said yesterday that it was not obligated to make a performance-related payment...

ARITHMIS DROPS SALES BOLSTER ABBOTT'S RESULTS
Abbott Laboratories said yesterday that second-quarter earnings rose, helped by higher-than-expected sales of its rheumatoid arthritis treatment, Humira...

GENDIS INC., Wimpole, Manitoa, said it agreed to buy Stan Stearns, a investors led by Avaya Group Inc., a financial marketing and communications company...

ACTION PERFORMANCE CO. Phoenix, a designer and vendor of motor sports clothing and collectibles, said it reached a five-year licensing agreement with the New York Mets...

THE MARKETS

Table with market data including DJIA, NASDAQ, S&P 500, and various bond indices.

Wall Street rebounded yesterday as better-than-expected earnings from General Electric boosted profit warnings from a number of other companies...

Stocks have fallen recently on mixed economic news and uncertainty over second-quarter results, which companies will be reporting over the next three weeks...

Profits have become increasingly unpredictable from technology stocks. Most analysts remain upbeat, but expect a market rebound of 15 percent to 20 percent over the S&P 500...

Analysts say the market is likely to be good for the economy. However, it has been down for the past three months, said Kenneth Froot, chief economist for First Boston Group...

A pure sale by a rival puts more pressure on the troubled carrier. The airline will report its first quarterly loss before tax, though Boeing declined to say whether it certified on the airline's earnings before taxes...

MCI Suses Former Chief to Recover Loans
MCI, which emerged from the largest bankruptcy case in history, said yesterday that it has agreed to recover \$66 million in loans...

8 Women on Jury in Morgan Stanley Case
A mostly female jury was chosen yesterday to decide whether Morgan Stanley should pay \$10 million in damages to eight women plaintiffs...

Fred's Seeks New Auditor
Fred's Inc. is in discussion with Ernst & Young LLP over what providing its auditing services in September because of a dispute over fees for 2003 and 2004.

STOCKS & BONDS

Table with stock and bond market data including DJIA, NASDAQ, S&P 500, and various bond indices.



The Dow Jones Industrial Average closed at 11,425.34, up 101.56 points from 11,323.78. The S&P 500 rose 1.18 points to 1,418.22.

The Dow Jones Industrial Average closed at 11,425.34, up 101.56 points from 11,323.78. The S&P 500 rose 1.18 points to 1,418.22.

What was the chief reason? "The key reason is, simply, we've seen the best recovery we've seen in years," says the analyst.

David Castevetter, a spokesman for US Airways, declined to discuss the company's regular discussions and reviews with the A.T.S. but the airline's president said the company is in good financial health.

Representatives of the airline's flight attendants said they will not accept a 3.2 percent pay cut and add five more hours a month to their regular work schedule.

Ernstine to Buy Maker of Electrical Gear
The Esterline Technologies Corporation, maker of electronic components for Boeing, has agreed to buy the Leach Holding Corporation...

Fred's Seeks New Auditor
Fred's Inc. is in discussion with Ernst & Young LLP over what providing its auditing services in September because of a dispute over fees for 2003 and 2004.

I.B.M. Plans E-Mail Server
I.B.M. plans to introduce an e-mail server next week that is designed for medium-size businesses. Called the e-mail server, it is designed to be used in an Express-licensed environment...

Quotation of the Day
Page 2, every day.
In the News Summary.
The New York Times.

## **CAT LOGISTICS TO BUY MG ROVER FOR \$185 MILLION**

Caterpillar Logistics Services Ltd., provider of supply chain systems, has agreed to buy the parts business of the British carmaker MG Rover for \$185.1 million. Cat Logistics is part of **Caterpillar Inc.**, the construction and industrial equipment maker based in Peoria, Ill. It said yesterday that it did not know when the deal would close and could not provide further details. The company said the acquisition includes the sourcing, marketing, distribution and sale of automotive parts and accessories to MG Rover dealers, distributors, importers and customers. MG Rover is a unit of **Phoenix Venture Holdings** of Britain.

*(Dow Jones/AP)*

# EXHIBIT 039

# Cat Milestone

**Publication info:** Construction Bulletin ; Arlington Heights Vol. 287, Iss. 8, (Aug 2004): 8.

[ProQuest document link](#)

## ABSTRACT (ABSTRACT)

According to Caterpillar, the EPA certification of seven Cat engine models allows for early production of cleaner Tier 3 diesel engines. The company has started to ship fully tested Cat machines powered by Tier 3 compliant engines to OEM customers.

## FULL TEXT

Caterpillar Inc., Peoria, Ill., has announced that the Environmental Protection Agency (EPA) has certified a full line of off-road engines as compliant with Tier 3 standards slated to go into effect in January of 2005 and January of 2006.

According to Caterpillar, the EPA certification of seven Cat engine models allows for early production of cleaner Tier 3 diesel engines. The company has started to ship fully tested Cat machines powered by Tier 3 compliant engines to OEM customers. In October, three months before the 2005 implementation date for engines in the 300 to 750 horsepower range and 15 months before the required implementation for the 175 to 300 horsepower range, Cat machines are expected to reach the market.

"This is a tremendous milestone for Caterpillar," said Gary Stroup, vice president of the firm's large power systems division. "We have invested heavily in blazing a new path in emissions reduction technology, and these certifications are proof that the investment is paying off for our company, our customers, and the environment."

## DETAILS

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# EXHIBIT 040

## Bush, Kerry clash on Iraq

### ANALYSIS

#### Rivals debate leadership, value of moral certitude

By Michael Tackett  
Tribune senior correspondent

**CORAL GABLES, Fla.**—Whether Sen. John Kerry won the debate with President Bush Thursday night is an open question that voters will decide, but he almost certainly won a clarity for a second look.

And that is quite clearly needed. Some Republicans had said the Bush campaign wanted to switch the issue of foreign affairs from the third debate to the first one to give the president the chance to effectively close out the race by undercutting Kerry on shifting positions on the war in Iraq.

Instead, Kerry painted a contrast with the president over the war and challenged an aspect of Bush's character—a sense of

moral certitude—that could be the president's greatest electoral liability, especially among women and independent voters.

"It's one thing to be certain, but you can be certain and be wrong," Kerry said in perhaps his most effective rejoinder. "It's another to be certain and be right, or to be certain and be moving in the right direction, or be certain about a principle and then learn new facts and take those new facts and put them in use in order to change and get your policy right.... And certainly sometimes can get you in trouble."

But the president was not without his own rhetorical flourish that went to his essential argument that Kerry lacks

PLEASE SEE ANALYSIS, PAGE 22

### CAMPAIGN 2004: NATIONAL SECURITY DEBATE



Kerry: 'If you don't take America to war unless you have the plan to win the peace.'

Bush: 'A free Iraq will be an ally in the war on terror, and that's essential.'

#### COMPLETE COVERAGE

- Cutting through some of the candidate's rhetoric, PAGE 23
- How the debate plays with local 'security moms,' PAGE 22
- ONLINE: Tribune blogger Charlie Madigan judges the candidates on debating points. CHICAGOTRIBUNE.COM/LEADER

### Sharp exchanges on N. Korea, terrorism

By Jeff Zeleny  
and Mark Silva  
Tribune national correspondents

**CORAL GABLES, Fla.**—President Bush and Sen. John Kerry on Thursday night presented sharply conflicting views of the invasion of Iraq and its chaotic aftermath, with Kerry accusing Bush of making a "colossal error in judgment" and Bush declaring that his firm, resolved leadership was essential to protecting America.

In their first debate of the campaign, the rivals clashed over virtually every facet of prosecuting the war on terrorism. They agreed that nuclear danger is looming in North Korea but offered different views on how the U.S. should manage the potential threat.

Iraq dominated the debate, just as it has engulfed the presidential race, with two-thirds of the 90-minute televised forum devoted to the war. The candidates bickered over policies of the past and disagreed about what steps to take next amid escalating violence.

Kerry said the Bush administration had failed to follow through on a pledge to capture Osama bin Laden because of a misguided pursuit of Saddam Hussein. Bush repeatedly pointed out that Kerry voted to authorize the invasion of Iraq but had wavered ever since.

"I made a mistake in how I talked about the war," Kerry said. "But the president made a mistake in invading Iraq."

PLEASE SEE DEBATE, PAGE 33

### 22 die in Israeli incursion into Gaza

#### Military enters refugee camp after fatal attack

By Joel Greenberg  
Tribune foreign correspondent

**JERUSALEM**—In a large-scale operation to halt Palestinian rocket attacks, Israeli forces pushed into the biggest refugee camp in the Gaza Strip on Thursday setting off fierce fighting in which at least 22 Palestinians were killed and more than 300 were wounded, hospital officials said.

Three Israelis—a settler and two soldiers—were killed in two attacks claimed by Hamas in the northern Gaza Strip.

The death toll was one of the highest in a single day in the ongoing violence between Israelis and Palestinians.

Meeting late Thursday the Israeli Security Cabinet approved an extensive army operation in the northern Gaza Strip in response to a rocket attack from the area Wednesday that killed two children, ages 2 and 4, in the southern Israeli town of Sderot.

The ministers approved a broad, long-term incursion in which troops are to take over swaths of territory to suppress fierce rocket homing-in by Qassam rockets by squads of Palestinian militants, Israeli Radio reported.

The squads, who move quickly with rudimentary equipment, are provided with night-vision goggles, the army's surveillance efforts from the ground and the air.

PLEASE SEE GAZA, BACK PAGE

## Baghdad blasts kill 35 children



Iraqis flee a fiery scene after a series of three car explosions Thursday in Baghdad's al-Amel neighborhood. In addition to the children, at least 10 adults were killed.

### A bloody September

■ Dozens of children were killed by car bombs Thursday.

■ At least 75 U.S. troops were killed in September, up from 65 in August.

■ Insurgents committed at least one car bombing, most in any month of the conflict.

■ Attacks on U.S. troops averaged 80 a day.

PLEASE SEE IRAQ, BACK PAGE

### GIs passing out candy at ceremony when rebels strike

By Colin McMahon  
Tribune foreign correspondent

**BAGHDAD**—The last day of the worst month of car bombings in Iraq targeted the most vulnerable and proved the most horrifying.

Children flocking to receive candy from U.S. soldiers at a ribbon-cutting for a sewage treatment plant here the brunt of a series of guerrilla bombings Thursday that killed at least 35

youngsters and 10 adults. About 200 people—many of them children—were wounded in the attacks.

It was the worst single death toll of children since the U.S. invaded Iraq in March 2003.

"We were standing in front of the tank and they attacked the tank," said Ziad Ismael Ibrahim, 9, who was being treated at Yarmouk Hospital for shrapnel wounds to an arm and a leg. "The bomb exploded. I could not

see anything—it was all dust and blood."

Three bombs went off in succession beginning at 1 p.m. in the working-class al-Amel neighborhood. Another car bomb had exploded earlier near Alta Gharni prison west of Baghdad. A fifth targeted Iraq police in the northern city of Tal Afar.

The explosions brought to at least 43 the number of car bombings in September by insur-

gents opposed to the U.S. troop presence and the interim Iraqi government. Even as U.S. military officials and Iraqi political leaders say they are getting better intelligence about the insurgents and thwarting more planned attacks, the pace of the killings has quickened.

Thursday's bombings killed a U.S. soldier and wounded 10 others, bringing the American

PLEASE SEE IRAQ, BACK PAGE

### 1st toll hikes in 21 years win speedy authorization

By Virginia Gwark  
Tribune staff reporter

Following a lightning-quick sales campaign waged in downtown restaurants and suburban boutiques by the Illinois State Toll Highway Authority, the agency's board approved a \$1.2-billion building plan Thursday that includes the first system-wide toll increase in 21 years.

Boosted by the backing of officials and unions who launched support and billboard advertisements, the board unanimously endorsed the 10-year construction program that will rebuild, widen and extend the 27-mile sys-

tem and change how tolls are collected.

The vote capped a head-spinning month that began when Gov. Rod Blagojevich unveiled the plan in August. It was greeted by applause from more than 40 people who packed into a room in the agency's Downers Grove headquarters. An additional 10 people watched the board via closed-circuit TV in an overflow room, while scores of sign-holding union members stood outside the building after chanting "Build it now."

"Our members need the work," said Murray Flanagan,

PLEASE SEE TOLLS, BACK PAGE

### INSIDE



Cubs drop nail-biter: Season on the brink

Low 3-1 Reds in 13, fall a game behind Astros. SPORTS  
Pun key defeat fires like punch in the stomach. METRO

### BUSINESS

#### Merck withdraws arthritis drug

New data showed popular medication Vioxx increased likelihood of heart attacks and strokes.

#### WORLD

#### Russia advances Kyoto Protocol

Cabinet's OK sets stage for enactment of global warming treaty PAGE 3

**A classic is back**

Life magazine returns in the Tribune starting today

The first interview: Sarah Jessica Parker.

**FULL INFO ON PAGE 2**

49485-00001



# Chicago Tribune

FINAL

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\*\*Sunday only service includes Thanksgiving Day issue.

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### WINNING LOTTERY NUMBERS

#### Illinois

|  |                |         |
|--|----------------|---------|
|  | Midday         | Evening |
| Sept. 30 Pick 3                            | 389            | 788     |
| Sept. 30 Pick 4                            | 6613           | 6284    |
| Sept. 30 Little Lotto                      | 09 14 18 20 29 |         |
| Oct. 2 Lotto Jackpot \$3 million           |                |         |
| Oct. 1 Mega Millions Jackpot \$101 million |                |         |

#### Indiana

|                       |                |         |
|-----------------------|----------------|---------|
|                       | Midday         | Evening |
| Sept. 30 Daily 3      | 184            | 506     |
| Sept. 30 Daily 4      | 0279           | 6447    |
| Sept. 30 Lucky 5 mid  | 02 07 16 22 32 |         |
| Sept. 30 Lucky 5 eve. | 07 10 26 29 33 |         |

#### Michigan

|                    |  |         |
|--------------------|--|---------|
|                    | Midday   | Evening |
| Sept. 30 Daily 3   | 826  | 319     |
| Sept. 30 Daily 4   | 6697   | 0526    |
| Sept. 30 Fantasy 5 | 08 21 22 25 34   |         |
| Sept. 30 Keno      | 08 13 17 24 27 28<br>30 32 42 43 44 45<br>48 53 54 57 58 66<br>67 71 72 73 |         |

#### Wisconsin

|                     |                   |
|---------------------|-------------------|
| Sept. 30 SuperCash! | 01 11 16 18 24 28 |
| Sept. 30 Badger 5   | 02 05 06 11 30    |
| Sept. 30 Pick 3     | 943               |
| Sept. 30 Pick 4     | 9368              |

## BUSINESS

SECTION  
3

## THE DIGEST

Business news  
in today's Chicago TribuneWORLD  
Russian Cabinet's OK  
boosts Kyoto agreement

Russia's Cabinet ratified the Kyoto Protocol, ensuring it will be put into effect without agreement by the United States. The landmark global-warming accord calls for the world's industrialized countries to reduce emissions of greenhouse gases linked to global warming. **SEE C, PAGE 2**

## NATION

## A mixed bag of economic reports

Business in the Chicago area grew at a faster pace than expected in September thanks to gains in orders and hiring, according to a purchasing managers' report. Also, the Commerce Department said consumer spending stalled in August while incomes rose, and the Labor Department said the number of Americans filing initial claims for unemployment benefits unexpectedly rose by 18,600 last week, to 365,000, the highest since February. **BUSINESS, PAGE 3**

## Curbs urged on food ads aimed at kids

The Institute of Medicine proposed a national plan for preventing childhood obesity. Among other things, it calls for voluntary guidelines on advertising and marketing to children, to be developed by foodmakers, retailers, companies and the entertainment industry. The Federal Trade Commission would get the power to monitor the guidelines and impose penalties if they were breached. **SEE C, PAGE 12**

## Fannie Mae profit restatement likely

Mortgage giant Fannie Mae, under investigation by regulators and ordered to restate its accounting, may have to restate its past earnings, a federal overseer agency said. **BUSINESS, PAGE 3**

## Residential Internet phone rates drop

Prices for residential Internet phone service tumbled as AT&T and Vonage's 71 percent price cut forced other rates for unlimited local and long-distance calling by 85. In recent months, rates for Internet phone service generally have been falling while standard service has increased. **BUSINESS, PAGE 3**

## Era of electronic checks is nigh

The Check 21 Act, which requires banks to accept electronic versions of checks, is set to take effect Oct. 28. Checks may be transferred electronically over a clear faster, eliminating some of the "cost" enjoyed by people who write checks before actually having money in their account. **BUSINESS, PAGE 3**

## Pepco to close 4 Frito-Lay plants

Pepco Inc. reported a 25 percent gain in third-quarter earnings and said it will close four Frito-Lay plants in the U.S., shedding 790 jobs. **BUSINESS, PAGE 2**

## Manufacturers' new chief sets agenda

Purves Michigan's John Engler said that as the new president of the National Association of Manufacturers he will try to lower manufacturers' health care costs, negotiate fair trade deals and boost the number of students studying science. **BUSINESS, PAGE 3**

## MARKETS

| DOW       | NASDAQ   | S&P      | 10-YEAR |
|-----------|----------|----------|---------|
| INDEX     | INDEX    | 500      | T-BOND  |
| -55.97    | +2.90    | -0.22    | +0.03   |
| 10,080.37 | 1,936.84 | 1,114.58 | 4.12%   |

Bill Barnhart: Stocks ended a losing quarter on a nervous note after a rout in blue chip Merck. Oil prices broke above \$30 a barrel for the second time in 10 months. Gold rose to a 5 1/2-month high. Economic data raised concerns about the ability of shoppers to keep the economic recovery going. **BUSINESS, PAGE 3**

## COLUMNISTS IN BUSINESS

Jim Matzko on autism: Cubs Hall of Debuter has gotten the contractors who set up and tear down the exhibits for the Detroit Auto Show in Detroit their charges for five years. **BUSINESS, PAGE 2**

## ON RADIO

Hear Tribune business reports on the "Evening Business Wrap-up" at 8:30 weeknights on WBBM AM 780.

## INDEX

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| INDEX FREQUENTLY  | MUTUAL FUNDS |

Updated business news throughout the day at [chicago.tribune.com](http://chicago.tribune.com)

## Merck withdraws arthritis drug

## Vioxx increased danger to heart

By Bruce Japen  
Tribune staff reporter

Pharmaceutical giant Merck & Co. said Thursday it will halt worldwide sales of its popular arthritis drug Vioxx in the wake of new data showing increased risk of heart attack and stroke.

Some 2 million people worldwide are taking the drug, making Merck's move one of the largest prescription drug withdrawals in history. Since the arthritis medicine was introduced in 1999, roughly 84 million prescriptions have been written for it. "We are taking this action because we believe it best serves the interests of patients," said Raymond Gilman, Merck's chairman and chief executive. "Given the availability of alternative therapies and the questions raised by the data, we concluded that a voluntary withdrawal is the responsible course of action."

## Some answers about the Vioxx recall

**Q** I've been on Vioxx. Do I have a higher risk of heart problems in the future?

**A** "The answer to that is almost certainly 'no.' The drug's effect disappears very quickly" as stopping it should reverse risk, said Dr. Alan J. Wood, associate dean of Vanderbilt Univer-

sity Medical Center.

**Q** It is safe to stop taking Vioxx suddenly, or should people go off the drug slowly?

**A** People can and should stop taking the drug immediately. It is used to treat

**PLEASE SEE RECALL, PAGE 8**



Tires on a Caterpillar 793D mining truck dwarf conventioners at the annual MINEXPO 2004 in Las Vegas.

## Full-throttle growth for Cat

By James P. Miller  
Tribune staff reporter

LAS VEGAS—The blasting, grinding, crushing and hauling equipment on display was big, even dinosaur size. But the biggest thing to emerge from the mining industry's big trade show here this week may have been Caterpillar Inc.'s upbeat financial forecast.

"Thanks to a revival in the long-stagnant mining sector, combined with a stronger-than-anticipated economic envi-

ronment, we are confident that our revenue will increase by 10 percent in 2005."

Basically, we're going to be able to sell everything we can build," Chairman and Chief Executive Jim Owens told analysts Tuesday. Owens' comments helped drive Caterpillar shares higher, and they lifted those of rival Deere & Co., among others.

As a maker of products used in building roads, dams, bridges and skyscrapers, Ca-

terpillar is sensitive to the economy's cyclical ups and downs. Its shares have climbed since the spring of 2003 as economic conditions have improved.

**PLEASE SEE MINING, PAGE 4**

## Michigan Avenue to get Hershey 'factory'

Candy maker's store will let visitors help produce own treats

By John Schmeitzler  
Tribune staff reporter

Hershey Foods Corp. said Thursday it plans to open a 3,000-square-foot interactive candy store this spring at 625 N. Michigan Ave.

The virtual candy factory will be the company's second factory outside of Hershey's Chocolate World exhibit at its headquarters in Hershey, Pa., where kids can "experience producing" Hershey candy.

"Like Chocolate World and its Times Square store in New York City, Hershey hopes its Chicago location will be a destination for kids, families and visitors who love Hershey's candy."

Hershey plans the location near Michigan and Chicago Avenues—just north of the American Girl Place, a popular tourist attraction—will help boost attendance once the factory/store opens



Browsers are surrounded by candy in Hershey's Chocolate store in New York City's Times Square. The 2-year-old store is a tourist attraction that has lured thousands of visitors.

In June, the store will be across the street from another sweet spot, the Ghirardelli chocolate shop and soda fountain at 620 N. Michigan.

"This street will be the sweetest street in Chicago," said Basil Kravens, chairman of the Greater North Michigan Avenue Association, clutched a five-pound

General Mills puts its cereal on a diet  
Producer shifts to whole grains

Associated Press

MINNEAPOLIS—The Tru Milla and the Lucky Charms cereals are going to a whole-grain diet.

General Mills announced Thursday that it will convert all of its breakfast cereals to whole grain.

The nation's No. 2 cereal producer, behind Kellogg Co., is the latest food company to give its products a nutritional makeover as pressure from the government and consumer groups to make children a food healthier.

General Mills spokesman Tom Johnson said the whole grain conversion will include 28 cereals, including Trix, Golden Grahams, Lucky Charms and Rice Krispies.

Other General Mills cereals, such as Wheaties, Cheerios and Total, already were made with whole grain.

The new recipes and packaging will be introduced in October, Johnson said. He declined to say whether the change would affect General Mills' manufacturing costs, but the company said it would not increase the price retailers pay for cereal.

**PLEASE SEE CEREAL, PAGE 8**

## Ryan to step down as Aon's top exec

By Mark Sklaric  
Tribune staff reporter

Patrick Ryan, founder of one of the companies that grew into Aon Corp., the world's second largest insurance brokerage, announced Thursday that he would step down as chief executive.

Ryan said he would continue as chief executive until he relinquish the chief executive's post when his resignation is announced. The company immediately announced an executive search.

Patrick Ryan will be replaced by Stephen J. Harkness, Aon's president and chief operating officer. Michael O'Halloran, has taken the helm that he does not want the top job, he

has been an Aon executive since 1998. Ryan said he was looking for a new generation of leadership.

The man seen by many as likely to succeed Ryan, Aon President and Chief Operating Officer Michael O'Halloran, has taken the helm that he does not want the top job, he

**PLEASE SEE AON, PAGE 2**



Las Vegas Review-Journal photo by John Gurzinski

Tires on a Caterpillar 793D mining truck dwarf conventioners at the International MINExpo 2004 in Las Vegas.

# Full-throttle growth for Cat

By James P. Miller  
Tribune staff reporter

LAS VEGAS—The blasting, grinding, crushing and hauling equipment on display was big, even dinosaur-size. But the biggest thing to emerge from the mining industry's big trade show here this week may have been Caterpillar Inc.'s upbeat financial forecast.

Thanks to a revival in the long-stagnant mining sector, combined with a stronger-than-anticipated economic ex-

The mining sector is dusting itself off after some weak years, and Caterpillar Inc.'s sparkly outlook is one of several bright spots for 2005

pansion under way in many parts of the world, the Peoria-based maker of heavy equipment told industry analysts that it is experiencing an "unprecedented increase" in demand for its machines. As a result, revenue will be higher than the company had previously indicated.

"Basically, we're going to be

able to sell everything we can build," Chairman and Chief Executive Jim Owens told analysts Tuesday. Owens' comments helped drive Caterpillar shares higher, and they lifted those of rival Deere & Co., among others.

As a maker of products used in building roads, dams, bridges and skyscrapers, Ca-

terpillar is sensitive to the economy's cyclical ups and downs; its shares have doubled since the spring of 2003 as economic conditions have firmed.

Emphasizing that the economy's upturn has demonstrated "tremendous legs," Owens said Caterpillar's 2005 sales and earnings will establish new records.

It was telling that Caterpillar chose the mining industry's once-every-four-years



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## MINING: Commodity prices rise; demand high

CONTINUED FROM PAGE 1

MINING as the sector for Owens' disclosure. The mining sector, after suffering through several years of extremely weak conditions, is now in the first stage of what promises to be a robust recovery.

When economic conditions are weak, global prices for commodity metals and minerals such as coal, copper, nickel, iron and gold weaken, in response, mines close or cut back production. But commodity prices began to improve last year in response to China's superhot economy and the increasingly solid economic expansion in such nations as India, Brazil, Japan and Russia.

"Simply put, worldwide demand has struck what has been a relatively quiet market with nearly hurricane-force winds," National Mining Association head Jack Gerard told exhibition attendees Monday.

"As a result," he said, "the state of the industry, both here and abroad, looks very positive" for 2005.

In the U.S., the trade group of fiscal predicted, coal consumption will set a record this year and again next year, thanks to demand from coal-fired power plants and from formerly slumping steel mills that are now rapidly churning out steel to meet surging demand.

Gold mines have been boosting production, and new mines have come on line over the past 12 months. Copper production is rising, too. In North America, soaring demand from steel producers has caused shuttered iron-ore mining facilities to reopen and nickel mines to ramp up production.

"Equipment suppliers will be major beneficiaries of the sustained up-cycle in the mining industry," Gerard noted. Demand for a variety of earth-moving equipment and mining gear, he said, "is virtually outstripping supply."

The exposition, held in the Las Vegas Convention Center and attended by an estimated 35,000 people, underscored the size and breadth of the industry

## Caterpillar Inc.'s performance

Caterpillar's stock price has increased sharply since spring 2003 as the global economy has strengthened and the mining industry rumbles into recovery mode.

### PERCENT CHANGE FROM 2003



that serves mine operators.

Hundreds of exhibitors displayed an assortment of products. Mine operators use mini- and diesel engines to power on-site equipment. They buy giant pumps and hefty pipes to dewater their mines, and steel roof supports to prevent cave-ins. They employ fierce-looking "continuous miners" that grow their way into underground coal seams using rows of steel teeth, and they use mammoth conveyor belts to carry away whatever has been blasted or holed from the earth.

In general, vendors of such equipment suggested things are looking up. "We're real excited," said Richard White, an executive with Downers Grove-based Flexible Steel Lacing Co., a maker of conveyor-belt fasteners used in mining applications. "I'm real excited about what I'm hearing" from potential customers.

Mark Virius, an official with the Syntrol division of Chicago-based FMC Technologies, said Syntrol's display of material handling equipment was drawing a promising number of inquiries.

On the hall floor, visitors snapped photos of each other standing inside the mammoth scoop of Caterpillar's 991F wheel loader. Ten yards away, others climbed a ladder to get behind the wheel of a two-story-high mining truck made by Caterpillar's archrival, Komatsu.

In a nearby conference room, Owens was giving analysts a

strongly positive signal. Caterpillar had previously suggested that revenue this year would rise about 25 percent over 2003's \$22.76 billion. Owens said the company now thinks sales will rise in a range between 25 percent and 30 percent.

And next year, he said, revenue is likely to increase by an additional 10 percent, exceeding a \$30-billion annual revenue target that the company first set some years ago and which it had expected to reach in 2006.

Though it raised its sales forecast for 2004, Caterpillar didn't increase its forecast that 2004 full-year earnings will rise some 40 percent or 45 percent over the prior year's \$1.18 billion, or \$3.13 a share.

The reason? Although it has dramatically lowered its cost structure in recent years, the current, unexpectedly strong surge in demand has obliged Caterpillar to ramp up production, made some inter-lads hard to obtain and forced the company to shoulder heavier costs in the form of overtime, or premiums paid to have vendors ship components via faster (and costlier) transportation. Such expenses are pinching Caterpillar's profit margins. Owens noted, conceding that, in retrospect, the company "could have done a better job" of anticipating the magnitude of the upturn.

UBS industry analyst David Illustre boosted his per-share earnings estimate for the current year by 20 cents, to \$5.75, and raised his estimate for 2005 by 40 cents, to \$6.80.

# SUNDAY

IN THE CHICAGO TRIBUNE

Chicago Tribune

## PARADE

### Can You Guess What They Have In Common?

A Pioneering Report  
By James Welch

Don't Miss! Audio Tracks • Dribble Up Doggie Bags • Step-Well • Arrange a Meeting

Chicago Tribune Magazine

PARADE

## A PROUD HERITAGE

Find out why the Scots-Irish have been one of the most powerful cultural forces to shape America and which famous people share this great heritage.

PARADE

## THE COLLECTOR

Money, buildings, powerful friends. For 25 years, Elzie Hissigbottom has been quietly putting them in his pocket. But now what he's pocketing most is controversy.

Chicago Tribune Magazine

Chicago Tribune



# MINING: Commodity prices rise; demand high

CONTINUED FROM PAGE 1

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### PERCENT CHANGE FROM 2003

— Caterpillar Inc. stock price  
— Standard and Poor's 500 Index



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Though it raised its sales forecast for 2004, Caterpillar didn't increase its forecast that 2004 full-year earnings will rise some 80 percent or 85 percent over the prior year's \$1.1 billion, or \$3.13 a share.

The reason? Although it has dramatically lowered its cost structure in recent years, the current, unexpectedly strong surge in demand has obliged Caterpillar to ramp up production, made some materials hard to obtain and forced the company to shoulder heavier costs in the form of overtime, or premiums paid to have vendors ship components via faster (and costlier) transportation. Such expenses are pinching Cat's profit margins, Owens noted, conceding that, in retrospect, the company "could have done a better job" of anticipating the magnitude of the upturn.

UBS industry analyst David Bleustein boosted his per-share earnings estimate for the current year by 20 cents, to \$5.70, and raised his estimate for 2005 by 40 cents, to \$6.80.

# EXHIBIT 041

CALIFORNIA

December 5, 2005

[www.acppubs.com](http://www.acppubs.com)

# Builder & Engineer

*Edition serving California and Hawaii since 1893*

A photograph of a construction site showing workers in safety gear (hard hats, high-visibility vests) working on a concrete slab. They are surrounded by a dense grid of steel rebar. Some workers are using tools to guide the concrete as it is poured. The scene is busy and industrial.

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# CALIFORNIA Builder & Engineer

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December 5, 2005

Edition serving California, Hawaii



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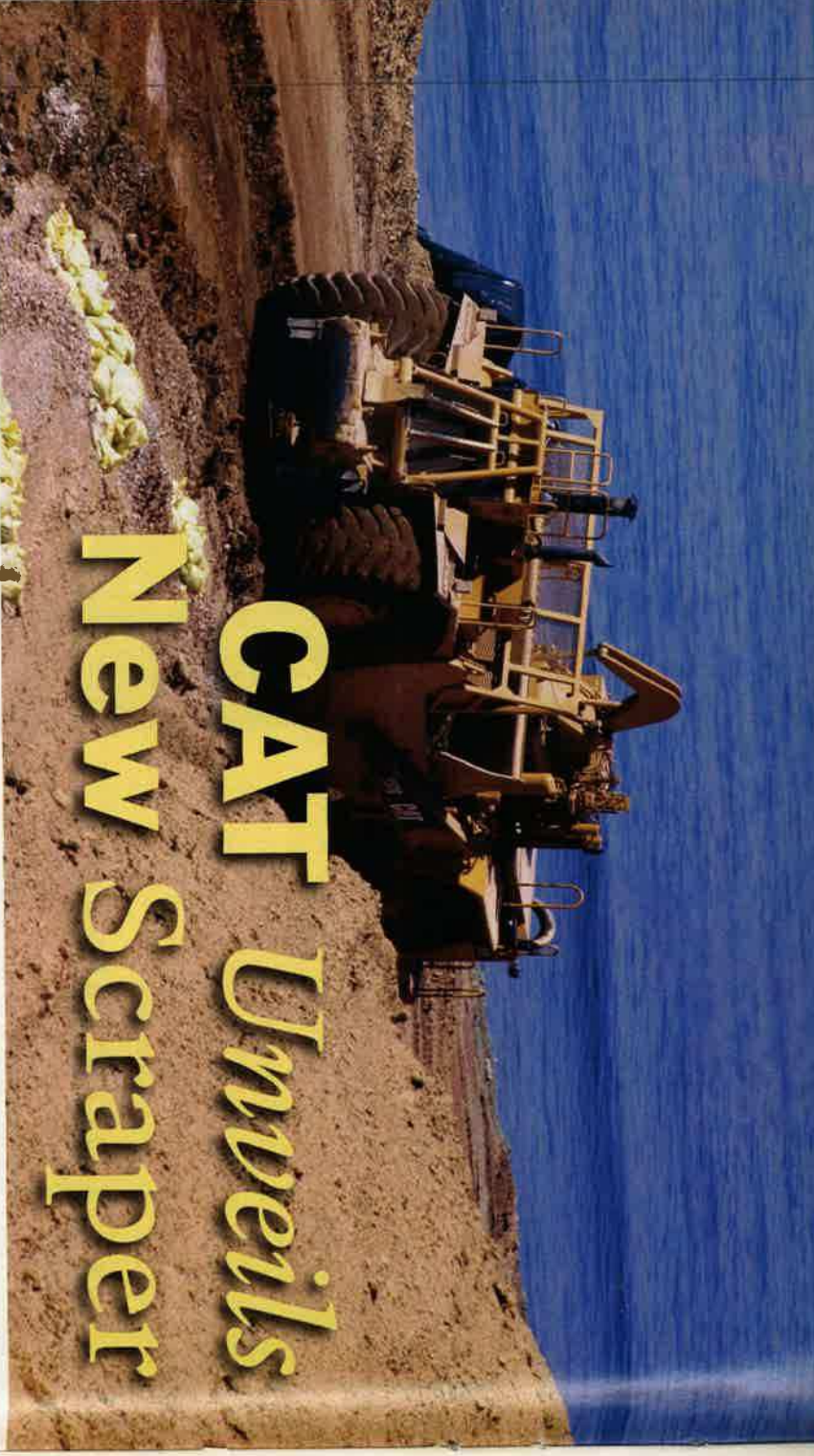
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On The Cover: Looking down 23 stories on 11,000 cubic yards of concrete being poured in San Diego recently at the Electra. Photo: Loren Faulkner



# CAT Unveils New Scraper

**CAT 657G Wheel Tractor-Scraper in its element on a Sukut construction site in Dana Point, California, recently.**

By Loren Faulkner

## Stats On The 657G:

**Configuration:** Tandem Engine, Push-Pull Engine: 950 horsepower/400 horsepower  
**Capacity:** 32 yards struck, 44 yards heaped  
**Length:** 53 feet  
**Payload:** 104,000 pounds  
**Max Gross Weight:** 256,290 pounds  
**Transmission:** 8F/1R, powershift  
**Max Travel Speed:** 36 mph  
**Max Cut Depth:** 16.7 inches  
**Max Spread Depth:** 26.8 inches  
**Width Of Cut:** 12 feet: 7 inches

Caterpillar recently unveiled its new tandem-powered 657G Wheel Tractor-Scraper on a working job site in Dana Point, California, to a group of contractors, dealers and journalists. The 657G was hauling tons of loamy earth in its 44-cubic-yard capacity open bowl. The exhibited new machine is owned by Sukut Construction Co., one of the largest earth moving contractors in the United States. Sukut is clearing acres of beachfront cliff property to make way for a new resort/hotel complex.

The 657G uses CAT's C18 engine for the tractor, and its C15 engine for the scraper. Both engines feature the latest ACERT technology. Among other new features, the 657G sports a new, more efficiently designed (NGMR) radiator featuring nine fins per inch – reducing clogging in severe applications. The scraper may be optioned with an augur for improved self-loading in a wide range of applications. A joystick allows operators to control bowl, apron and ejector with one hand. Interior cab design remains state of the art with air suspension seating and four swivel-lock seat positions. Side doors and access panels have been re-designed for easier access to engine and service points. ■

Both engines feature the latest ACERT technology.

# EXHIBIT 042

## Caterpillar Chalks Up 100 Years of Tracks By Introducing Three New Crawler Dozers

Engineering News-Record

December 6, 2004

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**Section:** Equipment Tracks & Trends; Pg. 20; Vol. 253; No. 22

**Length:** 646 words

**Byline:** Tudor Hampton

### **Body**

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Judging by the heavy technological changes in Caterpillar's new T-Series tractors, the next century of tracks is shifting from a slow crawl into high gear.

Caterpillar's newest earthmoving machines, unveiled late last month and scheduled to arrive next spring, are designed to be more efficient, productive and serviceable than before.

Various updated features include cleaner-burning engines, onboard diagnostic tools, electrohydraulic controls, GPS earthmoving technology and longer oil-change intervals that keep machines working hard in the field rather than waiting for service.

The new dozers bear little resemblance to their 20th century ancestors except for the way they "walk." On Nov. 24, the Peoria, Ill.-based manufacturer celebrated the centennial of the construction industry's first crawler tractor. Benjamin Holt mounted wooden tracks on his company's steam-powered engine No. 77 and tested it in 1904 in Stockton, Calif. He sold his first "Caterpillar" tractors in 1906 for \$5,500.

Holt's design, tried unsuccessfully by his peers, was a significant breakthrough that "started an industry," says Keith Haddock, author of The Earthmover Encyclopedia. The ability to distribute weight over more ground has made tracks a common mode of travel for countless other construction machines.

One week before the centennial, Cat showed ENR its latest crawler tractors, the D8T, D9T and D10T. The 310-to-580-hp machines replace R-Series models designed in the 1990s. With a typical price tag of \$524,000, the new D8 is the first T-Series tractor in production and continues a long line of D8s that first hit the dirt in 1935.

Site Concrete Inc., Grand Prairie, Texas, bought the first D8T from Holt Cat, San Antonio, the largest Cat dealer in the U.S. At the dealer's helm is CEO Peter M. Holt, great-grandson of track pioneer Benjamin Holt.

Midwest Cat dealer Patten Industries Inc., Elmhurst, Ill., has two D8Ts on order, with delivery scheduled in late spring. According to Matt Lamacki, sales manager, the D9T and D10T will be available later in about 39 weeks. "Cat has more orders than it knows what to do with," he says.

The T-Series comes with clean diesel technology, drive-by-wire control, in-cab diagnostics and a new "Accugrade" option for GPS earthwork. Retooled engines comply with federal emission rules coming in January for large, off-road diesels rated 300-

JENNY REILLY

## Caterpillar Chalks Up 100 Years of Tracks By Introducing Three New Crawler Dozers

750 hp. The D8T is Cat's first machine to feature its "ACERT" off-road engine, designed to meet U.S. and European air-quality regulations into the next decade. Cat now has 120,000 on-highway versions running in the field, according to Jim Owens, chairman and CEO.

Company officials claim that electronic programming helps the engines comply with global emission standards and makes them a flexible power source for contractors working overseas. Also, onboard computers double as diagnostic tools and operator aids. Plugged into optional GPS controllers, they can digest 3-D site plans and help operators grade within one-tenth of a foot.

On smaller crawlers, a new undercarriage option called "SystemOne" is Cat's latest track innovation. Gwenne Henricks, product manager, says it reduces operating costs by 30 to 50%.

Henricks calls new idlers, cartridge-style joints and other wear-resistant components the "biggest thing to hit undercarriages since we elevated the sprocket." First introduced on the D10 in 1977, Cat's triangular "high drive" undercarriage also helped contractors get more life out of their tracks.

Cat's elevated sprocket stems from early 1914 prototypes, but the firm's legacy wasn't sealed until 1925, when Holt Manufacturing and competitor C.L. Best merged. Caterpillar Inc. now is a \$22.8-billion-a-year firm, having shipped millions of machines worldwide and holding the bittersweet title of largest equipment maker on Earth.

FOR MORE EQUIPMENT INFORMATION, VISIT OUR WEBSITE, ENR.COM

## Graphic

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photograph, Evolution. Benjamin Holt (top) laid trackwork for Cat and great-grandson Peter., PHOTO TOP LEFT COURTESY OF CATERPILLAR INC. CORPORATE ARCHIVES;

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photograph, Evolution. Benjamin Holt (top) laid trackwork for Cat and great-grandson Peter., BOTTOM LEFT BY TUDOR HAMPTON FOR ENR

photograph, Evolution. Benjamin Holt (top) laid trackwork for Cat and great-grandson Peter., BOTTOM LEFT BY TUDOR HAMPTON FOR ENR

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# EXHIBIT 043

## LATE NEWS

### Reschke eyes tower at State, Delaware

Real estate developer Michael Reschke plans a 30-story condo tower at the southwest corner of Delaware Place and State Street. He's taking over the property in an agreement to exit his investment in the Elysian Hotel & Private Residences, a 60-story project planned for the same block. Elysian's partnership is set to buy the land and flip the Delaware and State site to Mr. Reschke in lieu of cash payment.

**Sears Holdings** is expected to announce merger-related job cuts at its Hoffman Estates HQ, which employs about 4,000, by week's end, says a spokesman, declining further comment. Kmart acquired Sears in March.

**Bob Chinn's Crab House** in Wheeling and **Gibsons Steakhouse** in Chicago were among the top 10 highest-grossing independent restaurants in the U.S. in 2004, according to a *Restaurants & Institutions* magazine report. Ranked fifth, Bob Chinn's posted gross sales of \$20.5 million. Gibsons ranked eighth with \$18.2 million.

**Condo sales in the city** remained hot in the first quarter, rising 37.5% from the year-ago period, according to real estate consultancy Tracy Cross & Associates. Condo and townhome sales in the city totaled 1,806 units, compared with 1,147 a year ago. Suburban housing sales continued to cool, slipping 2.5% in the first quarter to 7,018 units.

For more late news and other stories, visit [ChicagoBusiness.com](http://ChicagoBusiness.com), updated throughout the day.

## INSIDE THIS ISSUE

**Peoples Energy** is mulling a rate hike, the natural gas utility's first in 10 years. **PAGE 3**

**Tribuna's WB Network** hopes Hollywood heavyweights can reverse its ratings slide. **PAGE 3**

**For-profit educator DeVry** is offering a new degree program: video game design. **PAGE 14**



## BUSINESS OF LIFE

### Paging all authors!

Want to self-publish? Check the pros and cons. **PAGE 45**  
**Restaurant bills** that made our heads spin. **PAGE 45**

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# CRAIN'S

## CHICAGO BUSINESS.

CHICAGOBUSINESS.COM | APRIL 25, 2005 | \$3.00



Archipelago CEO Gerald D. Putnam

With the NYSE merger deal inked, Archipelago now has Chicago's old-line exchanges in its sights.



BLOOMBERG NEWS

Eurodollar traders exchange signals at the Chicago Mercantile Exchange. The Merc and other Chicago marts face a new threat in the proposed merger of electronic stock market Archipelago and the New York Stock Exchange.

# MARKED MARKETS

BY STEVEN R. STRAILER

The planned merger between the New York Stock Exchange and the upstart electronic stock market Archipelago Holdings Inc. takes dead aim at Chicago.

Beyond bringing computer-based trading capabilities to the Big Board, the merger primes the New York Stock Exchange (NYSE) to target financial futures and listed options trading—products invented in Chicago that still form the backbone of the city's financial scene.

Archipelago founder and CEO Gerald D. Putnam will oversee the push into options and futures as one of three co-presidents in the merged NYSE Group Inc. Chicago-based Archipelago is also in the process of acquiring

the Pacific Exchange, a San Francisco market that trades stock options.

"We're obviously moving into options at the close of the (Pacific) deal, and there is certainly potential to move into other products and services, like futures," an Archipelago spokeswoman says.

That's a direct threat to the Chicago Board of Trade, Chicago Mercantile Exchange and Chicago Board Options Exchange. To meet the challenge, they'll have to match NYSE's size, efficiency and technical savvy. That means finding merger partners, cutting fees and fully embracing new trading technologies.

"This merger just changes the whole playing field," says

See **MARKETS** on Page 10



## FOCUS

### Labor of law

Observing lawyers in their natural habitat—the law firm. **PAGE 23**

GREG HINZ

## Dempsey's fight

City Hall's clean-up crusader Mary Dempsey's won a few rounds. Can she go the distance? **PAGE 2**



# CBOT revs up its IPO plan

Underwriters named amid renewed talk of merger with Merc

BY KATE RYAN

The Chicago Board of Trade is moving forward with an initial public offering of up to \$260 million in stock, as consolidation sweeps the financial markets and revives talk of a merger between the Board of Trade and the Chicago Mercantile Exchange Inc.

New York investment banks J. P. Morgan Chase & Co. and Credit Suisse First Boston LLC have signed on as lead underwriters for the widely anticipated IPO, people familiar with the transaction say. William Blair & Co. of Chicago and New York's Keefe Bruyette & Woods Inc. and Citigroup Inc. are expected to serve as "co-managers" on the deal.

Plans call for selling between 5% and 10% of the Board of Trade (CBOT) to public in-

## PUBLIC PLANS

Value of the IPO  
**\$130 million to \$260 million**

CBOT stake offered to public  
**5% to 10%**

Target date  
 Late summer, early fall

Lead underwriters  
 J. P. Morgan Chase & Co.  
 Credit Suisse First Boston LLC

vestors by late summer or early fall. Based on current seat prices, the exchange has a total value of about \$2.6 billion, indicating the public offering would be worth between \$130 million and \$260 million.

IPO preparations at the CBOT come as mergers are reshaping global financial exchanges, with two major deals announced last week: The New York Stock Exchange plans to buy Chicago-based electronic stock exchange

See **CBOT** on Page 9

# Moto braking Windows plans

New devices favor Microsoft's rivals

BY ARIE JOHNSON

Motorola Inc. is dialing down its much-touted alliance with Microsoft Corp. as the Schaumburg electronics giant retools its strategy for selling cellular phones to corporate customers.

Observers say Motorola is shifting emphasis to Microsoft rivals Linux and Canada's Research In Motion Ltd. (RIM), which manufactures the BlackBerry, a popular e-mail device for the business users Motorola craves.

Motorola has pulled from production three of the four phones it created to showcase

Microsoft's Windows Mobile software and hasn't unveiled any new phones for 2005.

The latest victim is Motorola's answer to the Treo smartphone and BlackBerry: the MPx, which was unveiled with much fanfare at one of the industry's largest trade shows in February 2004.

Packed with features like Wi-Fi and a built-in personal digital assistant, the handset was supposed to showcase Microsoft software that synchronized a business person's cell phone and personal computer. Motorola has marketed the MPx pocket PC in Malaysia since December and was supposed to launch it world-



Motorola's discontinued MPx phone

See **MOTO** on Page 8

## Success spreads like a virus. Stop being the cure.

Last week the Hudson Highland Center for High Performance Business named the Peoria, IL, based business performance study winner a 100% success rate in the top 100 companies. The study found that through only a fraction of the companies, those high performing firms achieved great performance.

But performance won't succeed if you don't allow it. Simply, those who understand the world it happens.

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### ANNUAL MEETING CATERPILLAR

## Cat leaps off to another good year

'We believe worldwide recovery has legs': CEO

BY BOB TITTA

After racking up astounding sales and profit growth in 2004, Caterpillar Inc. predicted demand for its equipment won't run out of gas in 2005.

The Peoria-based company's upward momentum showed no signs of weakening in the first quarter. Net income rose 38% to \$581 million, or \$1.63 a share, from the same period a year ago. Sales climbed 29% to \$8.34 billion.

Cat is coming off one of its best years ever. Net income grew 85% in 2004 to more than \$2.04 billion, or \$5.75 a share, compared with 2003. Overall revenue surged 33% to a record \$30.25 billion.

The company is benefiting from strong demand for machinery from industry sectors where

capital spending had been mostly dormant for years, particularly in mining and energy. Machinery sales grew 38% in 2004 to \$18.84 billion. Moreover, a recovery in the North American trucking industry contributed to a 29% increase in engine sales to \$9.49 billion.

The company also saw its business soar overseas, a market that now accounts for about half of Cat's total sales.

"Global economic growth returned to more robust trends in late 2003 and we believe this worldwide recovery has legs," CEO James Owens said at the company's recent annual meeting.

Cat projects sales growth of

16% to 18% in 2005 and a 35%-to-40% increase in per-share income. To reach its 2005 earnings target amid slower top-line sales growth, analysts say Cat will have to do a better job of controlling its operating costs.

Rising steel costs, parts shortages, overtime and other increasing expenses trimmed as much as \$2 a share from 2004 profits, according to Mark Kozzarek, an analyst with Cleveland-based FTN Midwest Securities Corp.

Cat announced a series of price increases in the past year to compensate for its rising expenses. Based on the company's first-quarter results, analysts say the price hikes haven't chilled sales.

Said Mr. Kozzarek, "There's enough demand for equipment that people just want the equipment, and the prices are secondary."

Caterpillar weekly stock closes



Contact: [rtitta@crain.com](mailto:rtitta@crain.com)



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# EXHIBIT 044

## *Bush delivers boost for transit projects; \$286 billion package gets president's OK*

Chicago Tribune

August 11, 2005 Thursday, Chicago Final Edition

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**Section:** METRO ; ZONE C; Pg. 1

**Length:** 1067 words

**Byline:** By Rick Pearson, Tribune political reporter

### **Body**

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Touting his economic stewardship of the nation, President Bush made a thank-you visit to House Speaker J. Dennis Hastert's district on Wednesday to sign into law a \$286 billion federal transportation bill that he said would create hundreds of thousands of jobs, reduce traffic congestion and improve safety.

Surrounded by a bipartisan flurry of politicians that included Hastert of Plano, Gov. Rod Blagojevich, Chicago Mayor Richard Daley and congressmen from Illinois and throughout the Midwest, Bush signed the six-year transportation legislation on a makeshift stage at Caterpillar Inc.'s plant just outside Montgomery.

"I believe by signing this bill, when it's fully implemented, there's going to be more demand for the machines you make here," Bush said in a brief speech before 5,000 people gathered at the plant. "And because there's more demand for the machines you make here, there's going to be more jobs created around places like this facility."

With its 3,000 workers, the Caterpillar plant in Kendall County is among the largest employers in Hastert's district.

But even as Bush and Hastert applauded the bipartisan agreement on the funding measure for roads, bridges and mass transit, Blagojevich warned GOP state lawmakers to stop blocking bonding legislation needed to capture federal transit dollars.

Blagojevich also resurrected two tax increase proposals that previously failed to gain legislative traction--a levy on some forms of business software and an increased levy on cigarettes--to raise the share of state money to leverage federal funds.

And the governor raised the possibility of diverting federal funds earmarked for the Prairie Parkway, a project long sought by Hastert to create a north-south connection between Interstate Highways 88 and 80.

Speaking on a stage surrounded by trademark yellow CAT construction machinery, Bush touted the nation's growth in jobs, home ownership and disposable personal income as proof that his economic stimulus plan, including tax cuts, was working.

"Thanks to the effects of our workers and entrepreneurs, this economy is strong and it is getting stronger," Bush said. But, he said, a key economic component was passage of a transportation bill, which had been stalled for two years amid complaints over its price tag and the pork-barrel projects it contained.

Bush called the measure "fiscally responsible" and said "we are not raising gasoline taxes in order to pay for this bill."

The bill provides Illinois with about \$1.2 billion a year for highway construction through 2009, an increase of \$309 million, or about one-third, over what the state had received under the previous transportation package that expired in 2003. At the same time, it adds another \$2.5 billion for rail and mass transit, including expansion of Metra and CTA lines and a plan to try to alleviate rail freight congestion in Chicago.

Bush also promoted the local benefits of the bill, including the Prairie Parkway, which he said was "crucial for economic progress for Kane and Kendall Counties, which happen to be two of the fastest growing counties in the United States."

JENNY REILLY

## Bush delivers boost for transit projects; \$286 billion package gets president's OK

While Blagojevich transportation officials have said there is a need for such a road, the governor questioned whether some of the \$207 million allocation for the highway, or other projects in the bill, could be used to add lanes to Interstate Highway 55 in Will County. That proposal was left out of the legislation.

"When you make a decision on whether it's I-55 or the Prairie Parkway, I think your first test should be where are the people and if they're already there, it makes more sense to make that investment than in a place where they may or may not come," Blagojevich said.

But John McGovern, a Hastert spokesman, said the measure "clearly identifies" the money to be spent on a north-south connector road and that the funds were sought based on a "specific request" from Blagojevich's transportation department.

As Blagojevich discussed the idea of diverting money from the Prairie Parkway, he also tried to use the project's most significant backer, Hastert, as leverage in urging Republicans to support road-construction bond legislation in Springfield.

"I think it's going to be awfully hard for some of the Republican leaders who have been holding up this legislation to stand in the way of building roads and putting people to work and fixing an infrastructure, including a Prairie Parkway that Speaker Hastert has fought so hard to try to see happen," Blagojevich said. Because a supermajority vote is required for the state to issue bonds, Republican votes are needed despite Democratic control of the legislature.

But Republicans have balked at Democratic construction bond initiatives. They are distrustful that the Democratic governor would fund initiatives in GOP districts, and they contend he has used road-fund dollars for non-road construction purposes and argue that Blagojevich has resorted to borrowing in lieu of dealing with the state's fiscal woes.

Senate Republican leader Frank Watson of Greenville noted Democrats as well as GOP members have previously rejected Blagojevich's proposed funding sources for new bonds. And Watson said lawmakers in both parties don't trust Blagojevich when it comes to actually releasing money for projects.

"He's got a terrible track record of living up to commitments," said Watson.

Tim Martin, Blagojevich's transportation secretary, said he believed that with the arrival of the federal funds, lawmakers in both parties now have "something to shoot for."

"Now that we have a transit bill, now that we have a highway bill, there's something to move toward and I think now everybody can start talking and know what they have to match in terms of the general revenue fund for transit," Martin said.

- - -

### Projects on wish list

Chicago-area projects included in the \$286 billion federal transportation bill:

- Western access road to O'Hare International Airport and road linking the Northwest and Tri-State Tollways.
- Rail corridors and bridges to reduce freight congestion and aid Metra and Amtrak.
- Reconstruction of Upper and Lower Wacker Drive from Randolph Street to Congress Parkway.
- Prairie Parkway through parts of Kane and Kendall Counties linking Interstate Highways 88 and 80.
- New Metra route, the STAR Line, from Joliet to Hoffman Estates to O'Hare.
- CTA Circle Line, a downtown circulator and link to CTA, Metra lines.

[rap30@aol.com](mailto:rap30@aol.com)

Bush delivers boost for transit projects; \$286 billion package gets president's OK

## Graphic

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PHOTO: President Bush, with House Speaker J. Dennis Hastert at his side, waves to the crowd Wednesday at the Caterpillar Inc. plant near Montgomery.

PHOTO: A protester stands near the entrance to the Caterpillar plant where politicians and other dignitaries were assembled for Wednesday's bill-signing ceremony. Tribune photos by Antonio Perez.

PHOTOS 2

**Load-Date:** August 11, 2005

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End of Document



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Getty/AP photo by Brandon Stansfield  
Harriet Miers' close bond with George W. Bush began with a sensitive 1994 Texas case.

## Trusted counsel has deft touch

President values Miers' discretion

Tribune News Service

DALLAS—For Harriet Elean Miers, the road to a Supreme Court nomination began in the summer of 1994, with an ugly legal problem involving an exclusive East Texas fishing camp and the soon-to-be governor George W. Bush.

A caretaker named J.W. Moseley claimed Bush and the other members, who included two former Texas secretaries of state and former Dallas Cowboys owner H.R. "Bud" Rich, had unjustly fired him out of "spite and ill will."

**MORE COVERAGE**

PAGES 17-19 For most of the members, men of established wealth and power, the suit was little more than a nuisance. But for Bush, it carried the potential for public embarrassment that no rising political star needs, especially since there was talk that cabins at the camp, known as the Rattlesnake Club, had been used to gain questionable tax advantages.

Bush turned to Miers, a relative newcomer to his political team. While lawyers for the other defendants opted for conditional settlements with Moseley, Miers elected to fight. She not only got the complaint

PLEASE SEE NEWS, PAGE 18

## 1918 virus revived for new flu fight

By Jeremy Manier  
Tribune staff reporter

Government researchers have resealed the deadly "Spanish flu" virus responsible for the 1918 global outbreak that killed up to 50 million people, a resurrection they hope will reveal weaknesses of the modern bird flu strains that threaten a new pandemic.

Although the work carries some risk if the virus were to escape from the lab, many experts believe the bug would be less devastating now because people have acquired natural immunity to related strains.

Working under high security at the federal Centers for Disease Control and Prevention in Atlanta, scientists identified many of the genes and proteins that made the old strain lethal, and rebuilt the virus. Mice infected with it died within five days.

The team also concluded that the virus leaped directly to humans from a source in birds—unlike lesser pandemics in 1957 and 1968 in which viruses from

PLEASE SEE VIRUS, BACK PAGE

# STILL A BLAST!

5-run 5th all Sox need for 2-0 lead



Second baseman Tadashi Iguchi receives congratulations from White Sox teammates in the dugout after his three-run home run in the fifth inning put the team ahead to stay.

By Dan McGrath  
Tribune staff reporter

The Boston Red Sox desperately wanted to send this message Wednesday night in Game 2 of the American League Division Series: It wasn't going to be as rickety as last year's White Sox. They made it look in their 4-2 Game 1 victory.

If it wasn't the White Sox lead to rally from a 4-0 deficit, and they did, taking an imposing 2-0 lead in the best-of-five series with a last-inning triumph in Game 2 before a disbelieving sellout crowd of 40,789 at U.S. Cellular Field.

Japanese import Tadashi Iguchi clubbed a three-run home run to cap a five-run fifth inning after ex-White

Sox Tony Graffanino made a costly one-out error that moment defeat for old friend David Wells and a win for Mark Buehrle.

Bobby Jenks, the husky 24-year-old rookie, kept it from two innings of cold blooded, scoreless relief.

The crowd, again, was hopelessly into it each pitch, and when shortstop Juno Uribe gloved Edgar Renteria's bouncer and flipped it to first for the final out, the roar was audible in far suburban Mokena.

Wells, a 42-year-old with a beer leaguer's body and a sturdy left arm, earned enduring enmity on the South Side in his lone season with the White Sox in 2001, derailed as the

Frank Thomas' want to and then appeared in only 19 games himself, never mind that the back injury that limited his workload eventually required surgery.

He has since won 63 games for three teams and showed that form in slacking the White Sox on 63 pitches through four innings. But it came apart on him in the fifth, and the "na na na na" chant that accompanied his departure in the seventh was simply gleeful.

So it's on to Boston, where Red Sox Nation clings to the memory of the Old Town team coming from 0-3 down to the Yankees in last year's ALCS. But this is not a well-armed Red Sox squad, and the White Sox know it.

So far Alex Snellius donates \$100 for each homer in the memory of his late wife. TEMPO

### COMPLETE WHITE SOX COVERAGE ONLINE

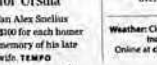
Readers have say, Kays goes to play



Morrissey: A night of goose bumps



Every Sox homer is for Ursula



Our 6-page SORTOR section wraps around SPORTS

### TRIBUNE INVESTIGATION

## Worker tied to fraud kept schools job

Residency rule finally trips up construction manager with clout

By Lori Olszewski and Diane Racz  
Tribune staff reporters

A politically connected construction manager was permitted to keep a job with the Chicago Public Schools for nearly three years after an internal probe tied him to a fraudulent billing scheme.

With a federal investigation under way into alleged municipal corruption, the employee has been pushed out over a lesser charge that he violated a rule that requires school workers to live in the city.

James Picardi, the brother of one of Mayor Richard Daley's department heads, resigned in June after authorities proved he lived in Lake County.

"Picardi chose to resign rather than fight" the residency charge, according to Michael Vaughn, a spokesman for the Chicago Public Schools.

Picardi's brother, Michael, is the city's streets and sanitation commissioner.

School investigators began scrutinizing James Picardi's connection with an overbilling scam stemming from a billboard in the 2000-2001 school year. The rule to clear the heavy snow and reopen schools, contractors were pressed into service without bid or written contracts. Picardi selected one of those contractors, Tri-Link Commercial, to clear snow from some schools he oversaw.

A Tri-Link employee told investigators that Picardi and James Levin, a Democratic fundraiser and businessman who ran Tri-Link at the time, insisted that invoices be altered to inflate the work done, according to a written report prepared by Inspector General James Sullivan in 2002.

In all, Tri-Link billed the school system for at least

PLEASE SEE SCHOOLS, BACK PAGE

## Green-farming faces budget ax

Trims proposed in conservation program

By Andrew Martin  
Tribune National correspondent

PRESTON, Minn.—For the first time in his quarter century of farming, Dave Serfling received a check from the federal government that paid him for how he farms, not how many crops he grows.

Serfling, who raises antibiotic-free pigs and a variety of grains, is among the early participants in the Conservation Security Program, an initiative that rewards farmers for using their land in ways that don't harm the environment.

It is a program praised by Republicans and Democrats alike. But its future is not nearly so secure as more traditional farm subsidies, and as a result, it has been whittled by the Bush administration and may be cut by Congress ever since it was passed as part of the 2002 Farm Bill.

On Wednesday, as part of an effort to cut \$3 billion from the agriculture budget over five years, Senate Agriculture

Farm program targeted

The Senate will consider cutting \$821 million from a program that pays farmers who use environment-friendly methods.

PROPOSED CUTS



Source: Senate Agriculture Committee

Chicago Tribune

Chairman Saxby Chambliss (R-Ga.) proposed revoking \$25 million of old stamps and \$11 billion of the vast majority of which—\$10 billion—would come from the Conservation Security Program.

The Senate Committee on Agriculture, Nutrition and Forestry was to have discussed

PLEASE SEE FARM, BACK PAGE

### INSIDE

NATION

## Ex-Marine probed in spy case

Data allegedly stolen while he was on White House staff.

PAGE 8

### BUSINESS

## Have you heard the iBuzz?

Cryptic e-mails spark tech industry chatter over the possibility of a video iPod.



Weather: cloudy, high 58, low 37

Index, Page 2

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CHICAGO



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### WINNING LOTTERY NUMBERS

#### Illinois

|                              | Midday            | Evening |
|------------------------------|-------------------|---------|
| Oct. 5 Pick 3                | 533               | 363     |
| Oct. 5 Pick 4                | 7109              | 7213    |
| Oct. 5 Little Lotto          | 01 09 19 22 29    |         |
| Oct. 5 Lotto                 | 11 14 22 24 37 40 |         |
| Oct. 5 Lotto Jackpot         | \$3 million       |         |
| Oct. 7 Mega Millions Jackpot | \$53 million      |         |

#### Indiana

|                     | Midday            | Evening |
|---------------------|-------------------|---------|
| Oct. 5 Daily 3      | 337               | 723     |
| Oct. 5 Daily 4      | 3712              | 6804    |
| Oct. 5 Lucky 5 mid  | 05 07 14 25 29    |         |
| Oct. 5 Lucky 5 eve. | 17 21 23 27 29    |         |
| Oct. 5 Lotto        | 05 28 29 33 36 44 |         |

#### Powerball

Oct. 5 02 15 25 30 45 17  
Oct. 5 Powerball Jackpot \$178.9 million

#### Michigan

|                      | Midday   | Evening |
|----------------------|--|---------|
| Oct. 5 Daily 3       | 193  | 948     |
| Oct. 5 Daily 4       | 9404   | 3846    |
| Oct. 5 Fantasy 5     | 02 07 18 28 36   |         |
| Oct. 5 Classic Lotto | 03 14 24 27 38 41  |         |
| Oct. 5 Keno          | 03 04 07 08 09 11<br>12 17 18 20 30 32<br>36 37 38 41 42 46<br>52 54 55 64 |         |

#### Wisconsin

|                   |                   |
|-------------------|-------------------|
| Oct. 5 SuperCash! | 03 09 26 31 33 36 |
| Oct. 5 Megabucks  | 02 13 14 24 25 43 |
| Oct. 5 Badger 5   | 12 15 17 27 30    |
| Oct. 5 Pick 3     | 512               |
| Oct. 5 Pick 4     | 2641              |

# Superstars not the only workers worth developing

Training the top performers and superstars at any company is a given. And then there's everyone else. Do bottom feeders also need development and development?

"It's absolutely critical to developing the senior leadership base," said Donald H. Rose, partner and senior vice president of New York-based Success Consulting, a global human resources consulting division of The Segal Co. "But many companies know they also need to take a look at developing leaders from the bottom up."

Rose, who is based in Balaugh, N.C., has a bachelor of science degree in business administration with a minor in organizational development and human resources management.

He has been in human resources since 1980.

A critical first step for employers, according to the consultant, is to ana-



**Carol Kleiman**  
SVP

lyze their businesses to ascertain which employees are going to be successful—regardless of their status or title.

"It's important to identify what segments of the workforce are going to be most critical in achieving strategic goals, and that means from entry-level workers on up," said Rose.

The consultant is working with an engineering company to determine its critical talent.

"If they don't do this, it could have

an impact of several hundred million dollars a year," he said. "What they need most are not senior executives, but seasoned engineers—and you can't buy them off the street. You have to develop them."

Rose said he has always known the importance of development of all levels of workers—and has benefited from working for companies that share that philosophy.

"I spent 12 years working for corporations from IBM, when I graduated from college, to 1983," said Rose. "I had decided early on to work in a field that would develop me, and I was developed from the day I walked in on my first job up to an international company."

He was hired as a personnel manager and, "I just off, they did a lot of training and development of me in terms of my knowledge, skills and abilities as compared to what they needed for their

business. I was an entry-level manager and they wanted to see what I had and would do to execute their business strategy."

Rose noted development in technical knowledge and problem-solving capabilities. And he got it: He learned how to manage change and design an organization to improve productivity.

He was trained in communications and conflict resolution—and when he was hired three years later he was an employee relations manager.

His next job, at a airport infrastructure project, still wasn't a senior-level job. He worked in human resources and once again got training and development.

He had three promotions in five years and ended up as human resources manager of a division. Rose took a lateral job at another international company to fill in on a temporary basis because he knew he needed an

stayed three years. "I took control and made sure the work I did and the job I had would be an even better fit for me than the way."

He emerged as a senior employee persona in 1992 because of the way he did his next job but not in a senior management level, but not senior executive level, either. When he says he still gets "developed every day," it's now at the top level and one of the reasons he is in.

Rose emphasizes that employers would be wise "to look beyond the numbers to see what they have a large population of people who get done for you day in and day out."

Carol Kleiman's column also appears at Monday's and Tuesday's Business sections. Write her: "Career Coach" ckleim@trib.com

## United pilots seek court assistance

October pension payments at issue

By Mark Skeete  
Tribune staff reporter

Current and retired United Airlines pilots have gone to court, asking a judge to order the carrier to make October pension payments from a supplemental pension plan.

At stake is about \$1 billion in payments, including money expected by about 1,000 retired pilots and the surviving spouses of pilots.

The legal standoff between retirees and the Elk Grove Town-ship-based carrier is over timing. At issue is the effective date of the pension plan's termination and the ramifications of when it takes place.

U.S. bankruptcy judge Eu-

erene Woodoff will hear arguments on the matter in Chicago Thursday.

Pilots and retirees know that the pension plan has two investment "cars" and that the airline in routine make good payments as long as it is legally obliged to, said their attorney, Jack Carrington. Pension checks should have gone out over the weekend, he said.

"They've been getting them on the first of the month, ever since," Carrington said. "At the end of these people have been obligated, mortgage payments to be paid on the first of the month. And they rely on this."

The airline also should still be processing pending retirement applications, including those of about 25 pilots who have filed for period lump-sum payments of pension money used when, according to an emergency ruling, they turned to the Air Line Pilots

The unresolved dispute also has resulted in United continuing to make payments to pilots under its non-qualified pension plan, a supplemental plan that does not qualify for coverage by the pension agency.

On Sept. 2, Woodoff ruled that the pension agency had proven the need to end the pilots' pension plan effective Oct. 1, she said. She said a written opinion would follow, but that written decision came in the form of a 10-page oral decision, and until it is, the pension plan remains in effect.

The pension agency said Woodoff's decision was effectively a final order.

The bankruptcy court ruled in favor of the PBGC to terminate the qualified plan, said Joseph Molina, a spokesman who stopped making unaffiliated payments and notified participants in the pension plan's market's distribution.

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## Senators seek to move pension aid for airlines

Blowdown News

WASHINGTON—The Senate Finance Committee on Wednesday reached an agreement on airline pension legislation that would extend assistance to two more carriers, said Sen. Charles Grassley (Iowa), the panel's chairman.

The bill was intended to give Delta Air Lines Inc. and Northwest Airlines Corp. 18 years to make pension payments that would otherwise be due in a few years.

But it was held up Tuesday by Sen. John Cornyn (Texas), who wanted two carriers from his home state, American Airlines and Continental Air Lines—to be included in the bill. Grassley said Wednesday that he would take a vote by the full Senate which happens this week, said Senate Majority Leader Bill Dole (R-Okla.).

The House of Representatives has pending pension legislation without airline aid provisions, and the separate Senate bill proposals eventually would have to be reconciled before the law is considered. The bill was introduced, who filed for bankruptcy on Sept. 11, say the law would help give them time to shore up their plan and keep paying retirees. Willoughf held, Northwest said it

would end its pensions and have a government agency take over the obligations, as United Airlines did.

Northwest said last month it required to contribute \$2.3 billion to its defined benefit pension plan from 2006 through 2009. Delta said in a letter that it faces \$2.5 billion in pension contributions through 2008.

American objected to the arrangement because it required airlines to freeze pension plans to get the 18-year payment period.

The Senate agreement gives Delta and Northwest the same pension contributions, without requiring a plan freeze, as long as carriers fully fund \$2.5 billion of new liability from the time they begin to stretch out payments in pension contribution spokeswoman.

Fourteen years isn't enough time for Delta, so Sen. Johnny Isakson (Ga.) will try to amend the bill to include carriers who stretch the Senate Dole.

Besides the airline proposal, the bill calls for companies in the Pension Benefit Guaranty Corp., which insures retirement plans.

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## Europe's Airbus support on hold

From Washington Post

European governments are unlikely to pledge financing for the Airbus A350 jet at the plane's official launch expected Thursday, a European Union of industry sources said Wednesday.

The official, who asked not to be named, said because discussions were ongoing, said governments are temporarily suspending formal support commitments funds while efforts continue to find a settlement in the Atlantic to dispute on aircraft subsidies.

The European Union has been leveling complaints with the World Trade Organization, with the U.S. Trade Representative, and the U.S. -operating program support for Toulouse.

France-based Airbus

The board of European Aerospace Defense and Space Co. will use the A350 jet at the plane's official launch expected Thursday, a European Union of industry sources said Wednesday.

The official, who asked not to be named, said because discussions were ongoing, said governments are temporarily suspending formal support commitments funds while efforts continue to find a settlement in the Atlantic to dispute on aircraft subsidies.

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## Insurance brokerage to reduce its workforce in Britain by 11%

Blowdown News

Aon Corp. said Wednesday that it will cut 720 jobs in Britain, or about 11 percent of its workforce there, to reduce expenses and bolster earnings.

The cuts will be made over two years, an amount of plan announced in August because of a \$200 million loss in the second quarter, the company expects as it cuts many jobs, said John Jones, Aon's chief financial officer.

The company's second largest U.S. lawsuit alleges sexual harassment

Blowdown News

PHOENIX—The Equal Employment Opportunity Commission has filed a lawsuit against HomeCo Inc. on behalf of two former employees who claim they were sexually harassed at a plant in Mesa, Ariz.

The lawsuit, filed Friday in U.S. District Court in Phoenix, also claims Chicago-based Boeing discriminated against the women when they complained about the way they were treated.

The lawsuit asks for a jury trial and seeks unspecified damages for lost wages and emotional distress.

Boeing spokesman Tim Neale said company executives had not received a copy of the complaint and declined to make any immediate comment.

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# Cat, Honeywell create alliance

Caterpillar Inc. will refurbish turbochargers from Honeywell International Inc. under an alliance the two companies formed in North America, the firms said Wednesday. Financial terms weren't disclosed. Honeywell, the world's biggest maker of turbochargers, will provide Peoria-based Caterpillar with components and will distribute the rebuilt devices. Caterpillar will expand a plant in Mexico.

# EXHIBIT 046



## Boom's over, but no sign of a bust

Soft landing seen for housing market

By Mary Linsberger  
Tribune staff reporter

**SAN FRANCISCO** — America's historic real estate boom is cresting, and the rate at which home prices appreciate should begin to slow significantly next year, according to the chief economist here for the National Association of Realtors.

It was the closest statement yet to an admission by the real estate industry that the bull market for housing may have run its course.

"It's the peak of the boom," David Lereah, said at the Chicago-based trade group's annual meeting, which ended here Monday. "But we're looking at a soft landing next year. I can't guarantee that there won't be some hard landings in some markets, where prices will actually decline. In fact, there will probably be two or three over the next two years that do so."

### HAR forecast for 2005

**EXISTING-HOME SALES**

3.5%

To about 6.9 million, down from this year's projected 7.1 million

### NEW-HOME SALES

4.5%

Down from a 2005 median of 12.4 percent appreciation

### APPRECIATION

5.0%

Down from a 2005 median of 12.4 percent appreciation

Source: National Association of Realtors

For several years real estate prognosticators including anyone interested in buying or selling a house—have watched prices rise and rise and wondered when the era of extraordinary appreciation might end.

In many markets, however, the era of extraordinary appreciation might end.

Lereah did not see that happening on a national scale, but a real estate market at the peak of its boom doesn't continue to skyrocket.

"The NA's prediction reflects what is actually fact."

Lereah did not see that happening on a national scale, but a real estate market at the peak of its boom doesn't continue to skyrocket.

PLEASE SEE HOUSING, BACK PAGE

# Bush bets on Alito

Republicans embrace veteran conservative judge; Democrats vow fight

By Jan Crawford Greenburg  
Washington Bureau

**WASHINGTON** — In nominating pre-eminent conservative federal appeals court Judge Samuel Alito to the Supreme Court on Monday, President Bush repudiated a breach with conservatives but set the stage for a grinding battle with Senate Democrats.

Quickly moving to put the failed Harriet Miers nomination behind him, Bush praised the 55-year-old New Jersey native's sterling academic qualifications, solid conservative credentials and "extraordinary breadth of experience" as an appellate lawyer, prosecutor and, for the past 15 years, appeals court judge. Conservative critics had harshly criticized Miers as unqualified for the job, leading to her withdrawal 14 days earlier.

"I'm confident that the States Senate will be in a record, his measured judicial temperament and his tremendous personal integrity" said

PLEASE SEE COURT, PAGE 11

### TRIBUNE PROFILE

## Court nominee described as unflinching but fair

By Andrew Zajak  
Washington Bureau

**WASHINGTON** — The 1972 Princeton University yearbook contains this self-authored entry for senior Samuel Alito: "Sam intends to go to law school and eventually to warm a seat on the Supreme Court."

It was partly collegial whimsy but Alito was not alone in his high estimation of himself, his faculty advisor also saw in him a distinguished judicial career. And since then, his professional life as a lawyer and judge has been one long march toward the son of an immigrant who is known for his unflinching but low-volume conservatism.

PLEASE SEE PROFILE, PAGE 12



Supreme court nominee Samuel Alito, 55, has been a federal appellate judge for 15 years.

# Bird flu risk hinges on computation, mutation

By Mike Downing  
Washington Bureau

**WASHINGTON** — News reports on avian flu have taken on alarming tones as the virus has spread from chickens and ducks in Asia to swans in Croatia and, most recently, a parrot at an airport in England. But the risk that the disease poses to people remains frustratingly uncertain.

Even now, no one is sure whether the virus will ever mutate into a disease that can spread easily from person to person and create the potential for a large-scale epidemic. Even if it does, it's not clear whether

that would take months, years, a decade or longer.

The threat has seized the attention of official Washington, and President Bush plans to outline what his administration has done to prepare in a speech Tuesday at the National Institute of Health.

But as much art as science in

However the dire estimates that

have been given, the U.S. has more than 100 million chickens and hundreds of news reports on the potential death toll. Projections vary widely in their part because of differing assumptions used as the basis for such forecasts. That's why the headline here has grabbed headlines. The New York Times reported a fig-

ure of up to 1.9 million deaths in the U.S. from a dead government report and a highly publicized estimate of 543,000 deaths came from a public health advocacy group based in Washington.

But an analyst, less calamitous

PLEASE SEE FLU, PAGE 9

# Latinos choosing suburbs over city

Many towns in the 6-county region face new challenges as a study shows that for the first time they have more Hispanics than Chicago

By Antonio Olivo and Oscar Avila  
Tribune staff reporters

For the first time, more Latinos live in Chicago's suburbs than in the city, a milestone for the area's fastest growing ethnic group with broad implications for the region, a new study says.

From 2000 to 2004, the number of Latinos in the suburbs increased by a third, to 862,000. But after decades of growth, the population in Chicago dropped 1 percent, to 746,000, according to the University of Notre Dame study to be released Tuesday.

Latinos now make up a fifth of the six-county region. And as the population expands, the suburbs in McHenry, Kane and Will Counties are primed for a political and cultural transformation similar to what began in inner-ring suburbs

like Cicero and Berwyn during the 1990s, the report's authors said.

The suburban growth—driven by immigration from Mexico, poorer families priced out of the city and middle-class Latinos from Chicago buying first homes—has good and bad repercussions, said Sylvia Paez, director of the Metropolitan Chicago Initiative at Notre Dame's Institute for Latino Studies.

On one hand, Latino-owned businesses have helped revitalize broken business strips in towns such as Woodstock, Cicero and Melrose Park. And Latino homeowners account for nearly half of a recent surge of 85,000 suburban home sales since 2000, according to the study.

On the other hand, communities unprepared for the rapid



A BETTER LIFE: "It's a great country," says Nicolas Banda, who came to the U.S. 10 years ago and now owns a plumbing business in Mundelein. BACK PAGE

# Bombs kill 20 civilians, 7 GIs to cap bloody month

By Liz Sly  
Tribune foreign correspondent

**BAGHDAD** — Seven American troops Monday were reported killed in roadside bombings, capping one of the bloodiest months for the U.S. military in Iraq and underscoring the continued potency of the insurgency despite a surge in U.S. military operations against insurgent strongholds and apparent progress on the political front.

The deaths came as a massive blast ripped through shops and restaurants in the relatively quiet southern town of Basra, killing at least 20 people on an evening when the streets were crisscrossed with shoppers preparing to celebrate Eid, or festival, marking the end of Ramadan late this week.

Six Americans died in two separate roadside bombings Monday, the military said. Four died when their vehicle was struck by a roadside bomb just south of Baghdad, near Yusuf-

## INSIDE SPORTS

**Injury bug bites Bear rookie receiver**  
Bradley out for season with torn right ACL.

## WORLD

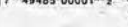
**UN presses Syria to cooperate**  
Compliance demanded in Hariri probe. PAGE 2

## HOLIDAY GIVING

**No better time**  
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Six Americans died in two separate roadside bombings Monday, the military said. Four died when their vehicle was struck by a roadside bomb just south of Baghdad, near Yusuf-

PLEASE SEE MAG, PAGE 5





# Chicago Tribune

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### WINNING LOTTERY NUMBERS

#### Illinois

|                              | Midday            | Evening |
|------------------------------|-------------------|---------|
| Oct. 31 Pick 3               | 106               | 052     |
| Oct. 31 Pick 4               | 7158              | 1266    |
| Oct. 31 Little Lotto         | 10 18 23 26 35    |         |
| Oct. 31 Lotto                | 15 16 17 21 41 44 |         |
| Oct. 31 Lotto jackpot        | \$3.5 million     |         |
| Nov. 1 Mega Millions jackpot | \$165 million     |         |

#### Indiana

|                      | Midday         | Evening |
|----------------------|----------------|---------|
| Oct. 31 Daily 3      | 488            | 788     |
| Oct. 31 Daily 4      | 9728           | 4048    |
| Oct. 31 Lucky 5 mid  | 11 15 19 22 29 |         |
| Oct. 31 Lucky 5 eve. | 03 13 18 19 31 |         |

#### Michigan

|                   | Midday            | Evening |
|-------------------|-------------------|---------|
| Oct. 31 Daily 3   | 801               | 068     |
| Oct. 31 Daily 4   | 9548              | 4063    |
| Oct. 31 Fantasy 5 | 10 25 28 29 38    |         |
| Oct. 31 Keno      | 07 09 10 11 14 19 |         |
|                   | 21 24 25 27 28 29 |         |
|                   | 32 35 36 42 49 54 |         |
|                   | 55 66 71 78       |         |

#### Wisconsin

|                    |                   |
|--------------------|-------------------|
| Oct. 31 SuperCash! | 02 14 16 34 35 38 |
| Oct. 31 Badger 5   | 06 08 11 15 30    |
| Oct. 31 Pick 3     | 809               |
| Oct. 31 Pick 4     | 7882              |



# Cat chief forecasts 5 years of growth

\$50 billion in sales,  
15% yearly profit rise

**By James P. Miller**

Tribune staff reporter

NEW YORK—Caterpillar Inc. expects that its annual revenue will reach \$50 billion in 2010, Chairman and Chief Executive Jim Owens told Wall Street analysts and institutional investors Monday.

He predicted that the Peoria-based heavy-equipment giant will see per-share earnings rise at an annual average of 15 percent to 20 percent over the same five-year period.

In his upbeat presentation, Owens sought in part to allay investor concerns that Caterpillar's profit momentum is about to slow, even though the company is operating at full capacity as it strains to meet a torrent of demand for its equipment.

Shares of Caterpillar surged strongly over the past two years, as robust economic conditions around the globe spurred a swelling backlog of orders for its earthmovers, mining equipment and big diesel engines.

But investors are more concerned about future performance than the present. Even though Caterpillar is on track to report record earnings this year and is expected to top that performance in 2006, the company's shares have declined during the past several weeks over concerns that its profit momentum may have peaked.

Early in his remarks, Owens noted that Caterpillar has "had a very good run" and acknowledged that "some of you are concerned that the very good times aren't sustainable."



# CATERPILLAR: New-product introductions to increase

CONTINUED FROM PAGE 1

But even as he stressed that "we know we're in a cyclical business," Owens suggested that the current demand cycle may prove to have more staying power than many forecasters think. And he spelled out a number of strategies company officials expect will keep Caterpillar profits growing solidly through 2010.

The industry's near-term outlook remains "very strong," Owens noted. Strong commodity prices have caused the long-depressed mining industry to begin ramping up production of coal, copper, iron ore and other products, sparking orders for the massive mining vehicles the company produces.

The flood of Chinese-made goods into the U.S. market has

fueled demand for new cargo ships and for the mammoth marine engines Caterpillar provides. Electrical shortages in many fast-growing parts of the world are boosting sales of Caterpillar-made electric generators, while the U.S. building boom is driving sales of heavy machinery.

But the question is, he said, "Where are we in the cycle?" that turned positive three years ago after hitting bottom earlier in 2002. Owens said the previous growth cycle lasted from 1992 until 1998, and noted that in comparison with 1995—the last cycle's third year—current market indicators are significantly more favorable.

## Hurt by parts shortages

The latest up cycle has been characterized by an unusually rapid resurgence in demand, however, and that has taken a toll on Caterpillar's profit margins. Suppliers haven't been able to churn out enough components, and they hesitated before adding capacity because they weren't sure how long demand would last. Those shortages have contributed to sporadic production bottlenecks at Caterpillar facilities.

Owens admitted that the company will face further component shortages next year. He said that while the company's customers are loyal, Caterpillar expects to lose a certain amount of sales because backlogs have grown so long.

"People are patient," he said, "but there's a limit."

Owens said production shortfalls could be eased if Caterpillar were to throw money at the problem by investing in new capacity and other actions. But expanding to the highest possible production rate would increase overhead costs, which would hurt earnings through the rest of the cycle, he said.

"We'd rather shave a little earnings off the peak" instead of hurting non-peak profit margins, Owens told reporters after the meeting.

To ease the swings in demand, Caterpillar is moving to help dealers manage inventory differently, a strategy that carries some risk of making the dealer network unhappy.

Future profit will reflect an accelerating rate of new-product introductions, the company said. It also will be boosted by the relatively stronger rate of growth in its service business-

es, including providing third-party logistics services and re-manufacturing operations.

## Record 3rd quarter

Caterpillar's analyst meeting had been scheduled long ago, but the timing proved interesting. On Oct. 21 the company reported the best third-quarter profit in its history but trimmed its projection for fourth-quarter earnings, citing a higher tax rate as well as plans to write down certain assets.

The result was a 9.5 percent one-day plunge in its stock, to \$48.92, from which it has yet to fully recover. Monday, Caterpillar shares rose \$1.54, to \$52.61, on the New York Stock Exchange.

Wall Street is routinely wary of earnings projections beyond the next year out because so many variables come into play in a longer horizon.

While describing the ambitious goals for profitability and cash flow that Owens laid out for future years as "lion-sized," analyst David Bleustein noted in a commentary that UBS is keeping its price target for Caterpillar at \$64 a share. Bleustein continues to rate Caterpillar shares a "buy."

[jpmiller@tribune.com](mailto:jpmiller@tribune.com)

# EXHIBIT 047



## Neiman Marcus sued on Northbrook lease

Neiman Marcus Group and its New York-based landlord are in a dispute over the soon-to-expire lease at the luxury retailer's Northbrook Court store.

**AT DEADLINE**

**MORE ON PAGE 3**

Northbrook Enterprises, owner of Neiman Marcus' Northbrook store, sued the Dallas-based retailer in federal court in Chicago earlier this month, alleging "failure to make a timely exercise of its option to renew a lease," according to the filing. The 30-year lease expires March 4. Northbrook Enterprises says it is entitled to take possession of the property March 5. A lawyer for United Capital, a Great Neck, N.Y.-based real estate company that controls Northbrook Enterprises, declines to comment. Neiman Marcus also declines comment.

## Latin bet: Cat lobbies hard for free-trade pacts

PAGE 3

## Why *Ebony* advertisers want their money back

PAGE 2

## Supply pain: Grainger faces Home Depot threat

MARKETS, PAGE 4

### FOCUS



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STARTING ON PAGE 19

### BUSINESS OF LIFE

## Managing marriage as an MBA couple

**Plus:** If Mulino wows our critic (and busts our budget).

STARTING ON PAGE 35

# CRAIN'S

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GREG HINZ

## Sweet spot

Target has Daley's City Hall where it wants it in subsidy race.

PAGE 2



## CRITICAL CONDITIONS AT UIC MED CENTER

Already facing strong competition, Chicago teaching hospital cited for substandard care

BY SHRUTI DATE SINGH

The University of Illinois Medical Center at Chicago, one of the state's largest teaching hospitals, is under the gun to fix patient-care and other quality problems as it struggles to keep up with local competitors.

The hospital received a "conditional accreditation" in December because it failed to meet 10 standards set by the accrediting group, the Joint Commission on Accreditation of Healthcare Organizations. Among the areas the group cited for improvement: standard patient care, proper medication storage and building safety.

The conditional designation is rare—only 1% of hospitals graded by the commission get such a mark. If the hospital loses accreditation, it ultimately could lose authorization to train medical residents and wouldn't qualify for government reimbursement for Medicare

patients, a crucial source of money. Either would be a fatal blow to the hospital, which trains a large number of Illinois doctors.

"That is not only a wake-up call for that facility but also a call for action," says Joseph Cappiello, vice-president of the accreditation group's field operations. The commission will conduct a follow-up review by May, he says. So the next few months "would be critical to understand the situation they find themselves in."

The bad report can't be UIC's only worry. Despite its important role teaching doctors—UIC's medical school trains more physicians than any in the state—the hospital struggles in a market

See UIC on Page 10



## CTA benefits running dry

Retiree health plan likely to go broke by January without bailout

BY GREG HINZ

A retirement plan that pays health benefits to 11,000 Chicago Transit Authority retirees and their dependents is likely to be insolvent in 10 months, according to the plan's actuary.

A report delivered Thursday to the board of the \$1.2-billion Retirement Plan for Chicago Transit Authority (CTA) Employees projects that, without a cash infusion or benefit cuts, the health portion of the fund will likely be unable to pay its retirees' health care bills by next January. The larger pension portion of the fund appears to have the resources to pay full benefits until at least 2011.

The health fund's collapse could be postponed or hastened, depending on whether it earns

more or less than a projected 9% return on its investments, according to the report by Chicago-based consulting firm Gabriel Roeder Smith & Co. But without a bailout, a collapse or dramatic change in operations appears inevitable.

"We're resource-constrained. We're trying to find a solution," says CTA Chairman Carole Brown. Leaving thousands of retirees without health coverage "is not something we'd want to do."

But Ms. Brown and the CTA have few options. Among them are getting a bigger state subsidy or a winning favorable ruling from the arbitrator in talks on a new contract between the CTA and its bus and train workers. But any ruling that cuts health benefits almost certainly would lead to a legal challenge that, if successful, could force the CTA to dip into fare box revenues to fund retirement plan shortfalls.

See CTA on Page 8

## Bird flu summit to convene here

Blagojevich on board, Daley invited to talks with federal officials

BY PAUL MERRION

WASHINGTON—Federal health officials are planning a bird flu summit in Chicago next month to jump-start coordination and planning of pandemic prevention efforts with the Blagojevich administration, City Hall and local businesses.

U.S. Department of Health and Human Services Secretary Mike Leavitt will head the March 17 meeting with Gov. Rod Blagojevich. It will be the latest in a series of sessions Mr. Leavitt has held with governors and other public health officials across the country.

Mayor Richard M. Daley also is invited because Chicago



Rod Blagojevich Richard M. Daley

is one of three major cities whose flu pandemic prevention efforts are being funded by the federal government in addition to state planning grants. It has not been determined whether the mayor plans to attend, according to Health and Human Services (HHS) Midwest Regional Director Douglas O'Brien. A spokeswoman for

See BIRD FLU on Page 8

### INDEX

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Daily news from Crain's  
www.ChicagoBusiness.com

# Need Rx drugs? Next exit

Walgreens joins eateries, gas stations on road signs

BY SANDRA JONES

Walgreen Co. has taken to the road.

The Deerfield-based drugstore chain convinced federal regulators that its 24-hour pharmacies deserve to be on the federally regulated interstate highway signs that direct drivers to nearby services.

The blue-and-white signs, called "specific service" signs, until now have been limited to food, gas, lodging, campgrounds and attractions. The Federal Highway Administration (FHWA) revised its regulations in July 2004 to allow states to place the blue-and-white signs on interstate highways directing drivers to 24-hour pharmacies, following an eight-year lobbying effort initiated by Walgreen.

The first Walgreens sign went up in September on Interstate 270 in Downstate Glen Carbon, outside St. Louis. Six more are scattered around Illinois highways, including one on Interstate 55 in Romeoville and one on Interstate 80 in New Lenox. Walgreen also has one sign in Tacoma, Wash. Plans are in the



works for more around the country. About 1,540 of Walgreen's roughly 5,000 stores nationwide, or about 30%, have 24-hour pharmacies.

Businesses pay about \$700 a month per exit for specific service signs in Illinois, according to a spokesman for the Illinois Department of Transportation (IDOT). A billboard in the Chicago area can range from \$5,000 to \$10,000 a month.

"It's very hard to get a good location with a billboard," says Paula Hambrick, owner of an Orlando Park-based media buying service. "There is very limited inventory and you can't just put a billboard anywhere. There are zon-

ing restrictions."

Drugstores must apply to their state highway authorities to get approval for the specific service signs. Under the new federal guidelines, a pharmacy must have a pharmacist on duty 24 hours every day and be within 1 mile of the highway in urban areas and within 3 miles in rural areas. The FHWA writes the rules governing the specific service signs, while each state's highway department has the authority to approve or reject them.

CVS Corp., the nation's second-largest drugstore chain by sales volume after Walgreen, plans to put up its first 24-hour-pharmacy sign in Peoria, according to the IDOT spokesman. Officials at Rhode Island-based CVS didn't return calls.

"Within the next two or three years when you're driving down the freeways, you're going to see these signs all over the place," Walgreen Chairman and CEO David Bernauer told shareholders at the company's annual meeting in January. "It's a terrific deal for us."

Contact: sjones@crain.com

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# Cat brand grows in trees

All its forestry equipment to carry company's name

BY BOB TITA

Caterpillar Inc. is converting its Timberking brand of forestry equipment to the Caterpillar name, increasing the lineup of Cat-branded equipment for forest work.

Cat dealers have been selling Timberking equipment since 2003, when Cat shifted production of some forestry equipment to Oregon-based equipment maker Blount International Inc. in an agreement that launched the Timberking brand name.

Blount will continue building the bunchers, loaders, harvesters and other tree-handling machines. But beginning this spring, the equipment will carry the Cat name, as does forestry equipment still built by Caterpillar at its LaGrange, Ga., assembly plant.

"From our end, we feel it strengthens our forestry business," says a spokesman for the Peoria company.

"We can now offer a full line of Cat-branded forestry equipment."

Blount executives are enthusiastic about the name change as well, concluding that the more recognizable name will lead to increased sales at Blount, which also markets its own lines of forestry equipment under the names Prentice, Hydro-Ax, Fabtek and CTR.

"Using the Cat name around the world can only help us," says Blount Chief Financial Officer

Calvin Jenness. "We feel we can do more overseas (sales)."

Four basic types of forestry machines have been sold under the Timberking name, compared with one group with the Cat name. Going forward, all five machine types, covering about two dozen models, will carry the Caterpillar name.

Cat does not break out specific sales or profit figures for forestry equipment, but analysts say 2005 sales were likely \$350 million to \$400 million, or roughly 1% of Cat's \$34 billion in machinery and engine sales last year.

Retiring the Timberking name also might help prop up forestry equipment sales in a softening market, analysts say. Timber harvesting usually mimics the market for new homes. As higher interest rates cool home building, forestry equipment sales slow down as well.

Moline-based Deere & Co., Cat's archrival, said in January that it would close a forestry equip-

ment plant in Ontario, by September and move operations to Deere plants in Iowa. Closing the plant is expected to idle 325 workers.

"There's consolidation going on," says Eli Lustgarten, an industry analyst with Cleveland-based Longbow Research. "Demand has been good, but there are changes on the horizon."

Contact: rtita@crain.com



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**"USING THE CAT NAME AROUND THE WORLD CAN ONLY HELP US. WE FEEL WE CAN DO MORE OVERSEAS (SALES)."**

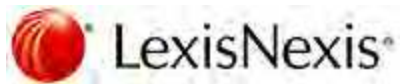
[Calvin Jenness, Blount International Inc. CFO]

ment plant in Ontario, by September and move operations to Deere plants in Iowa. Closing the plant is expected to idle 325 workers.

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# EXHIBIT 048



**User Name:** Rachel Coffin

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## Document (1)

1. [CAT ANSWERS CRITICS WITH GLOBAL AD PUSH; As profits roll in, equipment maker takes on its global image problem](#)

**Client/Matter:** -None-

## **CAT ANSWERS CRITICS WITH GLOBAL AD PUSH; As profits roll in, equipment maker takes on its global image problem**

Crain's Chicago Business

April 3, 2006

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**Section:** NEWS; Pg. 1

**Length:** 695 words

**Byline:** BOB TITA

### **Body**

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Caterpillar Inc. executives had good news to announce March 16: a 16% increase in February equipment sales.

That same day, on the sidewalk outside the company's Peoria headquarters, a handful of peace activists smeared themselves with fake blood and lay down in the street, blocking traffic to protest the Israeli military's use of Cat bulldozers to demolish Palestinian homes in the Gaza Strip.

The contrast between rosy financials and embarrassing protests has become a tricky situation for Cat.

With robust profits coming in, the company is now turning to its image problem, rolling out its first broad marketing campaign in more than a decade—a multimillion-dollar, six-year effort to erase negative portrayals of the company at home and raise brand awareness overseas, where sales growth potential and competition are greatest.

“It builds a bank of good will,” says Philip Kotler, professor of international marketing at Northwestern University's Kellogg School of Management. “You build it in advance and draw from it when others want to put you in a bad light.”

For Cat, that means snuffing out peace activists' portrayal of it as a military hardware maker whose bulldozers and excavators are as lethal to occupied Palestinian communities as Israeli tanks and jets. At least two Christian denominations, the Church of England and Presbyterian Church USA, are considering divesting Cat stock from their investment portfolios on the grounds that they don't invest in military stocks.

focus on world development

Featuring the slogan “The world: in progress,” the print and billboard ad campaign cites Cat's role supplying equipment for projects like superhighways in India and facilities for London's 2012 Olympic Games.

By the summer, Cat plans to spread the campaign to China—a market at the center of Cat's future growth strategy—and to the United Kingdom this fall. It'll expand to Latin America and Europe in 2007. Chicago-based ad firm VSA Partners Inc. was hired to help with the campaign, which the company says will cost less than \$10 million.

“These (campaigns) do work if a company sustains the effort,” says Gary Slack, chairman of Chicago-based marketing agency Slack Barshinger & Partners Inc. The move is necessary if the company wants to build a strong global brand, he says.

Cat CEO James Owens is also eager to dispel notions that the manufacturer is an ornery Rust Belt company with perpetual labor tension and highly cyclical demand for its products. In 2005 the company earned a record \$2.85 billion, or \$4.04 a share, on sales of \$36.3 billion. Mr. Owens' goal is to reach \$50 billion in sales by 2010, but he

## CAT ANSWERS CRITICS WITH GLOBAL AD PUSH; As profits roll in, equipment maker takes on its global image problem

also wants to highlight the company's charitable work, such as donating generators and earth-moving equipment to hurricane-ravaged Gulf states last year. Mr. Owens declines to be interviewed.

“We didn't put out this campaign to sell a product,” says Tim Elder, director of corporate public affairs and one of the campaign's leading architects. “We put this campaign together to educate our employees and the public on what the company does.”

Some Caterpillar employees say slogans and billboards are unlikely to make up for cuts in their benefits and a lower wage scale for new workers.

“I don't think anything's changed,” says Rick Doty, executive vice-president of United Auto Workers Union Local 974 in Peoria. “It's the same as Cat has always been: that they're a major corporation and they'll take care of shareholders first.”

‘being used as a weapon’

What's more, Cat's assertion that it has no control over its equipment once it's sold doesn't fly with religious groups. Equipment that ends up with the Israeli military is typically bought by the U.S. government first and then transferred to Israel in military aid deals, the company says.

“This is supposed to be civilian-use equipment, but it's actually being used as a weapon and it's been used to destroy people and people's lives,” says Sister Valerie Heinonen of the Sisters of Mercy regional community in Detroit. She's submitted unsuccessful resolutions at shareholder meetings in recent years calling for Cat's board to review its sales policies.

Contact: [rita@crain.com](mailto:rita@crain.com)

## Graphic

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Art Caption: Cat's climb

Art Credit: Protesters hold signs depicting an activist who was killed trying to prevent a Caterpillar bulldozer from destroying a Palestinian home. \* Burning issue: Gaza Strip protesters set toy Cat wheel loaders ablaze.

**Load-Date:** April 7, 2006

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End of Document

# EXHIBIT 049



## Burned by Heat

Bulls go down 0-2 as late rally falls short



## A better heart valve fix?



## Conan's Chicago guests named



## Chicago Tribune

FINAL

50¢ City &amp; Suburbs: 75¢ Elsewhere

100¢ YEAR - NO. 113 CHICAGO TRIBUNE

TUESDAY, APRIL 25, 2006

\* □ □

CHICAGO

Attention: Advil.  
Hello, Jiffy Lube.  
The city has an unusual  
ad vehicle for you...

GET YOUR  
NAME  
ON THE  
SKYWAYBy James Janega  
Tribune staff reporter

Attention deep pockets.  
The naming rights to the ILL. IN  
THE BLANK Chicago Skyway  
can be yours for just \$1 million  
or so a year.

Bidding starts around the  
first of May. It will include the  
7.8-mile, 122-foot-high toll  
bridge in Indiana—with views  
of different cuisines, industrial  
smokestacks and some of the  
Midwest's most atmospheric  
fire jacks—could sport a new  
name.

The city of Chicago said Mon-  
day it plans to strip the toll from  
five years, not perhaps as many  
as 10, because hoped for mil-  
lions into the city's coffers.

"The skyway is traveled by  
10 million cars a year," said  
city Bridge Director Paul Volpe.  
"There's an opportunity to put  
your name on 100-plus signs,  
including the skyway mar-  
quage, and to be associated  
with the tollway. We think  
there's great value in that."

Besides, the city is counting  
on the money for its budgets  
starting this year, he added.  
"Three million dollars is what  
I'm looking for," he said.

The plan has raised eyebrows.  
While naming rights are not  
new in the world of profes-  
sional sports or even in munici-  
pal government, it's never been  
tried so successfully with a crowd-  
ed toll road before.

"It strikes me that if I'm a

PLEASE SEE SKYWAY, BACK PAGE

Second look  
shows value  
of calciumBy Judy Peers  
Tribune staff reporter

Two months after a huge clini-  
cal trial concluded that calci-  
um supplements don't do much  
to protect older women from  
bone fractures, a new study has  
found just the opposite. Or so it  
would appear.

The paper released Monday in  
the Archives of Internal Medi-  
cine said older women who con-  
sistently took calcium for five  
years had significantly fewer  
broken bones than those who  
did not. But in February, the  
Women's Health Initiative—a  
mammoth government-spon-  
sored study—reported that cal-  
cium supplements had little ef-  
fect.

"What's a person to do?"  
Keep taking your calcium,  
doctors say either as part of  
your diet or in supplement  
form.  
"That's what Ethel Loren does.  
Loren, 64, of Evanston has been  
taking calcium "for at least 30  
years," she said. "It's like check-  
ing it may not help, but it  
wouldn't hurt."

The U.S. government recom-  
mends that women over 50 get  
1,200 mg of calcium a day, along  
with at least 600 IU of vitamin D.

PLEASE SEE CALCIUM, PAGE 7

## Bombings rock Egypt



Residents examine the site of one of the three explosions that struck the Egyptian resort town of Dabah on Monday. At least 23 people were killed.

## 'Wicked terrorist act' hits Sinai tourist area

By Laura King  
and Musam Hamalawy  
Tribune reporters

CAIRO—Three bombs ripped  
through the Egyptian resort  
town of Dabah Monday night,  
killing at least 23 people and in-  
juring more than 60 in the third  
attack against tourist areas in  
the Sinai Peninsula in the last

two years.  
There was no immediate  
claim of responsibility but sus-  
picion quickly fell on Islamic  
militants, who have been  
blamed for the last earlier at-  
tack.

Initial reports from the Inter-  
ior Ministry said the blasts hit  
two restaurants and a super-  
market. The nearly simultane-

ous bombings, which centered  
on a crowded hotel quarter  
packed with restaurants, night  
clubs and bars, shattered the  
balmy desert evening just after  
7, when the streets of the seaside  
town were filled with foreign  
tourists and Egyptians stroll-  
ing, shopping and dining.

Witnesses reported chaotic  
scenes of screaming, blooded

victims, billowing smoke and,  
in some cases, long waits for  
emergency help to arrive. Small  
local hospitals and clinics were  
quickly overwhelmed with the  
wounded.

Most of the seriously injured  
were transported to the larger  
town of Sharm el-Sheikh, a Red  
Sea resort targeted by militants  
in an attack in July that killed at

least 64 people. Nine months be-  
fore that, nearly three dozen  
people were killed in blasts that  
hit the resorts of Tabaa and Ras al  
Shaitan, near the Israeli border.

While no group immediately  
claimed responsibility for Mon-  
day's explosions, Egyptian Pres-  
ident Hosni Mubarak de-  
clared a state of emergency.

PLEASE SEE EGYPT, BACK PAGE

'The point I make in the Bible's account of creation... has not changed.'

—Ken Ham, president of Answers in Genesis



Ken Ham stands with dinosaur models in the emerging Creation Museum in Kentucky.

## Genesis of a museum

Creationists, saying  
all the answers are in  
the Bible, put their  
beliefs on display in  
\$25 million facility

By Lisa Anderson  
Tribune national correspondent

PETERSBURG, Ky.—The re-  
cent fossil discovery of a 225-  
million-year-old fish that  
could burrow ashore on buoy-  
transitional fins—apparently  
a long sought missing link be-

tween sea creatures and land  
animals—made a spectacular  
splash in evolutionary science  
circles, that it could carry a  
ripple on the placid American  
campus of Answers in Genes-  
is, where an enormous mu-  
seum chronicling the biblical  
six days of creation is rising  
fast amid rolling fields.

Ken Ham, co-founder and  
president of Answers in Genes-  
is, believed to be the world's  
largest creationist organiza-  
tion, and most "young Earth"  
creationists are an unimpor-  
tant by science's finding  
another piece in the evolution-  
ary puzzle as they are with sci-

ence's finding the Earth to be  
4.5 billion years old.

Using biblical calculations,  
young Earth creationists be-  
lieve the planet is about 6,000  
years old, old Earth creation-  
ists believe it could be older.  
Both, however, take the Bible  
literally and reject Charles  
Darwin's evolutionary theory  
that all life, including humans,  
shares common ancestry and  
developed through random  
mutation and natural selec-  
tion. Evolution enjoys near-  
universal support among sci-

PLEASE SEE MUSEUM, BACK PAGE

Enron's Lay pins  
blame on FastowFirm's founder calls  
ex-CFO 'liar, thief'By Greg Bums  
Tribune senior correspondent

HOUSTON—The most promi-  
nent figure in the government  
crackdown on corporate Enron  
took center stage in his criminal  
trial here Monday, saying the col-  
lapse of his company has been  
"incredibly painful," and laying  
the blame foremost on his ex-  
chief financial officer.

Former Enron Chairman Ken-  
neth Lay, who served as the pub-  
lic face of the company during its  
rapid rise and even speculatively  
bought a federal jury here, that  
his two biggest mistakes  
were hiring Andrew Fastow and  
promoting him to finance chief.

Lay's appearance on the stand  
has been anticipated for months.

Lay's images, along with those of  
Kenneth Lay and his wife, Lin-  
da, return to federal court in  
Houston after a break Monday.

Following a string of high-pro-  
file corporate lapses over the  
past few years, his once-gilded  
name has become synonymous  
with scandal in the business  
world.

Expansive and sometimes  
rambling as he testified in his  
own defense, the 64-year-old Lay  
bashed Fastow as a "liar and a

PLEASE SEE ENRON, PAGE 12

INSIDE  
NATION

## Bush approval ratings dip again

Trying to rejuvenate  
his public support,  
president departs from  
scripted appearances  
in front of friendly  
audiences and engages  
in forums with frank  
questions. PAGE 3



Weather: Blustery high 47, low 32  
Index, Page 2  
Online at [chicagotribune.com](http://chicagotribune.com)



SPORTS

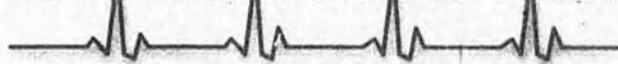
# Burned by Heat

Bulls go down 0-2 as late rally falls short



TEMPO OUR HEALTH BEAT EXAMINES...

# A better heart valve fix?



PERSONALS PAGE 13

# Conan's Chicago guests named

Dave Chappelle to appear



# Chicago Tribune

FINAL

50¢ City & Suburbs; 75¢ Elsewhere

TUESDAY, APRIL 25, 2006



CHICAGO

# Moussaoui defiant; jury starts debate on death penalty

By Richard A. Serrano  
Tribune News Service

ALEXANDRIA, Va.—The fate of Zacarias Moussaoui was turned over to a federal court jury Monday and the nine men and three women began debating whether he is to be executed for his role in the Sept. 11 conspiracy or spend life in prison.

In closing arguments, prosecutors said the French Moroccan member of Al Qaeda, arrested while in flight training in Minnesota weeks before the attacks, should pay with his life for the nearly 3,000 people killed that day.

"This is the United States of America," said Assistant U.S. Atty. David Novak. "We are not going to put up with a bunch of thugs who invoke God's name and kill thousands of innocent people."

But defense lawyer Gerald Zerkin urged the jury to sentence Moussaoui to life without chance of parole, arguing that a life sentence for the admitted terrorist would be a fate worse than death.

"His death will not make them better," Zerkin said. Jurors deliberated about three hours Monday afternoon and are to return to the courtroom Tuesday to continue.

All several weeks in the trial Monday, when the judge stepped down and the jury left the courtroom, Moussaoui himself said the U.S. justice system cannot touch him.

"Never get me, America," he shouted after prosecutors asked for a death sentence. "Never."

Moussaoui, 37, pleaded guilty last year to being a Sept. 11 conspirator. His sentencing trial began March 6, and the jury found him eligible for the death penalty. Now jurors are weighing whether he deserves it.

Prosecutors, as they did during trial, showed the jury Monday photographs of burned bodies inside the Pentagon rubble and smashed corpses on the concrete courtyard at the World Trade Center.

"It's still hard to believe," said Asst. U.S. Atty. David Raskin. "It's still difficult to watch these images four and a half years later. Can you imagine how horrible it was to be that day?"

He told the jurors to reject the notion that execution would prevent Moussaoui's return, or that it might prevent Al Qaeda to strike again in the U.S.

"Ladies and gentlemen," he told the jury. "Osama bin Laden would care less what happens

## Moussaoui outbursts

"There's more than one way to skin the American pig," Zacarias Moussaoui yelled out in court Monday, the latest in a steady flow of bizarre remarks in the course of his trial. Other pronouncements:

April 15: "You don't want somebody like me out in the streets. You either want me in jail or dead."

April 15: "Burn all Pentagon need time." (After jurors had been shown gruesome photographs from the attacks of Sept. 11, 2001)

April 8: "You'll never get my blood/God curse your souls" (After he was found eligible for the death penalty)

March 27: "You don't have to be trained to cut the throat of somebody. It is not difficult."

March 6: "All of this is an American creation. This has nothing to do with me."

Feb. 16: "You are American—the defense, the judge, the prosecutors, these people are American. You Al Qaeda. You a serious enemy of you."

Feb. 6: "This trial is a circus. I want to be heard!"

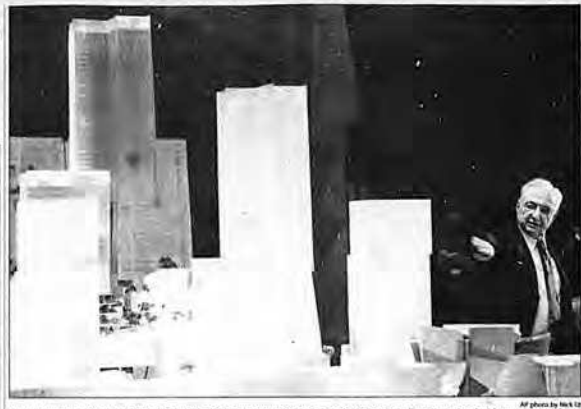
—Tribune news services

here. He hates us and he's always going to hate us whether Zacarias Moussaoui is executed or in jail."

When Zerkin rose to defend Moussaoui, he outlined 21 mitigating factors that the jury could use to reach a decision of life in prison. They include Moussaoui's impoverished and abusive childhood in France; the racism he felt in Europe, and testimony that he was brain washed into joining Al Qaeda while studying in England.

The mitigating factors also note that Moussaoui was in jail on Sept. 11, most important to the defense, that he "suffers from a psychotic disorder, most likely schizophrenia, paranoid subtype."

Los Angeles Times



In Los Angeles on Monday, Frank Gehry unveils his skyscraper designs—47 and 24 stories tall and curtain-wrapped with translucent glass.

# Can Gehry reinvent L.A.?

## Award-winning architect designs 2 skyscrapers as part of a \$1.8 billion project aimed at keeping downtown hopping 24/7 instead of 9 to 5

From Tribune news services

LOS ANGELES — Frank Gehry, the award-winning architect known for the Guggenheim Museum in Bilbao, Spain, has designed two skyscrapers as cornerstones of a large project intended to lure night life downtown Los Angeles.

The buildings are part of the \$1.8 billion Grand Avenue revitalization effort.

Five weeks venture to the area after dark, even though it includes the Museums of Contemporary Art and Gehry's Walt Disney Concert Hall.

Gehry's pair of L-shaped buildings would be 47 and 24 stories tall and curtain-wrapped with translucent glass. The larger tower would include 200 condominiums, three rooftop pools, a 275-room hotel, spa and health club. The smaller one would include 160 affordable housing units and 120 condos.

The structures would be Gehry's first Los Angeles skyscrapers. He said the project is intended to give the area a mix of age, economic and ethnic diversity.

His design would include shopping and dining pavilions that mimic the curved planes of the Disney Hall's stainless steel cladding. However, the pavilions would be built of cast and glass instead of steel.

"We've worked hard to make this a great place to live," he said.

The two towers are in quick gestation, with artists and

professionals snapping up units in converted office buildings that now feature million-dollar lofts. About 30,000 new residents are expected in the next decade.

The designs are for Phase 1 of a plan by developer Related Cos., philanthropist Eli Broad and top city and county officials to transform the part of downtown known as a 9-to-5 office district that burns off the lights at sunset into a place where people would live, shop and dine.

"I think that there is a desire on the part of the city and county to do something special there," Gehry said earlier. "We are trying to make that happen, so that that connectivity would result in a sense of place that's bigger, that the whole would be greater than the sum of the parts."

Ground was broken last year on a \$1.7 billion redevelopment project near the Staples Center arena. Plans call for the sports and entertainment complex to include a West Coast headquarters for ESPN, a Grammy museum, hotel and restaurants about 30 blocks south of the Grand Avenue project.

Pritzker Prize—architecture's highest honor—awards his building as sculpture. He completed the Disney Hall in 2003. His many other works include the American Center in Paris, Gehry House in Santa Monica, Calif., and the Esplanade Music Project in Seattle.

## Some of Gehry's grand designs



A Guggenheim Museum in Bilbao, Spain

Experience Music Project in Seattle

Walt Disney Concert Hall in Los Angeles

American Center in Paris

Gehry Tower in Moscow, Germany

Jay Pritzker Pavilion in Chicago's Millennium Park

Loyola Law School in Los Angeles

Fulbright Institute in Kobe, Japan

—Tribune news services

## Chicago Tribune

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WINNING LOTTERY NUMBERS

Monday

|                        |                        |      |
|------------------------|------------------------|------|
| April 24 Pick 3        | 887                    | 713  |
| April 24 Pick 4        | 4862                   | 4862 |
| April 24 Pick 5/50     | 11, 18, 21, 31         | 34   |
| April 24 Lotto         | 30, 31, 24, 29, 47     | 54   |
| April 24 Pick 6/49     | 14, 21, 26, 32, 40, 49 | 54   |
| April 24 Mega Millions | 24, 25, 31, 56, 69     | 17   |

Tuesday

|                  |                    |     |
|------------------|--------------------|-----|
| April 24 Daily 5 | 522                | 793 |
| April 24 Pick 4  | 2481               | 084 |
| April 24 Pick 5  | 52, 61, 14, 18, 28 | 34  |
| April 24 Lotto   | 41, 11, 18, 29     | 34  |

Wednesday

|                        |                        |                |
|------------------------|------------------------|----------------|
| April 24 Pick 3        | 419                    | 2162           |
| April 24 Pick 4        | 717                    | 28, 21, 30, 31 |
| April 24 Pick 5        | 08, 08, 18, 18, 18, 17 | 34             |
| April 24 Lotto         | 22, 22, 24, 24, 24, 31 | 34             |
| April 24 Mega Millions | 10, 15, 18, 27, 31     | 54             |
| April 24 Pick 6/49     | 28, 31, 31, 22, 27, 31 | 54             |
| April 24 Mega Millions | 10, 15, 18, 27, 31     | 54             |
| April 24 Pick 6/49     | 28, 31, 31, 22, 27, 31 | 54             |
| April 24 Mega Millions | 10, 15, 18, 27, 31     | 54             |
| April 24 Pick 6/49     | 28, 31, 31, 22, 27, 31 | 54             |
| April 24 Mega Millions | 10, 15, 18, 27, 31     | 54             |

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|---------|----------|--------|
| \$2.30  | \$1.79   | \$4.75 |

\*These rates are for the 9-county area (Cook, Lake, DuPage, Will, Kane, Kendall and McHenry Counties in Illinois, Lake and Porter Counties in Indiana) and are also available outside the area in communities served by Chicago Tribune contractors. Rates in other areas vary.

\*\*Sunday service includes Thanksgiving Day issue.

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#### (12 weeks)

|           | SUNDAY  | 7 DAYS  |
|-----------|---------|---------|
| 5-state*  | \$39.00 | \$75.00 |
| U.S. rate | \$43.68 | \$87.60 |

\*The five-state area is Illinois, Indiana, Michigan, Wisconsin and Iowa.

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### WINNING LOTTERY NUMBERS

#### Illinois

|                                | Midday            | Evening |
|--------------------------------|-------------------|---------|
| April 24 Pick 3                | 847               | 735     |
| April 24 Pick 4                | 9407              | 4466    |
| April 24 Little Lotto          | 13 14 19 21 31    |         |
| April 24 Lotto                 | 04 11 24 26 29 43 |         |
| April 24 Lotto jackpot         | \$2.75 million    |         |
| April 25 Mega Millions jackpot | \$20 million      |         |

#### Indiana

|                       | Midday         | Evening |
|-----------------------|----------------|---------|
| April 24 Daily 3      | 125            | 399     |
| April 24 Daily 4      | 2241           | 6041    |
| April 24 Lucky 5 mid  | 02 04 13 15 19 |         |
| April 24 Lucky 5 eve. | 02 12 13 16 29 |         |

#### Michigan

|                    | Midday   | Evening |
|--------------------|--|---------|
| April 24 Daily 3   | 475  | 963     |
| April 24 Daily 4   | 4718   | 6149    |
| April 24 Fantasy 5 | 17 19 24 27 30   |         |
| April 24 Keno      | 04 08 10 14 16 17<br>20 22 24 25 27 30<br>31 35 49 51 59 64<br>67 69 75 79 |         |

#### Wisconsin

|                     |                   |
|---------------------|-------------------|
| April 24 SuperCash! | 04 11 13 22 27 35 |
| April 24 Badger 5   | 06 10 17 20 21    |
| April 24 Pick 3     | 547               |
| April 24 Pick 4     | 7289              |

SECTION  
3TUESDAY  
APRIL 21, 2008

## THE DIGEST

Business news  
in today's Chicago TribuneNATION  
Former Enron chairman  
blames finance chief

The public face of Enron appears before the federal jury at its criminal trial, saying the collapse of the energy giant was like an "American nightmare." Former Chairman Kenneth Lay said he was created by placing much of the blame for Enron's demise on his chief financial officer, Andrew Fastow, SEC 1, PAGE 1

## FDA issues on safety drive, report says

A government accountability report says that the new Drug Safety Oversight board and other agencies created by the Food and Drug Administration are "unlikely to address all the gaps" in monitoring drugs for safety of prescription drugs approved for the market. The study found backing between FDA inspectors, poor information and lack of legal authority over drug company studies as trouble spots. BUSINESS, PAGE 3

## Sun Microsystems CEO steps down

Scott McNeely announces his resignation after the company he founded 21 years ago reported a third-quarter net loss of \$217 million, up from \$20 million last year. Jonathan S. Schwartz, Sun's president, will retain that position and take over as CEO. BUSINESS, PAGE 3

## Court may revisit Microsoft, AT&amp;T case

The Supreme Court has consulted the government to help decide if it should review a patent dispute between Microsoft Corp. and AT&T Inc. over copies of Microsoft Windows installed on computers in other countries. The software maker's appeal seeks to limit the money it must pay AT&T in the 2004 settlement as well as the potential for just-in-lawsuits outside the U.S. BUSINESS, PAGE 3

## Web phone use a boost for cable firms

Cable companies in the U.S. are expected to report improved first-quarter numbers as a result of the increasing popularity of Internet telephone service. Satellite TV providers, however, who have been stealing customers away from cable for years, are limited in their ability to offer phone, Internet and video on-demand, but are looking into broadband technology to better compete. BUSINESS, PAGE 4

## Crude oil falls nearly \$2 a barrel

After prices topped \$75 last week, crude oil falls by almost \$2 a barrel on Friday. Analysts say the decline is most likely temporary. BUSINESS, PAGE 4

## Iowa wants Whirlpool to keep jobs

Officials in Iowa are calling a meeting with Whirlpool Corp. to urge the Michigan-based company to keep workers at its newly acquired Maytag division in the state, which has more than 4,000 workers at facilities in Newton, Ames and North Liberty. BUSINESS, PAGE 3

## WORLD

## After 2 decades, Iraq back in Japan

Despite an unsuccessful stint in the country from 1974 to 1976, Iraq has opened a new negotiator earlier this month out side Tokyo, one of the retailer's biggest in Asia. BUSINESS, PAGE 3

## MARKETS

| COMP      | HANDSD  | S&P     | 10-YEAR |
|-----------|---------|---------|---------|
| -11.33    | -9.48   | -3.17   | -0.03   |
| 11,336.32 | 235,338 | 1306.11 | 4.96%   |

## COLUMNISTS IN BUSINESS

**Bill Barnhart:** The Dow Jones industrial average has steadily climbed to a six-year high despite deepening optimism among individual investors that has been falling since January. Investor confidence hit a five-month low in April, which analysts say could have been deflected by gas prices. BUSINESS, PAGE 5

## ON RADIO

Hear the Chicago Tribune business report at 41 p.m. weekdays on WHLSM AM 780.

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| MARKET MOVERS | ▲ |
| MARKET WATCH  | ▲ |

Updated business news throughout the day at [chicagotribune.com](http://chicagotribune.com)

## EARNINGS

## Cat pounces on strong demand

## Profit pushes past analysts' estimates

By James P. Miller  
Tribune staff reporter

Caterpillar Inc. benefitting from continued strong worldwide demand for its heavy equipment and engines, said Monday that first-quarter earnings surpassed a stronger-than-expected 45 percent on a

nearly 13 percent uptick in sales.

"The fundamental strength of the industries we serve—notably global mining, infrastructure construction, oil and gas, and energy—continue to improve," noted Jim Owens, chairman and chief executive of the Peoria-based manufacturing giant.

Although Caterpillar is positioned to enjoy rising profits at least through 2008, Merrill Lynch analyst Andrew Glin

said the latest results might prove to be a high water mark in terms of profit margins.

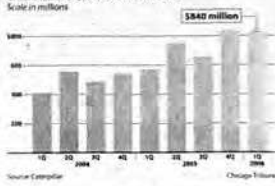
"A strong quarter, but probably no good as good as it gets," he said.

In the latest quarter, Caterpillar had net income of \$949 million, or \$1.20 a diluted share, up from the year ago period's \$681 million, or 45 cents a share. Revenue climbed to \$9.39 billion from \$8.34 billion. Caterpillar's per-share earnings topped the com-

## Solid results

Profit-based Caterpillar Inc., maker of construction and agricultural equipment, reported record first-quarter earnings on Monday. Profits rose 45 percent from the same period a year ago.

## CATERPILLAR'S QUARTERLY NET INCOME



Source: Caterpillar

was analyst estimate by a solid 15 cents. Shares of Caterpillar, which is one of the 30 companies in the Dow Jones industrial average, rose in the morning on the New York Stock Exchange.

but then eased along with the broader market and ended the day down 49 cents, at \$77.28. Caterpillar's fortunes rose and fell with the economic cycle.

PLEASE SEE PAGE 2

Cendant is considering a sale of its travel holdings, including Orbitz, a move that would bring further changes during an already turbulent time in the crowded online industry.



Market share  
Among online  
travel  
agencies  
in 2005

## A big change in direction

By Ameet Sachdev  
Tribune staff reporter

The online travel industry was thrown a curve Monday when Cendant Corp. said it may sell its travel business, which includes a managed-booking site, rather than spin it off as part of a planned breakup.

The language is already

shifting as big travel sites like Orbitz, Expedia and Travelocity lose more customers to Web sites run by airlines and hoteliers.

New rivals for online travel searches also have emerged. So-called meta-search sites like Saboteur and Kayak scan the inventories of airlines sites as well as online travel agencies like Orbitz. Not to mention, Internet media giants Yahoo and AOL, recently have inquired their travel sections.

Even with competition becoming more heated, there's a lot of interest in Cendant's travel business, according to Henry Silverman, Cendant's chairman and chief executive. He said the company de-

vised to consider a sale after receiving several unsolicited offers to buy the travel unit.

Some of the potential suitors include private equity firms, said analysts, who added that the business may fetch as much as \$1 billion.

"There's huge potential for

PLEASE SEE CENDANT, PAGE 6

## Seniors find hidden hazards in annuities

## High-pressure tactics, low on disclosures

By Josh Friedman  
Tribune Newswriter

Many retirees wanted a living trust. She would buy a \$200,000 annuity. That's a widowed housewife, had invested an insurance man to her home in Upland, Calif., to get her estate in order. The salesman shifted the conversation to a different subject: annuities. Then he asked whether they could meet outside-to-the back patio, so her cats wouldn't trigger his allergies.

The salesman talked for

hours. The November after-noon grew cold and dark. Finally, Tharp gave in. She agreed to move the bulk of her retirement savings into an annuity.

"He was so talkative he could sell you anything," recalled Tharp, 68. "After five hours, I was so tired and cold I just wanted to make him go away."

Tharp had second thoughts the next day and was able to get her money back with help from her financial adviser. Thousands of other elderly Americans have not been so fortunate.

Investment brokers and insurance agents are selling annuities to the nation's 36 million senior citizens at a fa-



Hazel Hauswerrdel has set a suit against Centessa Inc. and one of its agents after she was pressured into the purchase.

rietary clip, often through deceptive or high-pressure tactics. Annuity sales totaled \$27 billion last year, nearly triple the level of the early 1990s.

Using deceptive bonds by marketing agents, unscrup-



U.S. Energy Savings is engaging in the worst kind of consumer fraud, said David Kuller, executive director of CUB.

loans agents play on seniors' fears by suggesting that stock mutual funds, even federally insured bank accounts, are too risky to depend on. They depict annuities as a secure ad-

PLEASE SEE ANNUITY, PAGE 5

## Wrigley appoints 1st chief of marketing

## New post addresses changes in industry,

By John Schmetzer  
Tribune Staff reporter

In a signal that it intends to focus on marketing, the Wm. Wrigley Jr. Co. on Monday announced the appointment of the first chief marketing officer in the company's 113-year history.

The company said Martin Schlatter, in his new role as vice president and chief marketing officer, will report directly to Bill Wm. Wrigley Jr., chairman, president and CEO of the Chicago-based gum company.

Schlatter will be responsible for Wm. Wrigley's global marketing plans. He also oversees the company's worldwide marketing strategy and identifying new avenues for marketing consumers.

The appointment adds credence to comments by Wrigley at the company's shareholder meeting this month that the firm would be increasing its marketing support for Altria and LifeSaver as well as the company's various gum products.

For years Chicago-based ad

PLEASE SEE WRIGLEY, PAGE 4

## Gas supplier used trickery, CUB alleges

By Robert Manor  
Tribune staff reporter

Salesmen for a natural gas supplier have posed as state regulators, misled consumers, deceived and utility workers to mislead consumers into signing long-term contracts, the Citizens Utility Board said Monday.

"U.S. Energy Savings is engaging in the worst kind of consumer fraud," said David Kuller, executive director of CUB.

The consumer advocacy group filed a complaint with the Illinois Commerce Commission against Tornado-United U.S. Energy Savings Corp. on Monday, accusing the company of deceptive marketing.

CUB said it has received 36 complaints in recent weeks about U.S. Energy's sales practices, noting that for every 100 calls, consumers receive scores do not. CUB also said U.S. Energy appears to be targeting Spanish- and Polish-speaking neighborhoods.

Under Illinois' deregulated natural gas market, consumers are allowed to choose a top plan their natural gas.

CUB said some door-to-door

PLEASE SEE GAS, PAGE 4

# Cat pounces on strong demand

Profit pushes past analysts' estimates

By James P. Miller  
Tribune staff reporter

Caterpillar Inc., benefiting from continued strong worldwide demand for its heavy equipment and engines, said Monday that first-quarter earnings surged a stronger-than-expected 45 percent on a

nearly 13 percent upturn in sales.

"The fundamental strength of the industries we serve— notably global mining, infrastructure construction, oil and gas, and energy—continued to improve," noted Jim Owens, chairman and chief executive of the Peoria-based manufacturing giant.

Although Caterpillar is positioned to enjoy rising profits at least through 2008, Merrill Lynch analyst Andrew Obin

said the latest results might prove to be a high-water mark in terms of profit margins.

"A strong quarter, but probably as good as good as it gets," he said.

In the latest quarter, Caterpillar had net income of \$840 million, or \$1.20 a diluted share, up from the year-ago period's \$581 million, or 81 cents a share. Revenue climbed to \$9.39 billion from \$8.34 billion.

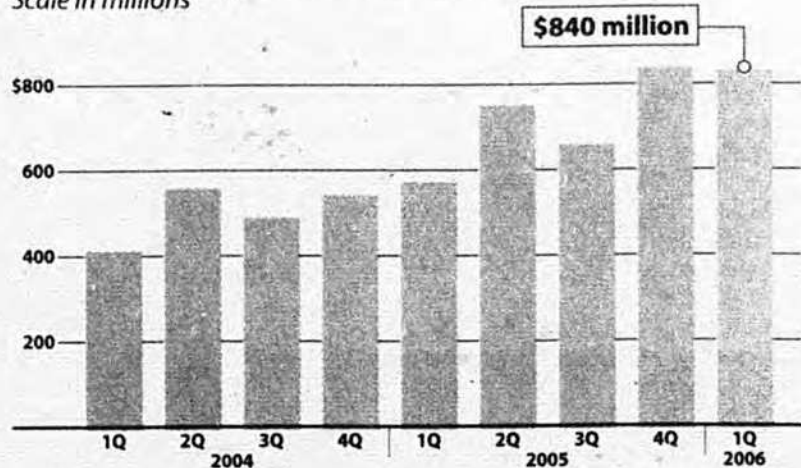
Caterpillar's per-share earnings topped the consen-

## Solid results

Peoria-based Caterpillar Inc., maker of construction and agricultural equipment, reported record first-quarter earnings on Monday. Profits rose 45 percent from the same period a year ago.

### CATERPILLAR'S QUARTERLY NET INCOME

Scale in millions



Source: Caterpillar

Chicago Tribune

sus analyst estimate by a solid 15 cents.

Shares of Caterpillar, which is one of the 30 companies in the Dow Jones industrial average, rose in the morning on the New York Stock Exchange,

but then eased along with the broader market and ended the day down 49 cents, at \$77.38.

Caterpillar's fortunes rise and fall with the economic cy-

PLEASE SEE CAT, PAGE 2

# High court asks for another voice

Wants help in review decision regarding Microsoft-AT&T case

Bloomington News

WASHINGTON—The Supreme Court has asked the Bush administration for help in deciding whether to review a patent dispute between Microsoft Corp. and AT&T Inc. over technology used to improve Internet voice transmissions.

The request, directed to U.S. Solicitor General Paul Clement, aligned the justices may have questions about a lower court ruling that applied AT&T's patent to copies of Microsoft's Windows operating system in

stalled net computers in foreign countries. The court generally favors the administration's advice on whether to take up pending appeals.

Microsoft's appeal seeks to limit the vulnerability of software makers to patent lawsuits for sales outside the country. The world's largest software-maker argues that software code doesn't fit within the provision in federal law that bars exports of patented inventions without permission.

"This case presents a recurring question of vital importance to the U.S. software industry," Microsoft argued in its appeal. The lower court ruling "vastly expands the extrajurisdictional reach of U.S. patents in software."

Microsoft is seeking to limit the money it must pay under a 2004 settlement with AT&T, the nation's largest long-distance phone company.

That settled, the terms of which weren't disclosed, would resolve AT&T claims that sought as much as \$300 million. The Software & Information Industry Association, which represents the software and digital content industry, joined Microsoft in asking the Supreme Court to take up the appeal.

The case is unrelated to Microsoft's antitrust battle with the European Union. In that dispute, Microsoft argued in its appeal, asking the EU order that the company provide a stripped-down version of its Windows operating system.

AT&T sued the justices and tried to bypass them.

"Microsoft's position conflicts with 20 years of patent jurisprudence, business practices in the software industry and Microsoft's own patent portfolio," AT&T argued.

The dispute centers on a way to send voices digitally without making them sound like machines. The technology developed more than two decades ago, as part of a global cellular phone standard.

AT&T says Microsoft lacked permission to use the invention in the NetBoving and TrueSpeech products, which are a set of Windows.

AT&T sought compensation for use from 1990 to 2001, when its patent expired.

## THE TICKER

### CAREER EDUCATION

**Shareholder offers slate, vows to improve schools, retention**

Bloomington News

Career Education Corp. needs new leadership to boost earnings, investors who held 60 percent of the stock said Monday.

Steve Bontic, who led shareholders in a series of demanding changes at the Hoffman Estates-based company, is offering himself and a slate of candidates as a director. They promise to raise the share price by improving the retention of new hires and boosting retention.

"You've got to move from just a bulls-and-cows strategy to actually qualifying yourself to providing high-quality, cost-effective education," Bontic said, describing his pitch for next month's annual meeting.

Bontic said he would improve annual retention by 10,000 stu-

dents at Career Education, which has more than 100,000 enrolled worldwide.

Investors who held 60 percent last year on a series of changes may want more details before deciding to vote, one investor said.

"He may have a phenomenal plan and a great slate of candidates," Bontic said.

Bontic said his plan will include the retention of new hires, strategies for recruiting students, rather than relying on a nationwide campaign.

A company spokesman said: "Mr. Bontic's statement on the record is that he would like to be an officer with our commitment to enhanced value for our shareholders and our stakeholders. And that is a pity."



Getty Images photo by G. Scott Brown

Vince Gonzalez washes Caterpillar-made earthmoving equipment Monday at Patten Industries in Elmhorst.

**CAT:**  
Company able to raise prices several times

CONTINUED FROM PAGE 1

els, and the company's stock has nearly quadrupled since hitting a cyclical bottom below \$20 in late 2002.

Since then, China's economy has gone into overdrive, soaring prices for long dormant commodities such as copper and iron ore have sparked a resurgence in global mining activity and stronger economies around the world and other infrastructure projects.

The rising demand for Caterpillar's earthmovers, mining trucks and big diesel engines has rebounded so strongly that the company has had difficulty keeping up with it.

Indeed, suppliers have often been unable to provide com-

ments on time, and Caterpillar's factories have encountered bottlenecks as a result of operating at or near peak capacity for contracted periods.

Such inefficiencies have depressed profits in recent quarters, but, with the exception of the shift toward fuel ultralight tires for mining trucks, appeared to be much less of a surprise in the latest report.

Operating profit at the company's flagship machinery segment surged 69 percent, to \$637 million, on sales that rose 13 percent, to \$6.1 billion. And at Caterpillar's engine group, sales increased just 10 percent, to \$2.6 billion, but operating profit climbed 41 percent, to \$294 million.

Caterpillar's recent profits also have been helped because it has been able to raise prices on its products a number of times. For some investors, the question is how long demand will remain robust enough to sustain such a fast profit margin.

Owens said Monday that "we believe this is a business cycle that has strong power."

Caterpillar also boosted its per share profit guidance for the year by 20 cents, to a range of \$4.67 to \$5.20 from its earlier outlook of \$4.62 to \$5. Given the 13-cent share price surge in the quarter, just ended, however, the higher projection doesn't represent an overly large increase for the remaining three quarters.

Profits, or at least pricing power, might come under some pressure, the company implied, noting that "the industries we serve are very competitive, and we intend to defend our market position."

During a conference call with analysts, an official confirmed that, if necessary, "we're prepared to take an expense of \$34 million to protect our market share."

Caterpillar's latest earnings included an expense of \$34 million related to stock-based employee compensation. There was no such charge in the previous quarter.

In the latest quarter, Cat employees held 36.9 percent of the stock, up 4.8 percent from a year ago. [jpollard@tribune.com](http://jpollard@tribune.com)

### VENTURE CAPITAL

**Illinois investing lackluster in 1st quarter**

Bloomington News

Venture capital investing got off to a so-so start in Illinois in the first quarter.

Venture investments, which are particularly important for small, fast-growing firms, totaled \$2.7 billion in Illinois during the quarter, according to the quarterly MoneyTree report released Monday.

That \$67 million was even with last quarter's spending in Illinois and down 10 percent from the first quarter of 2005, according to MoneyTree, a collaboration of the National Venture Capital Association, Private

Equity Councils and Thomson Financial.

Nationally, first quarter venture capital spending clocked in at \$5.4 billion, about the same as in the fourth quarter but up 12 percent from the same time last year. The report also said that

one of the biggest deals during the quarter in Illinois was a \$12.2 million early stage investment in Vernon Hills-based Sorbus Therapeutics, a biotech firm.

Another was a \$12 million late-stage investment in Chicago-based ClearPath, a telecommunications firm.

### GOODYEAR

**Tiremaker boosts synthetic rubber**

Bloomington News

AKRON, Ohio — Goodyear Tire & Rubber Co., the biggest tiremaker in North America, said Monday that it has doubled its use of synthetic rubber in tires. It can substitute for natural rubber, which is hard to control costs.

More than 15 percent of the natural rubber used in Goodyear tires can now be replaced by synthetic rubber developed by the company, spokesman Keith Price said. The use of synthetic rubber was 8 percent, the industry average, according to the International Rubber Safety Group.

Goodyear and its competitors face increasing pressure to curb costs as rubber rises a 20-year high of \$1 a pound. Goodyear raised first quarter sales 7 times in the past two years, thanks to new factories and cutting workers.

The company expects to save \$10 million in costs a year through broader use of synthetic rubber. Price said without giving a specific number.

### MIDWEST BRIEFS

**Wells Fargo to buy unit from LaSalle**

Wells Fargo & Co. said Monday that it has agreed to buy the mortgage benefit trust unit of Chicago-based LaSalle Bank to expand its business of managing money for institutions.

Terms weren't disclosed. The unit has 320 employee-benefit plans and \$1.2 billion in assets, San Francisco-based Wells Fargo said.

It will be added to Wells Fargo's institutional trust services unit, which has about \$33 billion in assets under administration. LaSalle is a unit of AIG's Amers Holding Inc., the largest health insurer. The deal is expected to close this month.

Wells Fargo said it plans to hire some of the financial services employees at LaSalle who will be affected by the move. Wells Fargo said last week that 10 percent increase in trust and investment fees helped it post a 9 percent increase in net income in the first quarter.

### Tower's creditors balk

Creditors of Tower Automotive Inc. filed its petition in bankruptcy court to the company's proposed \$35 million in payments to its retired workers and said Tower should formulate a plan to repay all its creditors within 90 days. A seven-member committee of unsecured creditors said the company's agreement to settle retired workers' claims should be denied because no repayment plan has

### ACCOUNTING

**Report: SEC failing to fix own problems**

Bloomington News

WASHINGTON—The Securities and Exchange Commission, which enforces standards for public reporting by financial companies, is failing to fix its own internal accounting procedures, according to a government report released Monday.

An audit of the SEC's 2005 IT system found the agency failed to fix problems with computer security, fine collection and preparation of financial statements, the Government Accountability Office said.

These problems qualified as "material weaknesses," or flaws that could affect the accuracy of financial statements, the GAO said. It identified the flaws in an audit a year ago. The recommendations are currently in the investigative arm of Congress, concluded that the SEC had addressed 13 of its recommendations. Secretary Sten Schimke Christopher Cox said the agency has taken additional steps since then.

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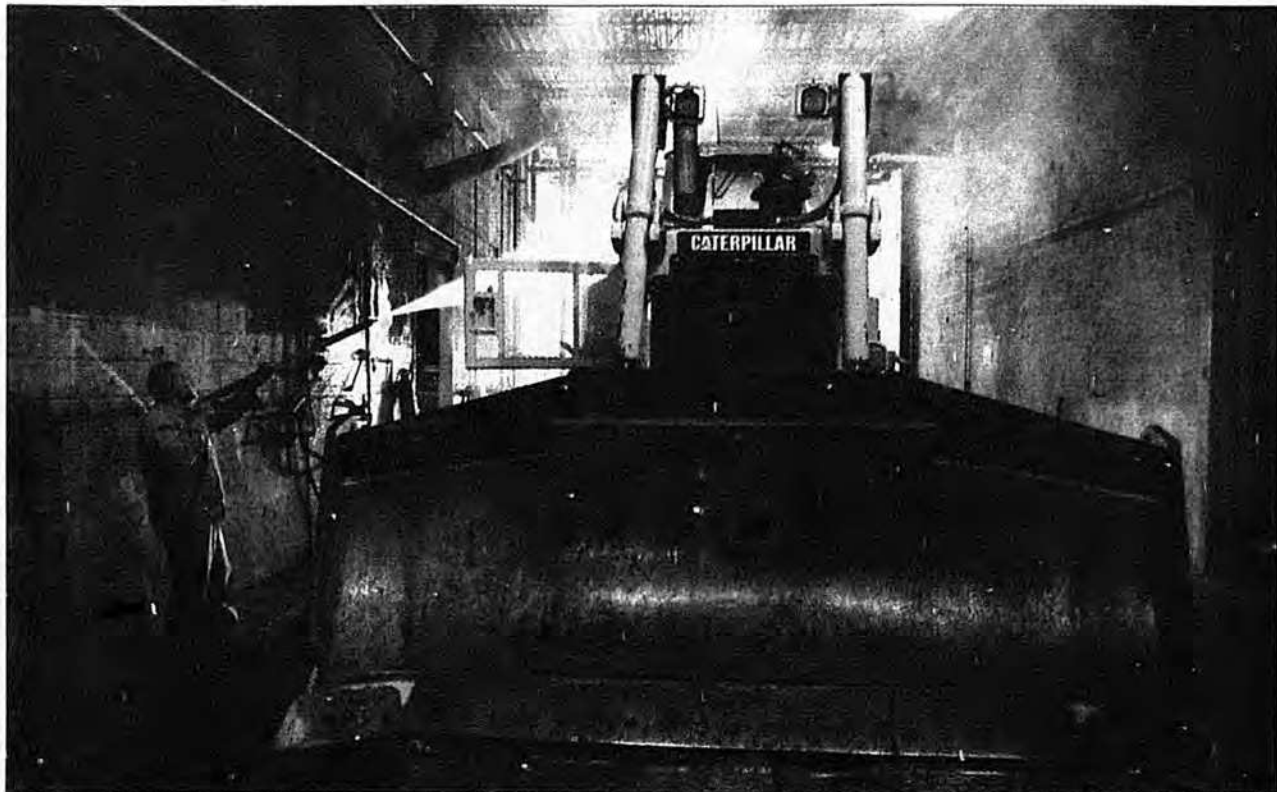
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Getty Images photo by Scott Olson

Vince Gonzalez washes Caterpillar-made earthmoving equipment Monday at Patten Industries in Elmhurst.

## CAT: Company able to raise prices several times

CONTINUED FROM PAGE 1

cle, and the company's stock has nearly quadrupled since hitting a cyclical bottom below \$20 in late 2002.

Since then, China's economy has gone into overdrive, soaring prices for long-dormant commodities such as copper and iron ore have sparked a resurgence in global mining activity, and stronger economies around the world have spurred demand for roads and other infrastructure projects.

The result: Demand for Caterpillar's earthmovers, mining trucks and big diesel engines has rebounded so strongly that the company has had difficulty keeping up with it.

Indeed, suppliers have often been unable to provide compo-

nents on time, and Caterpillar's factories have encountered bottlenecks as a result of operating at or near peak capacity for protracted periods.

Such inefficiencies have depressed profits in recent quarters, but, with the exception of the still-hard-to-find ultralarge tires for mining trucks, appeared to be much less of a negative in the latest period.

Operating profit at the company's flagship machinery segment surged 69 percent, to \$837 million, on sales that rose 13 percent, to \$6.11 billion. And at Caterpillar's engine group, sales increased just 10 percent, to \$2.63 billion, but operating profit climbed 61 percent, to \$294 million.

Caterpillar's recent profits also have been enhanced because it has been able to raise prices on its products a number of times. For some investors, the question is how long demand will remain robust enough to sustain such fat profit margins.

Owens said Monday that "we believe this is a business cycle that has staying power."

Caterpillar also boosted its per-share profit guidance for the year by 20 cents, to a range of \$4.85 to \$5.20 from its earlier outlook of \$4.65 to \$5. Given the 15-cent-a-share upside surprise in the quarter just ended, however, the higher projection doesn't represent an overly large increase for the remaining three quarters.

Profits, or at least pricing power, might come under some pressure, the company implied, noting that "the industries we serve are very competitive, and we intend to defend our market position."

During a conference call with analysts, an official confirmed that, if necessary, "we're prepared with additional discounts to protect our market share."

Caterpillar's latest earnings included an expense of \$34 million related to stock-based employee compensation. There was no such charge in the year-ago quarter.

In the latest quarter, Cat employed 86,984 people worldwide, up 8.7 percent from a year ago.

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SATURDAY, JULY 22, 2006

CHICAGO

## CONFLICT IN THE MIDDLE EAST

AP photo by David Guttenblatt  
Israel's troops assemble outside the town of Arvin near the Lebanese border Friday in preparation for a possible attack.Israeli troops  
mass at borderRice to travel to  
Mideast for talksBy Christine Spolar  
and Lisa Sly

## FULL COVERAGE

■ U.S. risks angering Arab  
governments with arms  
delivery to Israel, PAGE 9

JERUSALEM — Israel's military

leaders Friday readied its army and people for intense ground battles in southern Lebanon by massing troops at the border, calling up thousands of reservists and characterizing the fight to wrench Hezbollah from its border as a "supreme mission."

Meanwhile, the United States is rushing a delivery of precision-guided bombs to Israel, part of an arms shipment that was approved last year but is being expedited in anticipation of a prolonged aerial campaign by Israel in Lebanon. The New York Times reported its Sat-

urday edition. Israeli army chief of staff Lt. Gen. Dan Halutz, in a televised news briefing, warned that an expanded ground war against the radical Shiite Muslim group could be painful but "we will fight terror wherever it is because if we do not fight it, it will fight us."

The Israeli general's blunt words came as the border war spanned for a 10th day and muted efforts by the international community did nothing to calm the violence.

In Washington, U.S. Secretary of State Condoleezza Rice an-

Obama joins parade  
to see New OrleansA year after Katrina,  
lawmakers march in

By Jeff Zeleny

Tribune national correspondent

With a brush in one hand and a bucket of blue paint in the other, Sen. Barack Obama (D-Ill.) climbed a ladder Friday to join the list of those who have rendered a little political sweat, New Orleans style. He came to the same block where President Bush swung a hammer only months ago and a group of Southern governors took their turn last week.

Rice for away from the fast-rising sun in a neglected block of the Upper 9th Ward, Sen. John Kerry (D-Mass.) delivered a speech Friday and House Speaker Dennis Hastert (R-Ill.) was across the state leading a seven-member congressional delegation in Lake Charles, sur-

## Relics bring life to martyrs' stories

Churches will show  
Mexican saints' bones

By Margaret Ramirez

Tribune news reporter

One priest was executed by firing squad for refusing to recant confessions to the Mexican government. Another was beheaded so badly that his eye was forced from its socket, leading to his death the next day. Two priests were hanged, and two were stoned, including one who smiled before dying and said, "See you in heaven."

olic Church in Mexico during the 1500s and 1600s, became widely known in their country as martyrs. In 2000, Pope John Paul II canonized them as saints along with 19 other Mexicans, saying their legacy would become better known throughout the continent.

This weekend, sacred relics of the four martyrs will be on display at several Chicago-area churches as part of a national tour organized by the Catholic fraternal organization Knights of Columbus, of which all six were members. On Sunday, Cardinal Francis George will celebrate a mass honoring the relics at Holy Name Cathedral. Catholic leaders hope the relics can rekindle devotion

AP photo by Antonio D'Ala  
A reliquary cross holds a bone fragment from Rev. Pedro de Jesus Maldonado Lucero.

among those who already know of the Mexican saints as well as educate those who do not. AL

PLEASE SEE MARTYRS, PAGE 14

'I would not allow  
anything like this'AP photo by Kevin T. Johnson  
'It's unacceptable. Any type of physical abuse, brutality, anything. It's unacceptable,' Mayor Richard Daley said Friday of alleged police brutality while he was state's attorney.Daley says  
he was not  
aware of  
cop tortureBy Mickey Gjakalo  
and Dan Maholopoulis

Tribune staff reporters

Mayor Richard Daley, speaking for the first time since a special prosecutor detailed a decade-long pattern of police torture, fared back at his critics Friday, saying he would never have allowed abuse to continue if he had been aware of it.

"I do not think I would sit by ... that I had knowledge about it, and I would allow it—then you don't know what the case is," said Daley, who was Cook County state's attorney when former Chicago Police Cmdr. Jon Burge allegedly tortured suspects. "I would not allow anything like this. This incident is one too many."

Daley, who is up for reelection in February if he runs again, sought to move beyond the lingering questions about his role during the Burge years by issuing a forceful condemnation of the alleged brutality.

In the spirited back-and-forth with reporters that followed, Daley said he likely read a letter sent to him in 1983 about alleged abuse in one case but had no memory of doing so.

The topic did not appear to rattle Daley, who moved back and forth between accepting some responsibility for his role in the public, especially African-Americans, would perceive his role in the allegations.

"It's not going to play well in any community," Daley said. "It's unacceptable. Any type of physical abuse, brutality, anything. It's unacceptable. In black and white, Hispanic or Asian, any community."

In a two-page statement he read before taking questions, Daley placed the allegations as "a shameful episode in our history" and said safeguards since put in place would prevent such abuses from happening again. He concluded it by saying some would accuse him of "drawing inferences that aren't there" regarding his role as state's attorney.

On Friday, the sole announced mayoral candidate in February's election sought to

PLEASE SEE DALEY, PAGE 14

A study suggests that there is virtue in vice—to an extent;  
an argument for being able to look back and say, 'No regrets.'

## GIVE YOURSELF A BREAK

By Lisa Anderson

Tribune national correspondent

NEW YORK — "Regrets, I've had a few," crooned Frank Sinatra in his signature, talking-stock-of-life ballad "My Way." He didn't give details, but new research indicates that, over time, one is likelier to have greater regrets about choosing virtue than lingering guilt over indulging vice.

Yes, you read that correctly. In the short term, vice is regretted more than virtue. But in the long run, people tend less to regret guilty pleasures taken than those virtuously forsaken.

according to a study of Americans by Ron Kivetz, an associate professor of business, and doctoral candidate Anat Keinan, both at Columbia University's Graduate School of Business.

"We really do believe that in day-to-day, self-control dilemmas, people are better off choosing to indulge," said Kivetz, who has researched attitudes toward vice and virtue for a decade. Doubtless appalling to some

and delightful to others, the findings may have particular resonance for Baby Boomers, the first of whom turned 60 this year, an age at which some begin assessing their lives.

Slated for publication in the September issue of the Journal of Consumer Research, "Regretting Hypergoals: An Analysis of Self-Control Regrets" is

PLEASE SEE REGRETS, PAGE 12

Weather: Partly sunny,  
high 78, low 62  
today, Page 2.  
Online at [chicago.tribune.com](http://chicago.tribune.com)



SPORTS

Sox, Buehrle  
tumble again



METRO PAGE 13

Ash borer  
invades Evanston



WEEKEND

One Fine Day:  
Rush St.—Sober



# Chicago Tribune

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SATURDAY, JULY 22, 2006

CHICAGO

# Prices as aid tax reduction by IRS chief

### Senators ask Bush to close 'gifts' loophole

By Jonathan Weisman  
The Washington Post

WASHINGTON — Senate Finance Committee Chairman Charles Grassley (R-Iowa) and the committee's ranking Democrat, Max Baucus of Montana, urged President Bush on Friday to help shut

family's real estate holdings, insurance interests and even the recent family genealogical society.

In 2002, the foundation received \$22,000 to Leavitt Land and Investment Inc., in which the secretary owns a significant stake. That same year, Leavitt Land and Investment extended an interest-free loan to Leavitt in the form of stock valued at \$250,001 to \$500,000, according to a recent financial disclosure.

Bureau has labeled such transactions one of the IRS "dirty dozen" top tax dodges, and a provision under negotiation in a major pension bill would curb them. Under the provision, entities such as Leavitt's, known as Type III supporting organizations, would be prohibited from offering loans to parties related to the fund, and would have to give away 5 percent of assets each year, just as standard foundations are required to do.

The IRS foundation has reached that threshold only twice in the six years of its existence, officials said in a statement Friday defending his actions and noting that the foundation has increased its giving substantially, from \$32,312 in 2003 and \$81,250 in 2004 to \$67,263 in 2005 and \$69,221 so far this year.

"My family and I are grateful that we have been able to contribute more to our community and the Dixie and Anne Leavitt Foundation than we have in the years to come," said Leavitt, who was sworn in to lead the foundation last week.

The Health and Human Services media office added that the issue was raised by the Finance Committee during Leavitt's confirmation hearings. Leavitt, a former congressman, declined to answer questions on conditions of anonymity said, "When we are in a public position, it is our concern for us, particularly the lack of payment. And matters regarding the loans were brought to our attention at all."



Same sex marriage plaintiffs Julie (left) and Hillary Goodridge, shown seeking a marriage license in Boston in 2004, have separated.

# Pioneering same-sex couple splits

### Women sued in Mass. for the right to marry

By Elizabeth Mehren  
Boston Herald

BOSTON — The couple who led their name to the lawsuit that legalized same-sex marriage in Massachusetts, have separated, a family spokesman confirmed Friday.

Julie Goodridge, 49, and Hillary Goodridge, 50, were married on May 17, 2004, the first day same-sex couples were permitted to wed in Massachusetts.

The landmark, 43-decision by this state's Supreme Judicial Court revolutionized the concept of marriage as Massachusetts became the first state to extend marriage rights to gay and lesbian couples. No other state has followed suit, although Connecticut has legalized same-sex civil unions, which already were permitted in Vermont when the Goodridge decision

came down. On the heels of that decision, 30 states have passed constitutional amendments to classify marriage as a union between a man and a woman, and at least 15 states—Massachusetts among them—after exploring constitutional amendments that would bar same-sex unions.

The Goodridges, who selected a common surname after pursuing their families' histories, declined to comment on the split. The couple have a 10-year-old daughter, Ana.

Spokeswoman Mary Brewer said Friday that "Julie and Hillary Goodridge are amicable living apart. As always, their No. 1 priority is raising their daughter. Like the other plaintiff couples in this case, they made an enormous contribution toward equal marriage, but they are no longer in the public eye, and request that their privacy be respected."

Brewer would not speculate whether the pressures associated with the long legal battle had contributed to the Goodridges' breakup. Seven same-

sex couples acted as plaintiffs in the Massachusetts lawsuit. "I think this is much more about recognizing that plaintiff couples, even those that are at the center of the storm, are simply at the end result people with real lives," Brewer said. "Relationships and marriages are both precious and vulnerable, all at the same time, and theirs is no different."

Brewer said the Goodridges have not filed for divorce. More than 8,000 same-sex couples have traded vows in Massachusetts since the Goodridges walked down the aisle of a Trinitarian church while wedding guests sang "Jesus Come the Bride."

About 450 gay and lesbian couples have divorced, according to state figures.

Lisa Barlow is the communications director for the Massachusetts Family Institute, the organization at the forefront of the move to end same-sex marriage in Massachusetts. On Friday she said, "Our thoughts and prayers are with Julie and Hillary's 10-year-old daughter,

and that's really all we choose to say about this. This is a personal matter, and I think we need to treat it with that kind of dignity."

Mark Berenson, executive director of the National Gay and Lesbian Task Force in Washington, also declined to discuss what he described as "a person at the center of the Goodridges."

But Berenson said he did not think the split by the couple who became the symbolic face of same-sex marriage in Massachusetts would hamper the broader effort to permit gays and lesbians to marry there.

At Gay and Lesbian Advocates and Defenders, or GLAD—the Boston-based non-profit organization that brought the lawsuit forward on behalf of the seven couples—executive director Lee Swilley said, "We're just very sad. We care so much about Hillary and Julie. They were so brave and so powerful, and they made a difference."

Los Angeles Times

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# \$35 million buys an out-of-this-world walk

By Seth Bernstein  
Associated Press

WASHINGTON — You don't have to be an astronaut anymore to experience walking in space. All you need is \$35 million and the willingness to risk your life.

A private Virginia firm that already has sent three spacecraft into orbit is preparing to launch a space station for \$30 million, said an executive Friday who declined further comment. The station, a small-outside-the-space-station for an extra \$15 million.

It is the only kind of spaceflight. It's something very few of the astronauts and cosmonauts have done," said Eric Anderson, chief executive of Space Adventures Ltd.

Added former NASA spacewalker Kathy Thornton, who is on the company's advisory board, "It's the holy grail of feeling freedom, that you are your own satellite."

Anderson said the Russian space agency, Space Agency, is arranging for the first space-walking tourist to go into orbit in about a year or so, Anderson said. The trip would involve a launch in a Soyuz capsule, an eight-day stay aboard the space station and a 90-minute spacewalk in a Russian



Former astronaut Dan Bursch (left) prepares to make one of his two spacewalks. "I would recommend it to anyone," he says.

spacewalk. An extra month would be added to the six-month mission training that is included for the price.

The plan still needs the approval of the other 15 partners in the space station, including NASA, but Anderson said Russia

space officials are confident they can get the OK. NASA, which has gradually accepted Russian initiated space tourism, would not comment on the proposal.

A space-walking tourist is "probably unique," said one former astronaut, who almost died during a February 2002 fire aboard the Russian Mir space station.

"Common sense tells you that you want professionals trained to the Nth degree to do jobs like astronaut jobs," said Jerry Lininger, who was the first American to wear a Russian spacesuit in a spacewalk.

Lininger said if a spacewalking tourist does something wrong, that person could endanger the astronaut accompanying him. But others among the 150 people who have spacewalked say it's thrilling.

"I would recommend it to anyone," said Dan Bursch, a former astronaut who lived on the station and made two spacewalks in the Russian suit.

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### WINNING LOTTERY NUMBERS

#### Illinois

|                               | Midday            | Evening |
|-------------------------------|-------------------|---------|
| July 21 Pick 3                | 691               | 128     |
| July 21 Pick 4                | 1440              | 1634    |
| July 21 Little Lotto          | 09 10 26 30 26    |         |
| July 21 Mega Millions         | 18 26 35 36 43 24 |         |
| July 21 Mega Millions jackpot | \$12 million      |         |
| July 22 Lotto jackpot         | \$3.5 million     |         |

#### Indiana

|                      | Midday         | Evening |
|----------------------|----------------|---------|
| July 21 Daily 3      | 248            | 534     |
| July 21 Daily 4      | 1185           | 4996    |
| July 21 Lucky 5 mid. | 06 20 22 30 36 |         |
| July 21 Lucky 5 eve. | 07 13 14 27 30 |         |

#### Michigan

|                   | Midday            | Evening |
|-------------------|-------------------|---------|
| July 21 Daily 3   | 860               | 842     |
| July 21 Daily 4   | 0128              | 7732    |
| July 21 Fantasy 5 | 04 12 14 15 24    |         |
| July 21 Keno      | 12 13 14 19 23 28 |         |
|                   | 34 42 43 47 48 49 |         |
|                   | 52 54 55 57 61 68 |         |
|                   | 69 70 71 75       |         |

#### Wisconsin

|                    |                   |
|--------------------|-------------------|
| July 21 Pick 3     | 351               |
| July 21 Pick 4     | 7890              |
| July 21 badger 5   | 09 24 27 28 31    |
| July 21 SuperCash! | 18 19 20 22 26 37 |



On newsstands now.

SECTION

2

## THE DIGEST

Business news  
in today's Chicago Tribune

## NATION

## Lawmakers urge Bush to shutter tax loophole

Senate Finance Committee Chairman Charles Grassley and the committee's ranking Democrat, Max Baucus of Montana, urged President Bush to help shut down a tax loophole that allowed the secretary of health and human services to claim more than \$1 billion in tax deductions for "gifts" for his family's interests. **BUSINESS, PAGE 2**

## Microsoft confirms rival to iPod

Microsoft Corp. will build a digital music player to compete with the dominant iPod. Called Zune, the gadget will be available before the holidays and will play music and videos, and have an online store, much like Apple Computer Inc.'s iTunes. **BUSINESS, PAGE 2**

## Shareholders OK sale of BellSouth

BellSouth Corp. shareholders approved the proposed sale of their company to AT&T Inc. for \$67 billion in stock. The deal would expand the reach of the nation's largest telecommunications provider and put the two companies' wireless joint ventures, Clearnet, under one roof. **BUSINESS, PAGE 3**

## WORLD

## Singapore Air buys new Airbus A350s

Singapore Airlines Ltd. gave Airtrac a boost by ordering 20 of the newly unveiled A350 XWB passenger aircraft, becoming the first airline to commit to the revamped plane. **BUSINESS, PAGE 3**

## Protests hurt Mexican tourism

Protesters have taken over the center of folkloric Oaxaca. The protests have reduced tourism by 75 percent, costing the city more than \$45 million, according to the Mexican Employers Federation. **A BUSINESS LADY SAYS, PAGE 3**

## MARKETS

| INDEX     | 10-YEAR BOND | NASDAQ  | S&P 500 | 10-YEAR T-BOND |
|-----------|--------------|---------|---------|----------------|
| -59.72    | -19.03       | -8.84   | +0.02   |                |
| 10.66A.33 | 2029.39      | 1260.29 | 5.03%   |                |

## COMING SUNDAY

**Companies value store trademarks**  
Federated Department Stores Inc. isn't using its treasure trove of mall-bred store names in any substantial way. And the retailer has expressed no interest in selling or licensing them. But it doesn't want competitors to gain access to the names, either. It's a common tactic, and one that has become more widespread, particularly in the technology industry. **A BUSINESS LADY SAYS, PAGE 3**

## Global battle for defense contracts

Coming deals will test the U.S. appetite for foreign military suppliers in an increasingly global defense industry. Overseas defense contractors want a bigger piece of the rich American military budget, the largest in the world, but face opposition from national security hawks and other critics who worry about jobs, technology and secrets leaving the country. **BUSINESS, PAGE 3**

## COMING MONDAY

**Meals for the go on the go on the rise**  
Meal preparation companies, which first got going in 2002, saw projected to hit 1.130 outlets by 2012, says a new report. The Easy Meal Prep Association, based in Chazy, N.Y., expects the industry will generate \$270 million by the end of this year and \$1.1 billion by 2010. **BUSINESS, PAGE 3**

**Revising the jakeobs with broadband**  
After making the leap from Go to G+, jakeobs are undergoing another transformation. They're turning into big networked iPods where her partners can set up their own playlists. **TECHNOLOGY, PAGE 3**

## ON RADIO

Hear the Chicago Tribune business reports at 6-61 p.m. weekdays on WISN-AM 780.

## INDEX

THE TICKER... MARKET...  
NEW CONTRACTS... SHARES...  
NEW CONTRACTS... SHARES...  
NEW CONTRACTS... SHARES...

Updated business news throughout the day at [chicago.tribune.com](http://chicago.tribune.com)

## Cat bulldozes profit mark

\$1.05 billion net  
its best-ever quarter

By James P. Miller  
Tribune staff reporter

Caterpillar Inc., benefiting from a still-surge global economy, said Friday that earnings jumped a strong, unexpected 38 percent in the second quarter, the most profitable three-month period in its history.

"There seems to be no slowing this manufacturing juggernaut's pace," Morningstar analyst Scott Burns said after the Peoria-based heavy equipment plant released its robust results. Caterpillar is "hitting an all-time high," said Chairman and Chief Executive Jim Owens, telling analysts during a conference call that the company has been experiencing "a sustained and unprecedented period of rapid growth."

## EARNINGS

The company's previous all-time best earnings quarter occurred in the first quarter of this year. Demand is so strong, in fact, that many Caterpillar customers face long waits before receiving their equipment, even though the company's global workforce grew by more than 30,000 over the past 12 months, to 62,214.

In the latest period, Cater-

pillar posted net income of \$1.05 billion, or \$1.52 a share, up from \$760 million, or \$1.09 a share, in the year-ago period. Revenue increased 13 percent, to \$10.61 billion. The per-share profit landed a full 12 cents above the \$1.41 analysts had been forecasting. Caterpillar also boosted its full-year profit forecast for the third time, to a range of \$5.25 to \$5.50 a share from its previous guidance of \$4.75 to \$5.20 a share.

Despite that double dose of

SATURDAY

JULY 22, 2006



Skokie-based Peapod continues to use the original model for online grocery shopping in Chicago, including bringing groceries upstairs, and placing them wherever you want them.

## Online grocers seek method that clicks

Companies shipping bulk items and specialty foods hope to cash in on market expected to double in sales by the end of the decade

By Robert Maner  
Tribune staff reporter

Grocery shopping via the Internet, for years an emblem of the dot-com collapse, is coming back to life as businesses big and small experiment with new ways of selling food online. Industry analysts expect online grocery sales to reach \$4.3 billion this year, up 27 percent from last year. Though still less than 1 percent of all grocery purchases, online sales are predicted to double by the end of the decade.

Two major retailers, Amazon.com and Meier Inc., this week announced their official forays into the market. They like others are exploring different strategies to find the best way to sell food online. Consumers can now send perishable food in bulk with delivery a few days later. Customers can click their way to exotic items rarely seen on grocery store shelves. And in many big cities, local supermarkets are offering quick delivery of

fresh foods and prepared meals. Internet giant Amazon began rolling out online grocery business in late May, offering many perishable grocery items in bulk shipping. For example, Amazon offers a 14-ounce box of Keri's Complete Grilled Flakes, sold in a pack of seven for \$29.33.

"It's about convenience," said Tracy Oden, a spokeswoman for Amazon. She said Amazon hopes to take the bulk out of shopping at discounters like Costco.

## Check out online

Though still a fraction of total food purchases, online grocery sales are growing in popularity as an increasing number of companies offer the service.



"If you think about your local Price Chopper, you wait 15 minutes for parking, then you go to and there are hordes of people," Oden said.

She said Amazon started out offering 10,000 items, and that has expanded to more than 100,000 items.

## NBC to monitor audiences' attention

Toyota gets extra ads if results fall short

By Phil Rosenthal  
Tribune news columnist

PASADENA, Calif. — Eye-balls aren't enough anymore. Advertisers want a proof they're reaching television viewers' minds.

Challenged to show the value of network TV in an ever more competitive environment for marketing dollars, NBC has cut a groundbreaking deal with Toyota that not only offers the traditional promise that viewers will be exposed to shows in which the advertisers' ads are shown, but also that these viewers will be paying attention.

Jeff Zucker, chief executive of the NBC Universal Television Group, said Friday, "We're going through a revolutionary period in advertising and the way that advertising is done on television. The way advertising is measured is on television, and hopefully we can be at the forefront of that."

The deal is the first of several that the General Electric Co.-owned network looks to make this fall in which an advertiser will get more than the standard guarantee of minimum viewership, as measured by Nielsen Media Research, Zucker said.

The network will also guarantee a certain level of viewer engagement, as recorded by IAG Research, an outfit that

PLAUSIBLE GAT, PAGE 2

## City savors big win on trade show

By Kathy Bergen  
Tribune staff reporter

Chicago's convention industry braved a collective sigh of relief Friday as the National Restaurant Association announced an unprecedented five-year deal to keep its annual trade show at McCormick Place through 2011. "This is a real victory for Chicago," Mayor Richard Daley said after the announcement was made on a wind-swept terrace at Navy Pier with the lake and the skyline as a stunning backdrop. "The National Restaurant Association looked at a number of other cities and concluded that Chicago is still the best place in the nation to hold your convention or trade show."

The high-profile show, a mainstay in the city for 65 consecutive years, is expected to generate \$200 million in spending here over the term of the deal, which renegotiates 2007 and adds four more years. Steve Anderson, president and chief executive officer of the Washington, D.C.-based NRA, said this represents a continuation of an

PLAUSIBLE FORD, PAGE 4

## Ford plant in Chicago takes extra 4 weeks off

Idle until Aug. 14 due to slower sales

By Rick Popely  
Tribune staff reporter

Ford Motor Co. is idling its Chicago plant for four weeks because of a slowdown in retail sales.

The automaker is matching production to demand to avoid inventory pile-ups and is cutting back on production of several models. Ford would confirm only that the plant was closed this week, one week longer than the traditional two-week shut-down in early July that allows most U.S. auto plants, and would not say when production would resume.

But Carl Bryant, president



Ford's Chicago plant is staying idle for six weeks instead of the usual two this summer. Local 503 of the United Auto Workers, and Ford sources said production is scheduled to resume Aug. 14 at the plant on 102nd Street and Turbine Avenue. That would leave workers off for a total of six weeks.

The plant builds the Ford Five Hundred and Mercury

PLAUSIBLE FORD, PAGE 4

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its best-ever quarter**

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"There seems to be no slowing this manufacturing juggernaut's pace," Morningstar analyst Scott Burns said after the Peoria-based heavy-equipment giant released its robust results.

Caterpillar is "hitting on all cylinders," said Chairman and Chief Executive Jim Owens, telling analysts during a conference call that the company has been experiencing "a sustained and unprecedented period of rapid growth."

## EARNINGS

The company's previous all-time best earnings quarter occurred in the first quarter of this year.

Demand is so strong, in fact, that many Caterpillar customers face long waits before receiving their equipment, even though the company's global workforce grew by more than 10,000 over the past 12 months, to 92,314.

In the latest period, Cater-

pillar posted net income of \$1.05 billion, or \$1.52 a share, up from \$760 million, or \$1.08 a share, in the year-ago period. Revenue increased 13 percent, to \$10.61 billion.

The per-share profit landed a full 10 cents above the \$1.42 analysts had been forecasting. Caterpillar also boosted its full-year profit forecast for a third time, to a range of \$5.25 to \$5.50 a share from its previous guidance of \$4.85 to \$5.20 a share.

Despite that double dose of

positive news, shares of Caterpillar declined 73 cents, to \$68.35, on the New York Stock Exchange.

The stock, which briefly topped \$80 a share in May, has come under pressure in recent months because investors are worried about the slowdown in the U.S. economy.

UBS analyst David Bleustein raised his earnings estimate for 2006 by 30 cents a share Friday, for example, but

PLEASE SEE CAT, PAGE 2

# Microsoft moves to challenge iPod

By Eric Lipton  
Special to Chicago Tribune

Microsoft Corp. said Friday that it will take matters into its own hands and begin selling music players to compete head-on with the dominant iPod. The Zune, the company's new music player, will be available before the holidays and will play music and videos, offer an online store to sell digital entertainment, much like Apple Computer Inc.'s iTunes.

"Under the Zune brand, we will deliver a family of hardware and software products, the first of which will be available this year," said Chris Stephens, senior manager of marketing for Zune.

Apple dominates the digital music market with the iPod, which has 70 percent share, said analyst Gartner, an analyst with research firm IDC. It has a 60 percent share in the sale of digital music files, according to analyst Gartner.

## Combined oil profits likely above \$30 billion

Analysts expect the world's largest energy companies are expected to report combined quarterly profits next week of more than \$3 billion, a bounty fueled by an estimated \$1.5 billion or more of political instability that helped keep oil above \$70 a barrel.

The oil industry is braced for a backlash in Washington, where the House of Representatives is expected to pass legislation that would force the industry to disclose its political contributions to many parts of the industry paying more than \$1 a gallon at the pump.

But some analysts say companies could face less criticism than usual given the attention focused on Middle East violence.

Whatever the political fallout, the industry has done right by Wall Street. Standard & Poor's oil benchmarks returning quarterly results next week—BP PLC, ConocoPhillips, Chevron Corp., Exxon Mobil Corp., and Royal Dutch Shell PLC—earned an estimated \$1.5 billion, or 23 percent more than a year earlier, according to Thomson Reuters.

World oil prices that rose 33 percent, on average, helped boost earnings. Analysts expect Friday crude oil for August delivery is set to settle at \$74.45 a barrel, New York Mercantile Exchange.

BP PLC will be the first major oil company to report second-quarter results. The London-based company is expected to announce its earnings in the second week of August.

BP PLC is expected to be weighed down by the loss of oil from a massive offshore platform damaged by the explosion of a hurricane, and lost production and repair costs associated with the explosion.

ConocoPhillips, a Texas refinery, lost 500,000 barrels of oil in a fire at a Texas refinery last year. BP could not net in the second quarter, but analysts say it may have more than a year earlier, analysts say showing just how effective marketing and how the company can be in making operational difficulties.

## ADS: 1.5 million panelists are paid

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## HOW TO CONTACT US

Comments, questions and suggestions about articles in this section are welcome.  
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Associate Managing Editor for Business  
Chicago, IL 60611  
Tel: 312-222-3224  
E-mail: kwik@tribune.com

were to manage music and purchase new content." Through iTunes, you can buy Apple in control of the market.

"Law is the consumer who put a competing MP3 player for the holidays who thought it was an iPod," Gartner said. "It's a joke, but it's true." Microsoft is not competing with Apple close to the holiday, but Apple does with the iPod.

The majority of those competing products, however, use Microsoft's Windows. And sales have been unimpressive.

With Zune, Microsoft is taking a new approach and will build the hardware itself rather than let a company like Samsung, Creative or other vendors design the device.

It will be interesting to see what Microsoft will come up with," Gartner said. "They are certainly not known to be a cutting-edge device company."

Microsoft is putting its top talent into the project, including

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## PROFILE

### Caterpillar

Producer of construction and mining equipment, diesel and natural gas engines and rail equipment

Founded: 1925  
Headquarters: Peoria, Illinois  
Employees: 55,000

### Q3 PERFORMANCE

Q3 2005: \$9.36 billion

Q3 2006: \$16.61 billion

Profit:

Q3 2005:

Q3 2006:

Q3 2005:

Q3 2006:

Q3 2005:

Q3 2006:

Q3 2005:

Q3 2006:

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## THE TICKER

ENRON CORP.

## British bankers facing fraud charges must remain in U.S.

Associated Press

HOUSTON — Three British bankers facing Enron Corp. fraud charges must remain in the U.S. pending trial, a court order says. The order says that the three bankers, Stephen Smith and two others, are being held in England and possibly launching another British extradition battle after having a string of appeals over more than two years.

David Dermingham, Ed, Gary Rodgers, 41, and Glynis Barry, 41, are accused of conspiring to

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A hydraulic shovel loader Caterpillar trucks at a mine in Alberta in Canada. High commodity prices are driving demand for Cat trucks.

China's growing appetite for industrial resources has driven long-depressed prices higher for such commodities as copper, iron and nickel, sparking jumps in mining activity and in sales of Caterpillar mining vehicles. Miners, as well as oil-drilling riggers, also need the big diesel-powered generators the company produces.

In the U.S., more industrial production has meant that many companies are buying Caterpillar trucks, leading to increased orders for the heavy-duty equipment. Caterpillar sales to truckmakers.

And low interest rates have helped boost Caterpillar's construction equipment sales, as well as oil-drilling riggers, also need the big diesel-powered generators the company produces.

Production is on the rise. The company's revenue rebound, demand grew so rapidly that Caterpillar was unable to meet the demand for its products. It has to look to get product from other plants, a toll on profits.

Caterpillar's profit margins are also on the rise. The company's profit margins are also on the rise. The company's profit margins are also on the rise.

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## STOCK MARKET

July 21, 2006

NYSE: 11,505.34

NASDAQ: 2,811.12

DJIA: 11,505.34

NYSE: 11,505.34

NASDAQ: 2,811.12

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NYSE: 11,505.34

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Canadian Press file photo

A hydraulic shovel loads Caterpillar trucks at a mine in Alberta in 2003. High commodity prices are raising demand for Cat trucks.

## CAT: Stock down as investors sour on future

CONTINUED FROM PAGE 1

reduced his price target for Caterpillar shares by \$7, to \$75. He said investors are likely to begin betting the company's profit levels are "approaching peak levels."

Even though Caterpillar emphasized that revenue and profit will continue to rise, Bleustein said, profit as a percentage of sales is likely to come under pressure as the market grows more competitive.

### Cyclical nature

Because the company serves cyclical industries such as construction, transportation and mining, its profits historically have been extremely sensitive to the health of the world economy. After enduring a lengthy period of weakness early in this decade, Caterpillar has benefited for more than two years from powerful global demand.

China's growing appetite for industrial resources has driven long-depressed prices higher for such commodities as copper, coal, iron and nickel, sparking a jump in mining activity and in sales of Caterpillar mining vehicles. Miners, as well as oil-drilling rigs, also need the big diesel-powered generators the company makes.

In the U.S., more industrial production has meant that more goods are being hauled by cross-country trucks, leading to increased orders for the heavy-truck engines Caterpillar sells to truckmakers.

And low interest rates have spurred commercial and residential construction, where Caterpillar's earthmoving equipment plays a prominent role.

### Production in order

Early in the economy's rebound, demand grew so rapidly that Caterpillar was unable to keep up with it, and the interim measures it took to get product out the door of its capacity-constrained plants took a toll on profits.

Caterpillar's profit margins have fattened in recent periods in part because many of those production bottlenecks have been resolved.

As part of Owens' strategy, Caterpillar didn't build major new

### PROFILE

## Caterpillar

Producer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines.

Founded: 1925

Headquarters: Peoria

Employees: 85,000

### Q2 PERFORMANCE

Revenue:

Q2 2005: **\$9.36 billion**

Q2 2006: **\$10.61 billion**

Profit:

Q2 2005:

**\$760 million**

Q2 2006:

**\$1.05 billion**

### STOCK PRICE

Daily closes



Sources: The company, Bloomberg  
Chicago Tribune

production capacity to meet the peak demand. That is expected to help profits when the cycle inevitably turns downward.

To Owens' obvious frustration, however, investors have grown worried that the good days already are over. A slowing housing market could lead to a slowdown in the nation's economy, they fear, and that could lead to weaker economic conditions worldwide.

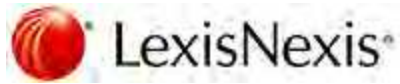
"We're entering the fourth year of a recovery that began in mid-2003," Owens said. "The industries we serve continue to be very strong throughout the world."

Owens, who was trained as an economist, then added that while it is "tough to predict the future, historically global-industry recoveries have lasted six to eight years."

Housing in the U.S. market, he pointed out, "is weaker, but it's not collapsing, and 2006, while down from 2005, should still be the third-best year for housing starts in the U.S. since 1978."

jpmiller@tribune.com

# EXHIBIT 051



**User Name:** Rachel Coffin

**Date and Time:** Thursday, March 21, 2019 2:24:00 PM EDT

**Job Number:** 85347963

## Document (1)

1. [BILLION-DOLLAR TRAIN TRIP FOR CAT; CEO Owens' big diversification play pleases Wall St., puzzles rail industry](#)

**Client/Matter:** -None-

## ***BILLION-DOLLAR TRAIN TRIP FOR CAT; CEO Owens' big diversification play pleases Wall St., puzzles rail industry***

Crain's Chicago Business

October 16, 2006

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**Section:** NEWS; Pg. 1

**Length:** 974 words

**Byline:** BOB TITA

### **Body**

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There are no shining yellow bulldozers rolling out of Caterpillar Inc.'s newest plant in East Chicago, Ind.

Instead, workers are busy repairing train wheels; up to 200 worn-down wheel-and-axle sets roll into the plant every day. The wheels, measuring up to 3 feet in diameter, are dunked in a hot bath and taken apart. Some components are replaced, while others are ground smooth again on giant lathes.

It's the type of grimy, old-school industrial work that's fallen out of favor with much of Corporate America-but it's the cutting edge of Cat CEO James W. Owens' diversification strategy. That's why Mr. Owens acquired Progress Rail Services Inc., owner of the East Chicago plant, for \$1 billion in May. And while it went over well on Wall Street, railroad industry insiders question whether acquiring the remanufacturer will boost Cat's bottom line much.

"The railroad repair business is not a very high-margin operation," says Toby Kolstad, president of Rail Theory Forecasts LLC, an industry consultancy in Oregon.

But the \$1-billion buyout-the second-largest in Cat's history-will help get Mr. Owens closer to his stated goal of reaching \$50 billion in annual sales by 2010, nearly a 40% increase over last year's revenue.

Progress Rail will add \$1.2 billion to Cat's sales this year. That will double revenue in Cat's remanufacturing unit, which has been growing 15% a year since 2000 yet still makes up just 3% of Cat's \$36 billion in total sales.

Cat's original remanufacturing operation almost exclusively repaired engines for Cat-made equipment. Progress Rail works on all sorts of rail car engines and parts. Its customers include all the major railroads as well as commuter rail systems like the Chicago Transit Authority.

In buying Progress Rail, Mr. Owens has made Cat's most ambitious move ever toward diversifying. The idea is to enter service businesses that are less cyclical than Cat's dominant construction-machinery and engine-making divisions. "They offer better earnings stability and much better stability at the bottom of the cycle," Mr. Owens told Wall Street analysts last year.

But that's where rail industry insiders find Cat's deal for Progress Rail puzzling. The railroad business can be as cyclical as the construction business. And even when the industry is booming, as it has been of late, rail service companies don't make a lot of money.

In 2005, one of the best years for the rail industry in the past decade, Progress posted an operating profit margin of 6.5%, compared with nearly 11% at Caterpillar.

## BILLION-DOLLAR TRAIN TRIP FOR CAT; CEO Owens' big diversification play pleases Wall St., puzzles rail industry

Cat, however, hopes it can boost Progress' margins using the repair and recycling processes it developed for remanufacturing its own engines. Moreover, Mr. Owens and his lieutenants have eyed train engines as a potential area of expansion for Caterpillar.

It's not hard to understand what Mr. Owens sees in the railroads. The industry has been red hot, as shippers have turned to trains to counter rising fuel costs and move a flood of consumer goods imported from China across the country. Progress' revenue climbed by 47% between 2003 and 2005. Net income during the same period climbed 69% to \$38.8 million.

"We looked at the rail industry and our competencies and decided Progress would be a pretty good business to pursue," says Steve Fisher, vice-president of Caterpillar's remanufacturing division.

In an effort to make Progress worth Cat's \$1-billion investment, the company is turning to William Ainsworth, the entrepreneur who in the early 1980s began buying old rail cars and chopping them up for scrap. By the end of the decade, the business was also doing repair work on cars. In 1993, his company was acquired by Florida Power Corp., which allowed him to buy additional repair shops and track maintenance businesses. In seven years he bought 28 businesses.

Last year, Progress Energy Inc., which had acquired Florida Power, sold Mr. Ainsworth's division to a private-equity firm. The company, with its 3,700 employees and 91 shops, was headed for a public offering before Cat came in with a better offer.

Mr. Ainsworth, 50, will continue as president of Albertville, Ala.-based Progress Rail and answer to Mr. Fisher in Peoria. He brushes aside questions about Progress Rail's cyclical nature, pointing to the company's steady sales and profit growth-not counting acquisitions-throughout its history.

"Even in a significant downturn, railroads can't run without wheels," he says. "That's a confidence level you can build on."

Nevertheless, it looks like Cat bought at the top of the market. Last year, 25% of Progress' revenue came from selling scrap metal, which has been fetching record prices.

Cat says it's preparing for the inevitable fall in scrap prices by infusing Progress with technology it uses in remanufacturing its own engines. At a plant in Corinth, Miss., where Cat rebuilds engines, workers use a proprietary welding process to patch cracked engine blocks and cylinder heads that would have been considered ruined in the past. Components that have become ground down from wear or repairs are restored to their original thickness with a process that sprays paper-thin layers of hot steel alloy onto the parts.

"It's easy to take metal off, but the hard thing is to put it back on the way that it was," says Bradley Bonds, a Corinth plant engineer.

The plant receives hundreds of beat-up engines per week. Most are dismantled by hand, the first step in a labor-intensive process that requires 527 workers. That's the kind of thing that most American companies try to avoid these days. Surprisingly, though, Wall Street has signed on to Cat's move into engine rebuilding.

"It makes sense," says Matthew Collins, an analyst with Edward Jones & Co. in St. Louis. "The aftermarket business is a very lucrative piece of the pie that companies are starting to exploit."

Contact: [rita@crain.com](mailto:rita@crain.com)

## Graphic

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BILLION-DOLLAR TRAIN TRIP FOR CAT; CEO Owens' big diversification play pleases Wall St., puzzles rail industry

Art Caption: Cat's strong stride: Even with modest estimates of 6.5% annual revenue growth, Caterpillar should reach its goal of \$50 billion by 2010.

Art Credit: Progress Rail's East Chicago, Ind., plant takes in 200 train wheel-and-axle sets a day for repairs.

Art Credit: JOHN R. BOEHM

**Load-Date:** October 22, 2006

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End of Document

# EXHIBIT 052



**SPORTS**  
**BULLS GET CROWNED**  
 Lose late 6-point lead, drop home opener to Kings 89-88



**BUSINESS**  
**South Loop on the rise**  
 \$900 million residential, retail project planned

# Chicago Tribune

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SATURDAY, NOVEMBER 4, 2005

CHICAGO

## Rezko is 'wildly in debt,' U.S. says

Rajagovich confident more than \$50 million in red, judge is told

By Rudolph Bush and David Jackson  
 Tribune staff reporters

Gov. Rod Blagojevich's long-time friend and one-time top fundraiser Antonio "Tony" Rezko is more than \$50 million in debt, according to disclosures in court filings.

The hearing before a federal judge offered a glimpse into the complicated, high-stakes finances of a man at the center of a scandal that has cast a shadow over Blagojevich's administration.

Blagojevich's administration has been the subject of a congressional investigation. Rezko's financial records, which include his tax returns, are being reviewed by the U.S. Attorney General's office.

Rezko has been accused of a variety of crimes, including conspiracy to defraud, conspiracy to obstruct justice, and conspiracy to violate the federal bankruptcy laws. He has also been accused of conspiracy to defraud the U.S. Postal Service.

Blagojevich's attorney, Joseph P. Kelly, said that Rezko's financial situation is "wildly in debt" and that he is "not in a position to pay his debts."

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## In Gaza, a rally against incursion



Palestinian women flash victory signs at an Israeli tank during a demonstration in Beit Hanoun in the northern Gaza Strip. On Friday, two women in a group acting as human shields were killed and another 17 wounded as they aided the escape of dozens of Palestinian militants from a mosque surrounded by Israeli forces, witnesses said. STORY, PAGE 12

## 'Less-lethal,' still deadly

Weapons debate heats up after death of teen when police use Taser

By E.A. Torriero and Charles Sheehan  
 Tribune staff reporters

JERSEYVILLE, Ill. — Roger Hatfield had two months to make his case to help change his son's death. The psychological trauma and aftermath that marred the teenager's life.

But on Oct. 28, as Hatfield walked down a street waving a cordless telephone and screaming "Saint Jesus" police feared he was out of control, a potential danger to himself and others.

They stung him with an electric shock from a Taser stun gun and when he continued to struggle, they shocked him again. Minutes later Hatfield went into a coma, and the next day he died, a death that a medical examiner later said probably resulted from "excited delirium," his doctor said.

Hatfield was buried Friday in a quiet rural cemetery 10 miles outside town. In a private ceremony for several thousand mourners.

But the entry over his death continues to grow, drawing this little town into the national debate over the use of "less-lethal" weapons, especially on people with disabilities or disorders.

As these alternatives to guns have found their way into use by every police department in the country, both medical and

## Economy's political sway shifts

Seemingly positive numbers don't guarantee boost to party in power

By William Neuhik  
 Tribune senior correspondent

WASHINGTON — With so much change sweeping America's workplace, the Republicans are discovering it is not necessarily easy to gain political traction from a generally favorable economy.

Friday's monthly employment report showed improving wages and an unemployment rate at the lowest level in four years, but it remains to be seen how much the news will benefit the GOP as Tuesday's election approaches.

The October jobs report showed unemployment fell from 4.6 percent to 4.4 percent, while employers added 32,000 non-farm jobs to their payrolls. Also, the government reported upward the number of jobs created in August and September.

But structural changes that have rolled the job market in recent years have changed the meaning of these numbers for many Americans, particularly less-skilled workers who are

### Mixed report



### JOB'S ADDED TO ECONOMY



SEE ECONOMY, PAGE 8

## Hastert homes in on his own district

Departs from usual job of stamping for others

By Christi Parsons  
 Tribune national correspondent

PLANO, Ill. — In his gracious country home overlooking a duck pond and a grove of gnarled apple trees, House Speaker Dennis Hastert is cluttered with a cadre of trusted staffers, making phone calls and making plans.

The phone calls are to rally encouragement and advice to fellow Republicans running for the House around the country.

INDEPENDENTS  
 ■ Democrats have no plan to fight terrorism.  
 ■ President Bush says, PAGE 4  
 ■ Runfield hit from both sides on Iraq war, PAGE 6  
 ■ Duckworth surprised VWW endorsed Riskman, PAGE 17

has neighborhoods 20 miles west of Chicago.

"You just never want to take a chance, you know," Hastert said, taking a break from his phone calls one day this week.

"You just want to win and make sure you have the confidence of the people you represent."

SEE HASTERT, PAGE 6

## Taking robots to the next level—by a whisker



Mitra Hartmann and Joseph Solomon of Northwestern used robotic whiskers to build a computerized image of a sculpture.

Inspired by rats, whose whiskers are a key sensory tool, NU experts work on robotic whiskers for uses on Earth and far beyond

By Jeremy Manier  
 Tribune staff reporter

The most serious gadget in Mitra Hartmann's robot lab, the one that prompts an instinctive double-take from visitors, is a jumble of metal sensors and wires attached to a single waxy rat whisker.

NASA researchers say, sensors resembling whiskers may one day aid the exploration of Mars or other worlds.

Such sensors could provide a litany of rock textures, show a rover around hazards or help it function where dust storms cut down on visibility.

Hartmann's work is part of a blossoming effort among robotics experts to take inspiration from animal species that would hold solutions to their engineering challenges.

A surprising amount of that animal-based work has come by

It looks like part of a feckish rodent's cyborg, but that's not the goal for Hartmann and her team of Northwestern University. They're after something more practical: robotic whiskers that can pick out the shapes of objects by touch, just like rats do.

SEE WHISKERS, PAGE 2

**INSIDE**

**NATION**

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**Church gets 1st female presiding bishop**  
 Bishop Catherine Adjevi, 57, prepares to lead the Episcopal Church, PAGE 3

49485 00001





SPORTS

# BULLS GET CROWNED

Lose late 6-point lead, drop home opener to Kings 89-88



BUSINESS

# South Loop on the rise

\$900 million residential, retail project planned



# Chicago Tribune

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SATURDAY, NOVEMBER 4, 2006

CHICAGO

160TH YEAR — NO. 308 CHICAGO TRIBUNE

# Bush on road to pump up the base

By Mark Silva  
Tribune national correspondent

**SPRINGFIELD, Mo.** — Four days before an election in which control of Congress is at stake, President Bush accepted Democratic attacks of lacking any plan for winning a war against terrorism, with an intensity unexpected for support of his party as the president of the U.S.

"Ask them this question: 'What is your plan?'" Bush said of the Democrats at rallies for supporters in Missouri on the 37th day leading crowds several thousand-strong in a chorus of refrains: "What is your plan?"

"They're not going to be able to answer that question. They have no plan," Bush said, cheering audience in delight. "You cannot win the war on terror if you don't have a plan to win the war."

The Democrats are fighting for six seats gain in the Senate and 15-seat gain in the House—retaining control of Congress in the remaining two years of Bush's presidency. But the Democrats maintain that it is the president who has the most power for victory in Iraq, now the focal point of the midterm elections.

Bush's failed "stay the course" rhetoric is not being for America, but has been a drag on Republican support. The ballot who have rubber-stamped the White House's "Iraq surge" agenda. House chairman of the Democratic National Committee, said Friday he simply can't tell voters and Republicans to keep us safe," Dean said.

The president's plan for saving the Senate and House from a Democratic takeover hinges on the plan for saving war in Iraq, the central focus in the war on terrorism in the coming months.

But will devote his election over campaigning to Republicans run for governor in



President Bush arrives Friday at a campaign rally at Missouri Southern State University in Joplin.

three states: Florida, Arkansas and Texas. With voters in 36 states casting votes for governor on Tuesday, there are nine open offices, and Democrats hold six sufficient leads in five of those races—Ohio, Arkansas, Colorado, New York and Massachusetts.

### Early voting in Tennessee

Early-voting Senate races are driving some voters out to cast ballots before Election Day, with more voters in Tennessee casting early votes this year than in any other non-presidential election. Officials credit the heating center between the Republican Bob Corker and Republican Rep. Harold Ford Jr. as the reason for the early voting. Senate Majority Leader Bill Frist.

More than 807,000 votes were cast early in Tennessee—representing more than 25 percent of the state's 3.1 million voters. In one of six contests where Democrats hope to win Republican hold seats and gain control

of the Senate. "The Senate race and all the advertising war it has spurred people to go to vote," said state election coordinator Irvok Thompson.

The stability of these midterm elections is also on display in Ohio, a Republican electoral hotbed that two years ago delivered the critical votes Bush needed for a second term. Republican Sen. Mike DeWine, long considered to be a near show-in for a third term, is trailing his Democratic opponent, Rep. Sherrod Brown, in recent polls. As if consolidating defeat, the Republican National Committee pulled its financial support last month.

Long a bellwether state, Ohio now embodies the news that blazes: Republican national news public anger or voters' uneasiness with the war in Iraq, as well as job losses and distrust in political corruption. Rep. Bob Ney, who pleaded guilty in the Jack Abramoff lobbying scandal, resigned from office Friday. This is hardly a helpful November surprise for Republican candidate, Gov. Ed Brown, who has not won a statewide office in Ohio in

more than a decade—since victory. Brown and Democratic gubernatorial candidate Ted Strickland are scheduled to campaign together this week and Sen. Barack Obama (D-Ill.), the party's designated electoral rainmaker, is to keynote a rally Saturday night in Cleveland.

In Virginia, site of another hotly contested Senate seat, the candidates court black voters. Bush is on his way through the southern curve of the state. Sen. George Allen (R-Va.) picked up the backing of clergy and Democrat Jim Webb campaigned at a Norfolk State University rally.

"Our country is headed in the wrong direction," said Doug Wilder, a former Virginia governor and an African American, campaigning with Webb. "We need someone who will have the courage to tell George Bush and that group of people he has surrounded him that we're not going to let you continue to spend \$1 billion a week in Iraq."

And, as Republican candidates court religious voters, an evangelist with ties to the White House has endorsed a person at scandal. Ted Haggard, a staunch foe of same-sex marriage and occasional supporter of the White House, endorsed a person at scandal.

stemed as president of the National Association of Evangelicals, founder of his Colorado church following allegations of meetings with a gay prostitute. This follows the resignation of former Rep. Mark Foley of Florida amid reports of his sexually explicit electronic messages with former made congressional pages—a scandal still under investigation by the House ethics committee.

**Visits to Missouri, Montana**  
Bush has injected the issue of same-sex marriage into his campaigning for congressional candidates. Stumping for Republican senators facing close races in Missouri and Montana this week, Bush held out Supreme Court Justices John Roberts and Samuel Alito as the sort of judges whom he appoints and the sort whom Democrats will never support if they gain control of the Senate.

The significance of this for the conservative Christian voters of Missouri, where Bush was stumping for Republican Sen. Jim Talent, was underscored by a mass warming-up rally in Springfield with a warning that the Democratic candidates for Senate, Claire McCaskill, "has fought every effort at the state level and the national level to protect traditional marriage."

Turning out the party's conservative base of voters on Election Day is the goal of Bush's campaign closing, five-day tour through 10 states that he carried in 2004.

In Missouri and Montana in particular, polls have portrayed the contests between Republican senators and their Democratic challengers as so close that the White House counts on the president's appearances to swing a turnout of GOP voters that could make the difference on Tuesday.

These are the two states where we believe the president can have the biggest impact on turnout," a senior administration official said this week ahead Air Force One.

Tribune national correspondent Tom Ivers contributed to this report from Ohio; news services also contributed.



### CAMPAIGN DIGEST

**NE GOES:** Rep. Bob Ney of Ohio, who pleaded guilty last month in the Jack Abramoff influence-peddling investigation, is expected to resign before the next Congress on Friday, sending a letter of resignation to House Speaker Dennis Hastert (R-Ill.). Hastert said he threatened to resign if he didn't quit by the time lawmakers returned to Washington after Tuesday's elections, and GOP candidates in Ohio had been pressing for Ney to resign. His hand picked successor, Steve Stabenow, has been designated by Ney's starting in office.



**RURAL RADIO:** In a first, the Democratic Party has been buying up time on Christian and rural radio stations in battleground states to try to reach out to evangelical Americans. Pro Democratic messages have been placed on 180 stations in seven states, including Michigan.

**STAR POWER:** Former President Bill Clinton shared a stage with Gov. Jim Doyle on Friday telling Wisconsin Democrats to appeal to voters. "You don't have to give up on anybody," Clinton said at the Milwaukee Theatre Doyle's challenge. U.S. Rep. Mark Green, also brought in star power, joining into the Paid Theater to speak to Republican candidates gathered to see Fox News host Sean Hannity.

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|-----------|----------------|----------------|----------------|
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| Michigan  | 08-10-12-14-16 | 09-11-13-15-17 | 10-12-14-16-18 |
| Wisconsin | 01-03-05-07-09 | 02-04-06-08-10 | 03-05-07-09-11 |

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### WINNING LOTTERY NUMBERS

#### Illinois

|                              | Midday            | Evening |
|------------------------------|-------------------|---------|
| Nov. 3 Pick 3                | 478               | 594     |
| Nov. 3 Pick 4                | 4901              | 1454    |
| Nov. 3 Little Lotto          | 13 29 33 36 38    |         |
| Nov. 3 Mega Millions         | 08 10 22 25 55 22 |         |
| Nov. 3 Mega Millions jackpot | \$42 million      |         |
| Nov. 4 Lotto jackpot         | \$6 million       |         |

#### Indiana

|                     | Midday         | Evening |
|---------------------|----------------|---------|
| Nov. 3 Daily 3      | 558            | 604     |
| Nov. 3 Daily 4      | 2636           | 2901    |
| Nov. 3 Lucky 5 mid. | 03 06 15 18 27 |         |
| Nov. 3 Lucky 5 eve  | 01 03 07 13 35 |         |

#### Michigan

|                  | Midday            | Evening |
|------------------|-------------------|---------|
| Nov. 3 Daily 3   | 178               | 877     |
| Nov. 3 Daily 4   | 5038              | 5935    |
| Nov. 3 Fantasy 5 | 06 25 26 35 39    |         |
| Nov. 3 Keno      | 03 06 09 14 17 22 |         |
|                  | 31 32 34 37 39 40 |         |
|                  | 41 45 47 59 60 66 |         |
|                  | 68 70 71 73       |         |

#### Wisconsin

|                   |                   |
|-------------------|-------------------|
| Nov. 3 Pick 3     | 375               |
| Nov. 3 Pick 4     | 8219              |
| Nov. 3 Badger 5   | 06 07 11 19 25    |
| Nov. 3 SuperCash! | 02 06 07 13 20 28 |

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CHICAGO TRIBUNE GIFT

# Rising up along Roosevelt



Photo shown by the developer.

Centrum Properties plans to develop land just north of Roosevelt Road and west of Clark Street into a mixed-use project with condominiums, parking, retail space and a 2.5-acre park. The drawing below shows the corridor as it is expected to look from the south when it is completed in late 2009.

2-acre project will add high-rise and loft condos, smaller retail spaces in South Loop, where residential development is surging

By Susan Diemhouse  
Tribune staff reporter

A Chicago developer is set to kick off an approximately 100 million, mixed-use project in the South Loop that should accelerate residential development and introduce a new type of retailing to an area where freight railroads and industry once thrived.

On Nov. 16, Centrum Properties Inc. will begin marketing the first phase of the project, called the Roosevelt Collection, which, when finished, will comprise as many as 1,000 condominiums, parking for 1,300 cars, a 2.5-acre park and about 80,000 square feet of retail space.

The industry observer says the development is a "hot rack,"

but Centrum says the project will create a new 12-acre neighborhood of housing and small shops retailing that will help to together this submarket on the southern edge of downtown.

"We're going to build a town center for the South Loop," said Solomon Barbet, a partner in Centrum. "The retail will be a lifestyle center that caters to families."

The condominiums will be priced from \$200,000 to \$600,000, and Barbet expects the project to draw buyers mostly from other city locations. Shoppers like it will come from Centrum resi-

denies downtown and from the suburbs to the west and south.

Early in 2005, the five-year construction project will start on three levels of above-ground parking, topped by an 800-foot-long, 200-foot-wide promenade. Some informal dining will run through the walkway's center.

Along the sides will sit two stories of retail filled with about 15 shops selling clothing, accessories and home goods, as well as restaurants and a 16-screen multiplex cinema featuring lounge buildings with water service. Rising six stories above the shops will be 300 loft-style

condominiums.

On the northern edge of this cluster of homes and shopping will be 40-story condominium high-rise on a circular plaza that leads to the 3.5-acre park. Further north will be a 45-story condominium high-rise.

In 1992, before the recent surge in residential development, downtown Chicago had about 60,000 housing units, including about 1,500 in the South Loop. Now, the Metropolitan Planning Council says, has more than doubled, to approximately 100,000.

PHOTO BY CENTRUM, PAGE 2



## Cat chief sees 15% annual profit rise

Global sales forecast to offset U.S. cooling

By James P. Miller  
Tribune staff reporter

LAFAYETTE, Ind.—Caterpillar Inc. expects per-share earnings to rise at least an average of 15 percent a year through 2010, Chairman and Chief Executive Jim Owens told financial analysts and institutional investors Friday.

Owens' upbeat presentation came less than two weeks after the Iowa-based heavy equipment giant reported a second-quarter profit surge by offering an unexpectedly cautious 2007 profit forecast.

At the company's once-a-year analyst meeting, held this year at Caterpillar's 1,600-employee heavy-machine factory in Lafayette, Owens and other top officials sought to allay investor fears that the company could be facing long-term profit pressure.

"Although next year's earnings will be impacted by the U.S. housing market's weakness and by an expected falloff in trucking revenue, demand, other sectors and markets remain robust. Owens emphasized.

Caterpillar "is playing well a double-edged sword" in the U.S., much of the rest of the world remains in good economic shape, he said.

Because its equipment is used for infrastructure work such as roads and dams, as well as for mining, energy development and transportation, Caterpillar's business has been resilient to the economy's ups and downs.

Next month, the company will close out its third consecutive year of record earnings, thanks to a near-perfect alignment of market factors.

In recent years, long-dormant prices for commodities such as iron ore and copper have skyrocketed, boosting demand for Caterpillar's mining trucks and advancing mineral-rich nations around the world with new revenue.

China's surging economy has fueled demand for Caterpillar construction equipment. The increase in trans-Pacific shipping has boosted demand for seagoing freighters and for the giant marine engines that Caterpillar builds.

A rebounding U.S. manufacturing sector has been providing more goods, requiring more trucks to transport the product, and truck makers have been buying Caterpillar's diesel truck engines.

High oil prices have kept steel

PHOTO BY CATERPILLAR, PAGE 8

## American, Delta boost fares by \$10

Some observers say this increase will stick

By Tom Ichniowski  
Tribune staff reporter

Several major carriers are raising many U.S. fares by \$10 per round trip, including low-cost carriers, and some industry analysts expect the fare increases will stick, unlike a failed effort to raise prices last week.

American Airlines, the nation's largest carrier, raised fares Thursday on most of its routes except for and from Dallas, where it is locked in a fare war with Southwest Airlines. Delta Air Lines quickly followed suit except on routes where it competes with Southwest and other low-cost airlines. Continental Airlines and US

Always said Friday that they would match the higher fares. Southwest Airlines and JetBlue said they are considering the issue, and United raised other fares by as much as \$30 one way.

If the latest increase sticks, it would be the 22nd round fare increase by U.S. airlines in the last two years, and the 10th in 2005, said Lamar Baker, an analyst at J.P. Morgan.

Low-cost carriers have battled at some fare hikes, occasionally raising adult, traditional air fares, such as American and Delta, to reveal increases. But this time, most of the increases are on routes not flown by the discount carriers, meaning they can't play spoiler, Baker said.

As a result, Baker says the latest



A Delta Air Lines skycap moves luggage at Logan International Airport in Boston. Delta joined American Airlines in boosting round-trip fares by \$10, the 10th increase by carriers this year.

## Enron investors to receive \$72.5 million from Andersen

Separately will get \$11.5 million, the filing showed.

The settlements add to the \$1.2 billion that investors have recovered from Enron's former lenders, accountants and lawyers.

City group Inc., JP Morgan Chase & Co. and Canadian Imperial Bank of Commerce paid \$100 million in dollars to settle claims that they helped inflate Enron's stock price.

Paris & Dutton, a spokesman for Andersen, said the firm set up to avoid the risks and costs associated with continuing litigation. Andersen admitted no wrongdoing in connection with Enron's demise.

Chicago-based Andersen, Enron Corp.'s former auditor, has agreed to pay \$72.5 million to resolve claims by investors who lost billions of dollars in the Enron collapse.

Andersen, once the world's fifth-largest accounting firm, agreed to the settlement in late 2005 after the U.S. Supreme Court overturned its criminal conviction over the shredding of Enron audit documents, according to a filing Thursday in federal court in Houston.

Recovering \$72 million from a firm that is virtually out of business is a pretty good recovery for former Enron investors seeking to recover more than \$30 billion, said Frayde.

PHOTO BY ENRON, PAGE 2

### INSIDE

Whole Foods shares plunge after growth warning. PAGE 3

Conservative group plans to boycott Wal-Mart. PAGE 2

| DOW       | INDUST   | NASDAQ   | S&P 500 | 10-YEAR T-BOND |
|-----------|----------|----------|---------|----------------|
| -32.50    | -3.23    | -3.04    | +0.12   |                |
| 11,990.01 | 2,130.79 | 1,364.30 | 4.72%   |                |

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# Cat chief sees 15% annual profit rise

## Global sales forecast to offset U.S. cooling

By James P. Miller

Tribune staff reporter

LAFAYETTE, Ind.—Caterpillar Inc. expects per-share earnings to rise at least an average of 15 percent a year through 2010, Chairman and Chief Executive Jim Owens told financial analysts and institutional investors Friday.

Owens' upbeat presentation came less than two weeks after the Peoria-based heavy-equipment giant dismayed Wall Street by offering an unexpectedly cautious 2007 profit forecast.

At the company's once-a-year analyst meeting, held this year at Caterpillar's 1,600-employee heavy-engine factory in Lafayette, Owens and other top officials sought to allay investor fears that the company could be facing long-term profit pressure.

Although next year's earnings will be squeezed by the U.S. housing sector's weakness and by an expected falloff in truck-engine demand, other sectors that Caterpillar serves remain robust, Owens emphasized.

Caterpillar "is playing on a global stage," he reminded the audience. And while acknowledging that "we're going to hit some turbulence" in the U.S., much of the rest of the world remains in good economic shape, he said.

Because its equipment is used for infrastructure work such as roads and dams, as well as for mining, energy development and transportation, Caterpillar historically has been sensitive to the economy's ups and downs.

Next month, the company will close out its third consecutive year of record earnings, thanks to a near-perfect alignment of market factors.

In recent years, long-dormant prices for commodities such as iron ore and copper have skyrocketed, boosting demand for Caterpillar's mining trucks and infusing mineral-rich nations around the world with new revenue.

China's surging economy has fueled demand for Caterpillar construction equipment. The increase in trans-Pacific shipping has boosted demand for seagoing freighters and for the giant marine engines that Caterpillar builds.

A rebounding U.S. manufacturing sector has been producing more goods, requiring more trucks to transport the product, and truckmakers have been buying Caterpillar's diesel truck engines.

High oil prices have sparked a



# CATERPILLAR: Truck-buying surge to avoid rule change

CONTINUED FROM PAGE 1

jump in the number of exploration rigs, which are big users of Caterpillar generators and compressors. And the housing boom has spurred heavy orders of Caterpillar bulldozers, backhoes and other site-preparation equipment.

In recent months, however, higher interest rates have severely crimped U.S. housing starts. And truck purchasers are snapping up all the heavy-duty trucks now being made so they can avoid more expensive models made with new, cleaner-running diesel engines that federal environmental standards require for trucks made after Jan. 1.

The boom in demand for older-generation trucks is cannibalizing next year's orders, which

means Caterpillar's truck-engine plant in Mossville, Ill., just outside Peoria, will see a significant temporary workforce reduction in January.

The company's truck-engine segment faces "a tough first quarter and a horrible January," Doug Oberhelman, president of the engine group, told the audience.

But Oberhelman added that other engine segments remain strong, saying the petroleum industry's long-running exploration-and-development surge remains a "fabulous opportunity" for the company's engine group.

"We've had a terrific run," Owens said, referring to the lucrative recent years when Caterpillar struggled to keep up with heavy demand. "And we think our business has great legs."

Some observers have fretted recently that the demand cycle might have peaked for Caterpillar, and that it now will ride the cycle downward to another trough like the one it endured in 2002.

But Owens, who has a doctorate in economics, said he thinks the U.S. economy is going through a pause, and that it will regain solid growth momentum

in 2008. Caterpillar expects the Federal Reserve will begin easing interest rates, stimulating demand for the type of big-ticket goods that Caterpillar makes, in mid-2007.

***'We've had a terrific run.  
And we think our  
business has great legs.'***

—Caterpillar chief Jim Owens

The company said it is targeting per-share growth in a range of 15 percent to 20 percent through 2010. The 20 percent level isn't a sure thing, Owens said, but "I'm confident we can deliver 15 percent growth regardless of what the business cycle does."

Owens and other executives didn't offer any improved profit forecast for the year ahead, which Owens noted promises to be an "inflection point" for the U.S. economy.

Some observers have wondered whether Caterpillar had deliberately set low projections for 2007, setting itself up to later bask in its performance of surpassing not-overly-challenging goals. Others have suggested that the company is simply hewing to its historically conservative forecasting.

"There are a lot of uncertainties out there," Owens reminded the analysts.

*jpmiller@tribune.com*

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What's in it for you?

# EXHIBIT 053



## Caterpillar is number one maker of tractors and earth-moving machines all over world

CBS News Transcripts CBS Evening News 6:30 PM EST CBS

December 5, 2006 Tuesday

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**Length:** 372 words

**anchors:** KATIE COURIC

**Reporters:** TRISH REGAN

### **Body**

---

KATIE COURIC, anchor:

With all the reports about American jobs being shipped overseas and so many US industries taking a real beating, our next story may surprise you because it turns out American manufacturing is still the envy of the world, or as Trish Regan reports, it's the cat's meow.

TRISH REGAN reporting:

They're part of the American landscape. Caterpillar or Cat is the number one maker of tractors and earth-moving machines all over the world. So when Panama wants to expand its canal, it turns to Cat. And when China mines nickel, Cat again. CEO Jim Owens says the company ships \$9 billion worth of machines overseas every year.

What surprises you the most about how Americans perceive manufacturing here in the US?

Mr. JAMES OWENS (CEO, Caterpillar, Inc.): I guess it surprises me that Americans think somehow we're losing.

REGAN: We're not. Last year America produced \$1.79 trillion worth of goods, almost twice as much as second-place Japan.

(Graphic on screen)

Manufacturing 2005

United States \$1.79 trillion

Japan \$990 Billion

REGAN: The key to success in factories like this comes down to one thing: a steady increase in worker productivity. In other words, it's not your grandparents' assembly line. Every year for the last decade, American workers have increased manufacturing productivity by more than 4 percent. And it's because of employees like Jack Morgenstem. He figured out how to take minutes off parts distribution on Cat's engine line in Peoria, Illinois.

Mr. JACK MORGENSTEM (Assembly Line Worker, Caterpillar, Inc.): I would say there's at least 25 to 30 parts that each assembler uses at each station. So my idea was to coordinate them into kits where the first assembler would not have to reach for anything, they could take them off the top.

REGAN: And that idea has resulted in two more engines a day.

Mr. OWENS: We're more competitive with our manufacturing in the United States than we were 15 or 20 years ago because we've broken through a lot of those hurdles where people had tightly defined jobs and didn't work together.

JENNY REILLY

Caterpillar is number one maker of tractors and earth-moving machines all over world

REGAN: Caterpillar's products are the number one or two best sellers on every continent, proving that "Made in the USA" is a very valuable label. Trish Regan, CBS News, Peoria, Illinois.

**Load-Date:** December 6, 2006

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End of Document

# EXHIBIT 054

## *Caterpillar, number one in tractors and earth-moving machines, is success story of "Made in America" products*

CBS News Transcripts CBS Morning News 6:30 AM EST CBS

December 6, 2006 Wednesday

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**Length:** 400 words

**Anchor:** SUSAN MCGINNIS

**Reporters:** TRISH REGAN

### **Body**

---

SUSAN MCGINNIS, anchor:

The words "made in America" have lost their meaning for many Americans. Conventional wisdom now says US manufacturing can't compete with foreign competition. Well, it turns out conventional wisdom is not always correct. Trish Regan reports.

TRISH REGAN reporting:

They're part of the American landscape. Caterpillar, or Cat, is the number one maker of tractors and earth-moving machines all over the world. So when Panama wants to expand its canal, it turns to Cat, and when China mines nickel, Cat again. CEO Jim Owens says the company ships \$9 billion worth of machines overseas every year.

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(Graphic on screen)

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Japan \$990 Billion

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Mr. JACK MORGENSTERN (Assembly Line Worker, Caterpillar, Incorporated): I would say there's at least 25 to 30 parts that each assembler uses at each station.

REGAN: OK.

Mr. MORGENSTERN: So my idea was to coordinate them into kits where the first assembler would not have to reach for anything, they could take them off the top.

Caterpillar, number one in tractors and earth-moving machines, is success story of "Made in America" products

REGAN: And that idea has resulted in two more engines a day.

Mr. OWENS: We're more competitive with our manufacturing in the United States than we were 15 or 20 years ago because we've broken through a lot of those hurdles where people had tightly defined jobs and didn't work together.

REGAN: Caterpillar's products are the number one or two best sellers on every continent, proving that "Made in the USA" is a very valuable label. Trish Regan, CBS News, Peoria, Illinois.

McGINNIS: Still to come, your Wednesday morning weather. And in sports, Seattle's Johan Petro takes one on the chin as the Sonics battle the Hawks.

**Load-Date:** December 6, 2006

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# EXHIBIT 055

FRIDAY  
FEBRUARY 19, 2006

# BUSINESS

## Industrial output drops

### Surprisingly poor showing blamed on downturn hurting auto industry

**INDUSTRIAL PRODUCTION**  
*Percent change in major firms' production (previous month)*

**By James P. Miller**  
*Tribune Staff Reporter*

Industrial production in the U.S. showed a worse-than-expected 0.5 percent decline in January because of deepening problems in the automotive sector, the Federal Reserve's statistical arm reported Thursday.

The production report, which measures output from the nation's mines, factories and utilities, hasn't shown a monthly decline that big since Hurricane Katrina briefly flattened pro-

duction capacity in late 2005. "The decline in January is a worrisome sign that the contraction in the industrial sector is accelerating," said Nomura economist David Reed.

Still, major stock markets moved higher as investors bet that a House committee reauthorized interest rates will hold steady.

The report showed that most of the damage occurred in the manufacturing sector, by far the

largest element in the industrial production data. Manufacturing output dropped 0.7 percent, with certain sectors bearing the brunt. Motor vehicles and parts slumped 6 percent, and machinery fell 1.1 percent.

Some of the automotive-sector drop reflects a temporary regulatory lull. Because new clean air rules obliged truck makers to install a new generation of diesel engines in their vehicles effective Jan. 1, buyers ordered as many trucks as they could during late 2005, and Jan-

uary truck production slumped badly, as expected.

The National Association of Manufacturers blames the 20 percent plunge in heavy-truck production on "the onerous new Environmental Protection Agency emission standard for heavy trucks."

Capacity usage in the manufacturing sector tumbled to 78.6 percent from 81.4 percent in December. The January data, said Bar-

SECTION

3

## Bill limits Web sites at schools, libraries

### State lawmaker cites risk from predators

**By Mike Hughtell and Eric Benderoff**  
*Tribune Staff Reporters*

A bill in the Illinois Senate would banish social networking Web sites like MySpace from public libraries and schools, a major effort on a state level to thwart online sex predators.

The legislation's sponsor, Sen. Matt Murphy (R-Palatine), said he wants to make sure kids are better protected when they're not under their parents' watch.

But librarians say legislation like Murphy's is too broad and would hurt those who can't afford the Internet at home.

Meanwhile, principals say such legislation isn't necessary. They're already restricting access to social sites like MySpace because they interfere with education.

Murphy's bill has yet to get a hearing, and may quickly die, but it is representative of attempts nationally and in other states to deal with growing fears of online sexual predators.

The most prominent effort was in the U.S. House, which voted overwhelmingly last year to bar social networking sites from public libraries and schools that received a popular form of federal funding. Such legislation languished in the Senate, though.

Illinois appears to be the only state where an outright ban has surfaced, but state officials in Georgia and North Carolina have recently called for Web sites like MySpace to require minors to get parental consent before using the service.

They're also erecting a stream of new reports about child sex offenders setting up profiles on MySpace, and an incident last year in which a North Carolina police officer allegedly raped a 15-year-old girl he met on MySpace.

Owned by Rupert Murdoch's News Corp., MySpace is one of the world's most popular Web sites, growing 13 percent in 2005 to 100 million worldwide users, according to ComScore Networks.

Public libraries, including the Chicago Public Library, generally don't restrict access to MySpace and other such sites. But some do.

In January the Naperville Public Library revised its Internet policy to block social networking sites for children's computers. The blocked sites are ones where site operators have not provided a list of users over the age 13. MySpace

VIEW US ACCESS, PAGE 4



Customers check out a Prius sedan at Toyota's showroom in Tokyo. Demand, once high enough that Toyota had trouble keeping the Prius in stock, has slowed enough that the Japanese automaker is offering incentives to buyers.

## Prius at a new intersection

### With Toyota offering incentives on hybrid, some doubt demand

**By Rick Popkey**  
*Tribune Staff Reporter*

Until recently, Toyota had such a hot commodity as the Prius hybrid that some dealers had waiting lists of 100 or more months for the four-cylinder car.

Now, Toyota is offering incentives for the first time to move the two-cylinder version off the lot.

The change in sales management reflects how the popularity of hybrid vehicles has cooled, rather than a trend change in the public mind set about what kinds of cars, and owners, people desire.

Although Toyota's built

**The hottest hybrid**
**PRIOUS SALES**

\*2005 includes hybrid Prius and Prius V. Excludes Prius C. Excludes Prius plug-in. Excludes Prius van. Excludes Prius SUV. Excludes Prius truck. Excludes Prius minivan. Excludes Prius crossover. Excludes Prius SUV. Excludes Prius truck. Excludes Prius minivan. Excludes Prius crossover.
Source: Toyota Motor Sales, U.S.A., Inc.

hybrids, analysis and other

But Toyota's isn't likely to misread. The morning media accounts for 70 percent of the car's sales, so any change recently affects the margins of its company-owned and franchisee-operated stores.

John Schaefer-Berg, Toyota's vice president of product marketing and innovation, said he expects more competition will help the chain gain share.

Breakfast is "a key day part for us. We are very proud we are first to market with this (breakfast menu)," he said. "We want our brand to be the only one that doesn't just have the menu, but also the service."

**ALL HYBRID CAR SALES, 2006**

| Model         | 2006 Sales |
|---------------|------------|
| Toyota Prius  | 106,971    |
| Toyota Camry  | 31,341     |
| Toyota Civic  | 31,253     |
| Honda Accord  | 5,598      |
| Leads 65 450i | 1,784      |
| Honda Insight | 722        |
| Honda FCX     | 6          |
| TOTAL*        | 177,675    |

\*2006 includes Toyota's 2006 Camry Hybrid, Civic Hybrid, Accord Hybrid, Insight Hybrid, FCX Hybrid, and Prius Hybrid. Excludes 2006 Prius V Hybrid, Prius C Hybrid, Prius SUV Hybrid, Prius Truck Hybrid, Prius Minivan Hybrid, and Prius Crossover Hybrid.
Source: Toyota Motor Sales, U.S.A., Inc.

includes part of the time, reducing fuel consumption by the

After watching the Prius hybrid fly off dealer showrooms the last six years, with many selling for more than the

sticker price, Toyota has started to make consumers with low- and no-interest financing and lease deals because supply has caught up with demand.

Now, many Toyota dealers are offering discounts on Prius, whose sales rose 4 percent in January to 12,591. But in the end of January, Toyota said dealers had a 30-day supply based on January sales. Toyota does not provide the number of vehicles. Ward's AutoLink, a dealer estimated Toyota's January supply totaled 10,000. As a result as of October, dealers only had enough in stock to last a few days.

VIEW US ACCESS, PAGE 4

sticker price. Toyota has started to make consumers with low- and no-interest financing and lease deals because supply has caught up with demand.

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Toyota quietly slipped its first incentives on the Prius at the end of last month and has extended the offers until Feb. 28, though it doesn't plan national advertising to promote the program.

Toyota's incentives—which

VIEW US ACCESS, PAGE 4

## Burger King \$1 menu escalates breakfast war

### Price competition will boost share, exec says

**By John Schmeitler**  
 *Tribune Staff Reporter*

The burger war may be spreading to breakfast.

Burger King on Monday will launch a dollar-value breakfast menu, including "the Honeydew," a new ham and egg sandwich designed to compete with the McDonald's and Sizzler morning traffic away from Oak Brook-based McDonald's Corp. The menu will also include Chicken Tots, melted cheddar



Burger King's "Honeydew" ham and egg sandwich will take on McDonald's Egg McMuffin.

and cheddar cheese in a potato crust, as well as french toast sticks, a sausage biscuit, small hash browns, Caramelized, a small BK A.W. coffee, white or chocolate milk, to name a few.

But breakfast is a business. McDonald's isn't likely to misread. The morning media accounts for 70 percent of the car's sales, so any change recently affects the margins of its company-owned and franchisee-operated stores.

John Schaefer-Berg, Toyota's vice president of product marketing and innovation, said he expects more competition will help the chain gain share.

Breakfast is "a key day part for us. We are very proud we are first to market with this (breakfast menu)," he said. "We want our brand to be the only one that doesn't just have the menu, but also the service."

certainly to a consumer out there that is looking for this."

It's part of the day that Burger King has been increasingly focusing on. Last year the chain, which operates about 8,000 restaurants in the U.S., rolled out a super premium coffee, dubbed BK Joe, designed to compete with Starbucks. Dunkin' Donuts and McDonald's have followed.

Competition in the segment, which is viewed to have growth potential because fewer people currently eat the most outside the home, is only going to get tougher. Last month Starbucks



Bill Ackman, an activist investor, boosted his stake in the fast-food giant in a bid to speed up sales of less-profitable restaurants.

Heat on McDonald's

Bill Ackman, an activist investor, boosted his stake in the fast-food giant in a bid to speed up sales of less-profitable restaurants.

Columnist count down at Sun-Times. PHIL ROSENTHAL, PAGE 3

Home prices, stocks take own paths. BILL BARNHART, PAGE 3

INSIDE

IN THE WEB EDITION  
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| DOW IND.    | NASDAQ     | S&P 500   | 10-YEAR T-BOND |
|-------------|------------|-----------|----------------|
| ▲ +23.15    | ▲ +8.72    | ▲ +1.51   | ▲ -0.03        |
| ▲ 12,765.01 | ▲ 2,492.10 | ▲ 1164.81 | ▲ 4.71%        |

EARNINGS

# Enrollment drop hurts Career Education

From Businesswire Service

Career Education Corp. said Thursday that fourth quarter net income fell 16 percent over the same period of 2005.

The Illinois-based company reported net income of \$7.6 million, or 20 cents a share, down from \$9.0 million, or 24 cents a share, a year earlier. Revenue fell 10 percent to \$275.2 million.

The company said profit from continuing operations was \$7.6 million, or 20 cents a share, down from \$9.0 million, or 24 cents a share, a year earlier. Revenue fell 10 percent to \$275.2 million.

Analysts expect earnings of 27 cents a share

in a conference call with analysts and investors.

Career Education runs more than 100 campuses in the U.S. and overseas and operates brands that include The Gordon Hotel, Colburn Culinary Arts, Gillis College, Kendall Library Institute and American Institute of Design.

Career Education had a hard time in January when the Education Department filed a tax injunction in June 2005 that limited the company's ability to deduct its interest expense. The department said the decision "should not be construed to

mean that no compliance is required."

The report came out after the close of trading.

In other earnings news, **Chilean Mexican Grill** Inc., the fast-food chain franchisee, said in the public last week said fourth-quarter profit more than doubled as it opened new outlets.

The Denver-based chain posted net income of \$20 million, or 22 cents a share, up from \$12.1 million, or 13 cents a share, a year earlier. Sales climbed 27 percent, to \$287.1 million. The

latest result beat estimates by 6 cents a share.

Chicago opened 53 new locations during the quarter.

The report came out after the close of trading.

**Navistar Commercial Inc.**, posted fourth-quarter earnings of \$16.6 million, or 30 cents a share, up 48 percent from a year ago, when the Chicago-based company earned \$11.6 million, or 22 cents a share. Revenue rose 10 percent to \$172.2 million.

Shares of Navistar climbed 44 percent, to \$21.00, on the New York Stock Exchange.

# DECLINE: Analyst says manufacturing in 'recession'

Capital Economics' Doug Maki, "suggest that manufacturers continued to rather lack production momentum in the first half of 2005, with demand in the work done in earlier months of inventory."

Manufacturing remains one of the most important sectors in the largest markets for manufacturing items, housing and motor vehicles, says the analyst. He said that Daniel Mackintosh, chief economist for the Manufacturers Alliance/AMA trade group, later this year, will be "one of the while overall economic growth has developed a notch."

As a result, the analyst thinks production in the manufacturing sector will grow just 2.3 percent in 2007, even with the help of a recovery in the U.S. that will see the 15 percent growth rate the sector enjoyed in 2006.

The manufacturing sector is expected to have a decline in output in the final quarter of 2006 and is likely to see another dip in this year, says Maki. He said that Ian Shepherson of High Five equity focuses.

In other words, the sector is in a recession, Shepherson said.

The downturn in manufacturing is not the only one that is severe enough to pose a real threat to the labor market, and, therefore, to the health of the U.S. economy.

Manufacturing has slipped in part because of rising input costs. In fact, the price of raw materials and other capital goods used to make products, said Shepherson, is expected to rise 10 percent in 2006.

If those capital expenses become less as expected in the second half of 2006, then the price of raw materials will benefit. But, he added, "in the short term, expect manufacturing to continue to be in a recession."

Computers and electronics, output up against the trend in manufacturing, is expected to see a 1.1 percent increase. "As firms continue to deploy capital toward productivity gains, it is likely that the U.S. IT sector will see a 1.1 percent increase," said Maki.

With January a another back month for the industry, Maki recorded a brief 2.3 percent jump from December, when unexpectedly strong demand for the U.S. and mining output, which tends to be volatile in terms of output, recorded a relatively modest 1.2 percent

# PRIOUS: 'Tax credit likely gone by next year'

By Businesswire Service

include investment interest that 21 months come after the end of 2005 and 100 percent bonus in the U.S. last year and investment production capacity in Asian manufacturing plants worth \$1.6 billion this year. Toyota's special total federal tax in the U.S. is equal to more than \$200 million.

It is expected that 2006 in 2006.

Honda has also made a move to include the credit in its 2006 tax return. The company said it will include the credit in its 2006 tax return.

Hyundai has also made a move to include the credit in its 2006 tax return. The company said it will include the credit in its 2006 tax return.

# Hybrids have to become more fuel-efficient, and the price has to come down, for them to become economically viable.

By Businesswire Service

Hybrid cars have to become more fuel-efficient, and the price has to come down, for them to become economically viable.

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# Sales up and down

Hybrid sales for all automakers rose last summer with passenger cars down in the fall when prices were low.

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# International exchanges

| Nikkei (Japan) | FTSE (London) | CAC 40 (Paris) | DAX (Frankfurt) | Hang Seng (Hong Kong) |
|----------------|---------------|----------------|-----------------|-----------------------|
| 11,556.59      | +12.10        | -4.96          | 2.56            | 1,228.51              |
| 17,927.23      | 5,413.10      | 372.06         | 6,058.16        | 10,818.42             |

# GOING GLOBAL

European stocks fell from a year-high Thursday after profits at some companies dropped sharply, analysts and investors said. The region this year will not live up to expectations.

"Earnings have a lot been weak," said Robert Coit, head of British equities at Kinross Partners, London.

"There are quite many who take this opportunity to trade some profits," he said.

The Dow Jones closed 100 in the decline of 11 percent. The stock was the third, and the Nikkei was 1.1 percent, and the Hang Seng was 1.2 percent.

Natural gas futures fell in price of the Western Hemisphere.

by Dominique Noveck, vice president of product planning.

Toyota's incentive program, which added "prize vehicles" about which the model is for hybrid models, will look at the consumer's equity and ask them to pay for the cost of five years.

General Motors Corp. will introduce four hybrid models this year, two cars and two sport-utility vehicles. The company said it should have more than 100 models by 2010.

The Chrysler Group, the U.S. auto maker, will launch a large SUV early in 2006.

# 'An insurance policy'

Each hybrid model will include an "insurance policy" that will cover the cost of the vehicle's battery pack. The company said it will include the credit in its 2006 tax return.

Hybrid cars have to become more fuel-efficient, and the price has to come down, for them to become economically viable.

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# ACCESS: Principals say sites irrelevant to academics

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Caterpillar equipment is used last month on a freeway project in Mesa, Ariz. Caterpillar Inc. director agreed to use some of the company's enormous profits to buy back stock.

# STOCK: Repurchases popular with stockholders

Continued from page 1

CEO praisers prospects.

Chairman and Chief Executive Jim Owens called company's previous buyback program more than 10 months ahead of schedule "a testament to our strong cash flows and financial position."

He said the new authorization is evidence of "our confidence in the long-term growth prospects of our company and in our ability to fund growth."

Share repurchases are frequently more popular with stockholders than dividend



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# BREAKFAST: McDonald's doesn't plan to strike back

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# EXHIBIT 056

## Look, Feel of Machines Changing As Cat Refines Its Brand

Engineering News-Record

June 18, 2007

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**Section:** News; Pg. 23; Vol. 258; No. 22

**Length:** 275 words

**Byline:** Staff

### **Body**

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The Caterpillar brand is one of the most familiar in construction but the Peoria, Ill.-based equipment manufacturer thinks it is not strong enough or consistent. To change that, it is launching a new global branding initiative that will change the look and feel of many of its machines.

The effort is focusing on everything from machine design to interiors, instrumentation and "trade dress"--the application of Cat logos and decals. "We treat the brand as a \$5-billion asset and are very careful" with it, says Ed Smith, manager of global brand integration. He says that despite the strength of the brand, the company and dealers have treated it inconsistently on reports, advertising and even machinery. He notes that four design firms were used to create the external appearance of loaders, alone. There now will be centralized design for machine styling, cabs, instrumentation and trade dress. Dealer logos also will be consistent around the globe.

The new look will be rolled out as new models replace the old. It includes chisel-edge styling on hoods, rake-and-tuck grill styling, a hex-pattern grill mesh and new logo placement. The consistent instrumentation, for example, is intended to give the machines a familiar look and feel to operators as they move from one piece of equipment to another, rather than having Cat machines seem to be from different manufacturers. The goal is to have the equipment be readily recognizable as Caterpillar-made even if the familiar yellow color is changed and Cat decals are removed, in much the same way that a BMW automobile would still be recognizable by its design even if the badges are gone, Smith says.

### **Graphic**

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illustration, Cat Look. Grills and hoods will be uniform.

**Load-Date:** June 25, 2007

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End of Document

JENNY REILLY

# EXHIBIT 057

# MOTOROLA: Cell phone unit faltering

CONTINUED FROM PAGE 1

As a good value, assuming it can turn around its phone business, AT&T isn't it. The market knows that activist shareholders such as Carl Icahn, who controls nearly 9 percent of Motorola, will push for big changes, including Zander's exit.

Zander is increasingly facing the scenario that haunted his predecessor, Christopher Galvin. Galvin abruptly ended in late 2003 after a sustained period of underperformance and a large outpouring of criticism from Wall Street.

Zander, after being widely

# Cell builds a strong foundation overseas

By James P. Miller  
 Tribune staff reporter

Although the second-quarter results Caterpillar Inc. is scheduled to announce Friday will be undoubtedly also an impact of short-term softness in U.S. demand for truck engines and related parts, analysts figure the company will continue to benefit from strong demand in its overseas markets where it is a major player.

In the year period the PricewaterhouseCoopers equity analyst firm up until still remains the most profitable quarter in the company's history. Not in one jumped 10 percent, to \$1.05 billion, or \$1.5 a share, and revenue rose 13 percent, to \$2.64 billion.

For the latest quarter, analysts are expecting that Caterpillar's earnings will drop to a cent a share, to \$1.18, or about \$90 million.

But the outlook for Caterpillar's prospects rises and falls in concert with the broad economy's up and down. And in the second quarter of 2006 conditions were less optimal for the company.

For one thing, Caterpillar is a major player in the truck engine market that truck manufacturers install in their large heavy-duty models. In recent years, the truck engine market for Caterpillar, as an upstart in U.S. industrial production, has been hit hard by truck and engine makers that are in effect

stealing its market. But that isn't the only reason that Caterpillar and its rivals are facing out a new generation of truck and engine makers, including the familiar, old-timer John Deere, the company could share with its competitors.

Over the past several months, the effect of last year's "recession" will fade and share prices will rebound.

Still, says Merrill Lynch analyst David Lipton, Caterpillar's truck engine division likely suffered a 30 percent sales drop in the second quarter. The company's overall earnings probably registered a 3 percent sales increase thanks to a 3 percent increase in revenue from other end markets, which includes shipbuilders, operators of petrochemical plants and other electricity-generating applications.

Global trends remain positive for Caterpillar's machinery division, which makes its trademark yellow track-mounted heavy-duty construction equipment.

As China's appetite for industrial resources has driven prices for raw materials such as copper, coal, iron and nickel, the long-depressed mining sector has become a major revenue pillar for Caterpillar.

The U.S. housing market's weak performance, however, is Caterpillar's lighter construction equipment, but there is some reason to think the company's global markets are going to fall.

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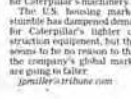


Photo by AP/Wide World

hailed for turning around Motorola in 2003, has now presided over a sustained period of weakness. Granted, Zander's malaise can be measured in quarters, not years like Galvin's.

But times have changed in recent years, as shareholders have ratcheted up pressure on corporate boards, said Charles Eason, director of the University of Delaware's Weyenberg Center for Corporate Governance. "It could be a couple of quarters in front of a couple of years."

Once the board loses confidence in a CEO, "it's only a matter of time," Eason said.

Merrill said the board has over 100 members, and Zander as it did this spring when Zander and Icahn were in a showdown. Icahn ran for a short time on Motorola's board, a position that Zander and the board successfully opposed. Icahn publicly questioned Zander's fitness for the CEO post of Motorola's phone business didn't improve. So far, it hasn't.

The mobile phone division posted an operating loss of \$264 million during the second quarter. \$1 billion more than in the first quarter. Meanwhile, phone sales dropped so much that Motorola anticipates its global phone market share will slip to about 13.5 percent from more than 17 percent during the first quarter. That share was about 22 percent during the second quarter of 2004.

Motorola, long the world's second-largest cell phone maker, behind Nokia, will drop to No. 3 for the second quarter. But below South Korea-based Samsung Electronics.

Merrill said earlier this year that it wouldn't pursue market share at the expense of profits. "We chose to lose share to stabilize our pricing," Merrill told analysts Thursday.

But in a way, Motorola got the word of both worlds during the second quarter. They sold a lot fewer phones, but they lost a lot more money," said Ed Sposito,

stock analyst at Charter Equity Research. Sposito and Zander told analysts that they expect the company's financial results to improve in the second half of the year, but other than saying the first quarter will be flat to slightly better, they offered no specifics.

Motorola's problems remain the same: It lacks compelling follow-up devices to the smash hit Razr, and has fallen short on phones that work on "3G" networks, which are more technologically sophisticated. It recently began rolling out new high-end phones, including the Razr V in Asia. Motorola expects to start Thursday that the Razr 2 is due out in Europe and North America this quarter.

"The encouraging thing, if you want to pull anything out of this, is that they are starting to get some new products out there," Morningstar's Sposito said.

msposito@charter.com



Trading images show the New York Stock Exchange floor moments after the closing bell Thursday.

# DOW: Buybacks shrinking pool of stocks

CONTINUED FROM PAGE 1

steadily since the spring, just as many investors in large corporate buybacks led by private capital investors have largely shrugged off near record prices for petroleum and coal, as well as near-record conditions in the metals and steel sectors.

One reason investors can't get out new term-to-purchase factors is that the stock market is so large that it is difficult to buy back their shares, which is causing a shrinking pool of stocks, said Ed Sposito, Morningstar analyst.

The market will see "some large price declines" in the next six months, Sposito predicted. But for now investors are focusing on large-cap companies like Microsoft, as well as technology shares.

"Privateers for second-quarter earnings growth are falling about 10 percent more than in the first quarter, but they are looking beyond any temporary slowdown," he said. They are anticipating a more stable economic expansion in 2006.

One worry: The dollar continues to set new lows against the euro, which is driving up the price of oil. "A drop in the price of oil is a very serious matter in 2005, and preceded that year's stock market decline," he said.

Also, however, conditions are far different, and there is no

# DOW JONES INDUSTRIAL AVERAGE



Photo by AP/Wide World

U.S. stocks will see the market slightly above 14,000.

As a result, Sposito, investors are seeing a positive spin to the dollar's decline. Investors are looking for a recovery in the aftermath of the Sept. 11 attacks, but they are also looking for a recovery in the oil market.

However, Sposito said, the Dow has been hit by big-name manufacturers and producers, rather than the financial or tech companies that also helped drive the market up.

Overhead mounds: IBM, construction equipment maker Caterpillar Inc., among them. Sposito said, "The Dow's run from 13,000 to 14,000 has been hit by big-name manufacturers and producers, rather than the financial or tech companies that also helped drive the market up."

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# BLACK: Prosecutors say bond is inadequate

CONTINUED FROM PAGE 3

"I think the judge is a very reasonable man," Edward Gemson, one of Black's attorneys, said after the hearing.

Black is charged with fraud and obstruction of justice last week in a scheme that lured millions of dollars from 11th Florida Sen. Tim Wirth. Wirth is international law. The jury acquitted him of nine other charges, including racketeering.

The 62-year-old former Bull Terrier called such large Internet sales a waste of assets that is hurting the government and other people Black eventually

will raise money to as a result of a deal with a former partner.

"It is far to my shame to be accused of any of the charges in this indictment," Black said in a statement. "I am innocent of all charges."

Black's attorney, Edward Gemson, said Black is a "very successful businessman" and that the judge has set the bail at \$10 million more than what Black is worth.

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# Spain, Clearwire to build network

By Jon Van  
 Tribune staff reporter

Sprint Nextel Corp. and Clearwire Corp. agreed Thursday to cooperate in building a national wireless high-speed network.

Chicago will be among the first markets to get access to the network, which will use WiMax technology. The commercial rollout is expected to begin next month.

Cell phone maker Motorola, as a major backer of WiMax, serving as the network's anchor. It also is a major financial backer of Clearwire.

The preliminary agreement calls for Sprint Nextel to build portions of the network serving large cities while Clearwire focuses on smaller cities and rural markets.

"It will look like one network," said Barry West, chief technology officer for Sprint Nextel.

The agreement, subject to approval by the Federal Communications Commission and Department of Justice, would eliminate the need for two competing networks that would interfere with each other in some markets. In addition, West said, the partnership would be more cost-effective and would improve and that it would be built faster and cheaper.

msposito@tribune.com

# DSL: Comcast Internet costs more

CONTINUED FROM PAGE 1

people who are just a few minutes from the 100th anniversary of 14,000.

"That correction will result in a 13 percent drop in price, but it will be a recovery for the market," Sposito said.

The company named DSL coverage has limited customers in certain areas, but it is expected to be available in most areas by the end of the year.

AT&T offers DSL packages for \$15 a month, but it is the slowest and has a 100 Mbps download speed. Comcast offers DSL for \$20 a month, but it is the fastest and has a 100 Mbps download speed.

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Sprint seeks to reduce the risk associated with the project, said West. The deal is expected to be announced in the next few months, said West.

The overall goal is to have a network serving 100 million people by the end of next year. West said that having a single WiMax network will be more attractive to network manufacturers than dealing with two different networks.

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# EXHIBIT 058

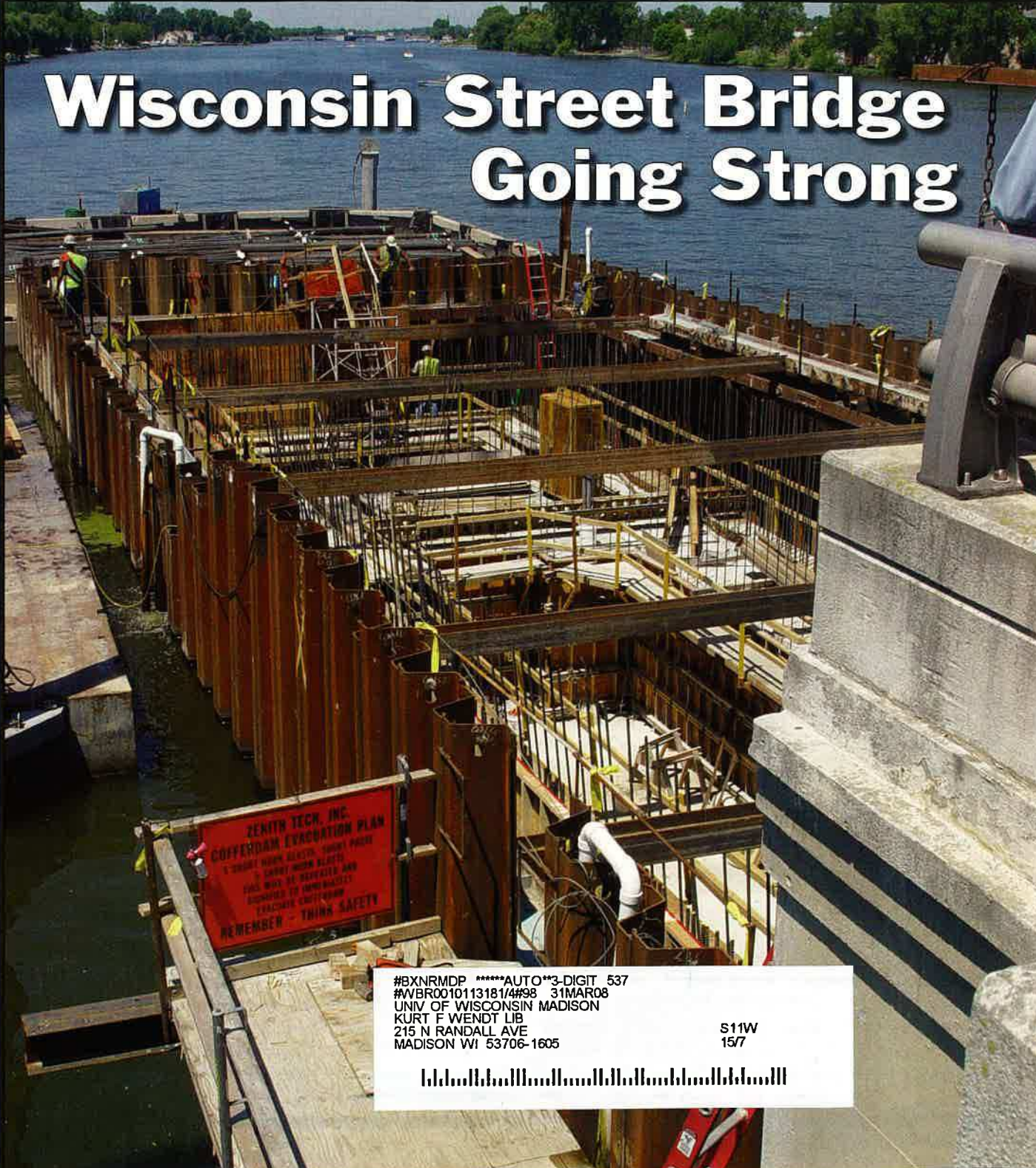
# WESTERN Builder

August 27, 2007

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## Wisconsin Street Bridge Going Strong



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# WESTERN Builder

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Work continues on schedule for the new Wisconsin Street Bridge in Oshkosh, Wis. Work for the new \$18.5-million double-leaf, rolling-bascule bridge spanning the Fox River started in September 2006 and continued through the winter. Most of the work to date has been constructing cofferdams and foundations. Steady progress is keeping the project on schedule for its planned completion in October 2008. The new four-lane bridge replaces a 68-year-old two-lane bridge 85 feet away, which will be demolished when the new bridge is completed. The new Wisconsin Street Bridge will offer approximately 11-1/2 feet of clearance to the high-water level and 83 feet of clear width between the piers adjacent to the channel. Zenith Tech, Inc., Waukesha, Wis., is the prime contractor, and the Wisconsin Department of Transportation (WisDOT) owns the structure.

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Timothy Kippenhan,  
vice president, Miron  
Construction Co., Inc.

### Miron's View Of The Valley

Miron Construction Co., Inc., Neenah, Wis., ranks among the country's 125 largest contractors, as rated by Engineering News-Record, and was named the Wisconsin AGC's contractor of the year for 2006.

With the Fox Valley being Western Builder's local focus for August, we asked Miron Vice President Tim Kippenhan to comment on the region's construction climate.

**WB:** What is the state of Fox Valley construction, compared to this time last year, and compared to the rest of the state?

**TK:** The Fox Valley area seems have a similar pace in regard to construction activity compared to last year, although the scale of work is less than some other areas around the state, which has been consistent over the last couple of years.

**WB:** What are the drivers or causes for the current condition?

**TK:** The Fox Valley is a conservative community that tends to proceed cautiously and wants to be sure market conditions look optimistic before committing to the next step of expanding. A fair amount of the large employers, particularly the papermaking and associated industries, have gone through a period of consolidations over the recent past, which tends to lead the firms to an evaluation of needs and careful implementation plans. We are seeing signs that in the next six months to a year, there may be more activity planned for this area.

**WB:** Are any geographic or economic segments of the market hotter than others?

**TK:** The health care industry continues to show signs of expansion, with several large projects currently in planning or under construction. The industrial/manufacturing sector appears to be gaining strength, with a few firms looking at expansions or new facilities to improve market share. Lastly, the educational market seems to be increasing, with numerous K-12 districts entertaining referendums, as well as a strong building program continuing for the University of Wisconsin system.

**WB:** What new techniques or methods are affecting the industry in the area?

**TK:** One big one is the emergence of LEED and green principles. We are working with owners, architects, engineering firms, and subcontractors to help make smart decisions about materials and techniques that will help save money in the long run, help provide occupants with a healthier building and help promote good stewardship of the natural environment.

Another is the continued expansion and use of the design-build arrangement, in which the project owner, designer and contractor work closely together from the outset to create an optimum design that meets the customer's needs at a cost-effective price. Working with the customer and architect at the design stage, we can present alternative methods and outline the implications of each so the owner and designer can make informed decisions. It also allows us to plan the construction more efficiently and line up the subcontractors and suppliers we will need.

### CNH Will Take Control Of Parts Depots

Construction and agricultural equipment manufacturer CNH Global, N.V., Lake Forest, Ill., will assume operating responsibility for seven North American parts depots now managed by its third-party logistics supplier.

Ugo de Carolis, president of CNH Parts & Service, Racine, Wis., said CNH's decision to assume direct responsibility for its distribution network represents a strategic customer service change.

The seven depots are in Lebanon, Ind.; Greenville, Texas; Doraville, Ga.; Mountville, Pa.; Regina, Saskatchewan; Toronto, Ontario; and Carol Stream, Ill.

The logistics supplier, Caterpillar Logistics Services Inc., continues to operate the depot in Reno, Nev. CNH-operated depots in San

Leandro, Calif., and Cameron, Mo., are not affected.

### USGBC Tightens LEED Energy Requirement By 14 Percent

The U.S. Green Building Council (USGBC) has stiffened the energy-performance requirements for buildings seeking Leadership in Energy and Environmental Design (LEED) certification.

The new standard, approved in June, requires projects to earn at least two "Optimize Energy Performance" points. That increased requirement will improve the energy performance of LEED-certified new buildings by 14 percent and existing buildings by 7 percent. The new requirement will help maximize a building's energy performance.

The USGBC raised the bar for energy efficiency because buildings generate

nearly 40 percent of the carbon dioxide (CO<sub>2</sub>) produced by the United States.

A greenhouse gas that contributes to climate change, CO<sub>2</sub> has increased 18 percent since 1990 because of rising energy use. Buildings cause CO<sub>2</sub> emissions through energy use, water consumption and other operational requirements.

To view the energy optimization section of LEED, visit <http://www.usgbc.org/ShowFile.aspx?DocumentID=2303>. For more information on USGBC or LEED visit [www.usgbc.org](http://www.usgbc.org).

### Cat Computerized Training For Mini Excavator Operators

Caterpillar now offers a computerized training course for operators of mini hydraulic excavators. The program



covers the daily maintenance, machine controls, safe operating practices, and operating techniques for Caterpillar mini hydraulic excavators weighing up to 6 metric tons.

Designed to engage all students, including those not accustomed to spending time at a computer screen, the program incorporates video, sound and a series of knowledge checks to ensure comprehension. It contains both English and Spanish narration and text, and is available from any Caterpillar dealer.

### **New Fall-Protection Code Offers More Resources**

The American Society of Safety Engineers (ASSE), Des Plaines, Ill., recently announced approval of the new Z359 fall-arrest code, a new series of American National Standard Institute (ANSI)/ASSE fall-protection/arrest standards. It is the first major revision in 15 years.

Noting that falls still rank among the top four causes of on-the-job fatalities, Z359 ASC Chairman Randall Wingfield said that the new standards are a resource for anyone who works at height.

The Z359 family of standards will soon be available both in print and electronically. For more information, contact the ASSE (847) 699-2929 or visit [www.asse.org](http://www.asse.org).

### **Creative Constructors Building Two Aldi Stores**

Creative Constructors, LLC, Menomonee Falls, Wis., recently began constructing a 16,967-square-foot Aldi grocery store in Oconomowoc, Wis., and a 17,325-square-foot Aldi store in Greenfield, Wis. Aldi is an international retailer with more than 800 locations in the United States and 7,500 locations worldwide.

Both stores are scheduled for completion in January 2008.

### **GZA Earns Safety Award**

The Waukesha, Wis., office of environmental and geotechnical consultant GZA GeoEnvironmental, Inc. has received the Illinois Association of Aggregate Producers' (IAAP) highest safety award, the "Rock Solid Excellence In Safety Award." To earn it, a company must complete a calendar year without a single injury or Mine Safety and Health Administration inspection citation.

GZA is the only engineering consulting firm to receive the award. GZA is headquartered in Norwood, Mass. Its Waukesha office provides geological, hydrogeological, engineering, environmental, and planning services to the mining industry throughout the Midwest. ■

## CALENDAR

### **September 8**

Dozer Day at Halquist Stone Quarry, Sussex, Wis. Fundraising event benefits Hamilton Education Foundation and provides children and parents opportunity to get up-close, ride, explore, and even operate giant construction equipment, fire engines and military vehicles. Quarry tours and educational displays. For information, visit [www.fabco.com](http://www.fabco.com).

### **September 10-13**

University of Wisconsin-Madison Department of Engineering Professional Development will offer "Effective Construction Contract and Field Administration" (J459) in Las Vegas, Nev. Contact Dave Peterson at (608) 262-2813, [Peterson@epd.engr.wisc.edu](mailto:Peterson@epd.engr.wisc.edu), or visit <http://epdweb.engr.wisc.edu/WEBJ459>.

### **September 15**

Quarry Quest at Michels Materials Quarry, Tuller Road, Neenah, Wis.

Event benefits children's charities and earth science education while offering opportunity to climb aboard quarrying and construction equipment and learn about geology, mining and construction. Quarry tours and educational displays. For information, visit [www.quarryquest.com](http://www.quarryquest.com).

### **September 21**

Portland Cement Association (PCA) sponsors the American Concrete Institute's concrete field testing technician grade 1 certification examinations at its Skokie, Ill., office. (Technicians must recertify every five years.) Contact: (847) 972-9032 or visit [www.cement.org](http://www.cement.org).

### **September 26-27**

University of Wisconsin-Madison Department of Engineering Professional Development will offer "Stormwater Detention Basin Design" (J496) in Madison, Wis. Contact Howard Rosen at (608) 262-4341, [Rosen@epd.engr.wisc.edu](mailto:Rosen@epd.engr.wisc.edu), or visit <http://epdweb.engr.wisc.edu/WEBJ496s>.

### **October 1-2**

Portland Cement Association (PCA), Skokie, Ill., offers seminar "Aggregates and Chemical Admixtures for Use in Concrete." Contact: (847) 972-9032 or [www.cement.org](http://www.cement.org).

### **October 8-10**

University of Wisconsin-Madison Department of Engineering Professional Development will offer "Railroad Engineering 2007" (J160) in Madison, Wis. Contact C. Allen Wortley at (800) 462-0876 or [wortley@engr.wisc.edu](mailto:wortley@engr.wisc.edu). ■

Events of interest to the construction, engineering, architectural, and public works industries are listed in the Western Builder Calendar as early as possible. Send details at least two months in advance to: Mike Larson, editor, Western Builder, 863 N. 10th Street, Manitowoc, WI 54220, or phone (920) 686-0100, fax (303) 265-2271, or e-mail [michael.larson@reedbusiness.com](mailto:michael.larson@reedbusiness.com).

# EXHIBIT 059



**Cat plows into Deere's turf**  
Caterpillar dealers are bulking up to sell tractors and combines. **3**

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# CRAIN'S

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GREG HINZ

## Basic skills

Candidate Obama spends October honing his message in Iowa. **PAGE 2**



## BETTING ON BABY

For Northwestern's new Prentice, deliveries are loss leader; will moms return?

BY MIKE COLIAS

The Oct. 20 opening of Northwestern Memorial Healthcare's gleaming new women's hospital will cement its identity as Chicago's maternity mecca—but delivering babies won't deliver profits.

Instead, executives expect the influx of moms and babies from their \$507-million Prentice Women's Hospital—which could boost its deliveries 30% to 13,600 a year, among the most in the nation—to feed an expanded menu of more-profitable medical services, all neatly packaged in the up-scale locale on Northwestern Memorial Hospital's Streeterville campus.

Early attention has focused on the hospital's eighth-floor labor rooms, which feature spectacular lake views and 42-inch flat-screen televisions loaded with movies for order. But the hospital's profit potential resides on the sixth floor, in 10

See PRENTICE on Page 10

"NONE OF THEM HAVE SAID... 'IF I CAN'T OWN IT BY APRIL 1, 2008, I'M TAKING MY MONEY AND I'M GOING HOME.'"

[A person familiar with Tribune's planning]

## Curveball for Cubs bidders

Team sale heads into 2008; Trib may still own on opening day

BY GREGORY MEYER

The effort to sell the Chicago Cubs has slowed to a crawl as the team's owner brainstorms ways to reap maximum cash from its pinstriped asset.

Despite Tribune Co.'s official line that the Cubs will be sold in the fourth quarter, the team looks likely to stay in Tribune hands well into next year—possibly through opening day. That means a new owner will have to manage a team with a roster assembled by corporate brass long maligned, but recently cheered, for payroll decisions.

The slowdown has mystified



Sam Zell

John Canning Jr.

bidders, who months ago submitted applications required by Major League Baseball, but since have heard little. "It's maddening," says an adviser to one bidding group who, like most involved with the sale, requested anonymity. Offering documents won't be ready for weeks, a source familiar with Tribune's planning says.

But Tribune is in no hurry as it decides whether to sell the team,

See CUBS on Page 10

## Guy targeting rogue lenders

Blagojevich measure toughens laws for payday, other firms

BY STEVE DANIELS

Gov. Rod Blagojevich is taking aim at predatory lenders with a proposal to cap fees on consumer loans.

The measure applies to loans of \$10,000 or less made by lenders ranging from huge banks like Citigroup Inc. to smaller firms making so-called payday and auto-title loans. The governor wants to bar lenders from charging more than \$20 per \$100 of loans. For six-month loans, that amounts to an annual interest rate of about 41%. (Many of these types of loans are at rates well above 100%.)

The proposal also would bar lenders from collecting attorneys' fees and court costs from

## LIMITS ON LOANS

The governor's agenda to rein in high-cost lenders:

- ▶ Cap finance charges at \$20 per \$100 on loans of \$10,000 or less
- ▶ Cap late fees on these loans
- ▶ Bar collection of attorney fees and court costs from those in default
- ▶ Require all such loans be entered in state database
- ▶ Bar charging more interest to borrowers in default

Source: Illinois Department of Financial and Professional Regulation

borrowers in default and prohibit them from continuing to charge interest after a default.

Mr. Blagojevich would like the legislation considered during the current General Assembly fall veto session, but the measure more likely will be a

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.....  
Thousand goes  
from the Web to  
Clark Street.  
Entrepreneurs in  
action  
—Wednesday



# Futures buyout scuttled

R. J. O'Brien's purchase of Iowa Grain founders amid credit market turmoil

BY AMI SAPHIR

R. J. O'Brien & Associates' planned purchase of fellow local futures broker Iowa Grain Co. is off, an apparent victim of turmoil in the credit market that torpedoed an unprecedented boom in leveraged buyouts.

Two people involved with the deal, announced July 20 and slated to close by Aug. 31, said it was canceled last month. They wouldn't give specifics but indicated that difficulty obtaining financing was a factor.

RJO is owned by two private-equity firms, which typically borrow to fund purchases.

Colleen Mitchell, president of RJO, declined to comment, citing a non-disclosure agreement, but added, "RJO continues to actively pursue other attractive acquisition opportunities." Iowa Grain CEO Michael Brinati declined to comment.

The deal's collapse "had nothing to do with RJO and Iowa Grain and everything to do with what was happening in the credit markets," says analyst Alexander Yavorsky with Moody's Investors Service of New York, which rated the debt in the private-equity buyout of RJO.

Lenders involved in the deal may have demanded higher interest rates to offset increased market risk, or were "so jittery they didn't want to lend to a firm that had the word LBO attached to it," he says.

An RJO purchase of Iowa Grain would have created the world's largest guarantor of introducing brokers, who direct retail customers to firms that handle futures trading in commodities. RJO manages about \$2 billion in client assets; Iowa Grain, \$250 million. Together, they would have been the 14th-biggest U.S. futures broker by customer assets, according to figures from the Commodity Futures Trading Commission.

Earlier in July, RJO was acquired in a leveraged buyout by Spectrum Equity Investors of Boston and Technology Crossover Ventures of Menlo Park, Calif. RJO had to rejigger financing terms on \$585 million in loans to fund the buyout, giving up flexibility in interest-payment options, according to Moody's.

Moody's Mr. Yavorsky assigned a below-investment-grade B2 rating, near the bottom of the firm's scale, to most of the loans. Lehman Bros. Inc., the deal's adviser, planned to sell those loans to investors at a profit. Ultimately, Mr. Yavorsky says, "Lehman may well have been able to distribute the debt, but how much money, if any, Lehman made on it is another matter."

Lehman officials didn't return calls.

Contact: asaphir@crain.com



The Warren, who farms 5,500 acres near Downers Grove, Illinois, who built an Challenger tractor, which he says has longer life span of than a Cat competitor.

DOB 10/21

# CAT STALKING DEERE

Dealers aim for bigger piece of tractor market as farm economy booms

BY BOB TITA

Caterpillar Inc. is plowing into Deere & Co. territory, aiming for a piece of the \$16.5-billion North American farm equipment market.

Cat dealers with large rural sales territories have been opening new branches and adding employees to sell and service an expanded lineup of tractors and combines built by Duluth, Ga.-based Agco Corp. under the Challenger brand name. Cat sold Challenger to Agco five years ago, but continues to supply engines and other components for the brand, and allows Agco to use Cat's yellow paint on the machines.

For Peoria-based Cat, the world's biggest construction equipment maker, Challenger represents an opportunity to cash in on a booming farm economy while offsetting declining engine sales to truckmakers, many of which are now building their own engines.

"We'd like to see Agco take a greater position in the ag market," says Simon Kelsall, Cat's manager of agricultural sales. "We get to sell more engines and more transmissions. Having Cat components inside those machines is really a

building block" for the Challenger brand.

Sales of engines and components to Agco, along with related licensing fees, generated \$211.3 million in revenue for Cat last year, a 15% increase over 2005 and about 2% of Cat's total engine revenue of \$12.8 billion.

Dealers such as Al Pearson, a vice-president with Ziegler Inc. in Minnesota, are expanding with the idea of selling more tractors like Challenger's MT900B model, introduced last summer. The MT900B costs roughly \$250,000, about the same as a comparable Deere tractor.

"Ziegler has opened two branches to sell Challenger and plans to open three more in the next few years. Mr. Pearson says a full lineup of farm machines helps dealers like him with a lot of rural territory sell more Cat construction equipment, too. About 70% of Cat's \$9 North American dealers carry Challenger equipment.

Challenger "gives Cat and its dealers an opportunity to promote Cat products in more rural areas," Mr. Pearson says. "We wouldn't be able to do that with-

## TRYING TO DIG IN

Agco faces an uphill battle against Deere and CNH, which control 80% of the market.

## SHARE OF THE NORTH AMERICAN MARKET FOR AGRICULTURAL MACHINERY



## CAT ENGINES BUILT

While Cat's sales to Agco are rising, overall engine production is falling.

682,092

630,803

Source: Heringstad Inc., Power Systems Research

## CHALLENGER ALSO GIVES CAT A WAY TO PROMOTE ITS EQUIPMENT IN RURAL MARKETS.

See CAT on Page 8

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Chicago's rich-ent celebrate the NCA's 40th - Monday

John Zell, NCA board chairman

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| 06            | 682,092 |
| 07 projection | 630,803 |

Sources: Morningstar Inc., Power Systems Research

See CAT on Page 8

## BUDGET FOLLIES

For coverage of every twist in Springfield, stay locked on to [ChicagoBusiness.com](http://ChicagoBusiness.com)

## SOCIAL WHIRL

Chicago's rich-erati celebrate the MCA's 40th—Monday

Helen Zell, MCA board chairwoman

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## Prentice aims to snag repeat business from new moms

PRENTICE from Page 1

sleek operating rooms where doctors will perform gynecological and breast surgeries, among the most lucrative procedures in women's medicine. And on the 10th floor, one of the nation's largest neonatal intensive care units will nurse sick newborns to health at rates that can top \$15,000 for a standard case.

"This facility lets us expand (obstetrics) while at the same time building out these other programs that offer services for all stages of a woman's life," says Northwestern CEO Dean Harrison.

Maternity wards have long been loss leaders for hospitals. The birthing business comes with razor-thin margins, even losses, and sky-high malpractice insurance premiums. Dennis Murphy, Northwestern's chief operating officer, says maternity care is "slightly more than break-even" for the hospital, although he declines to give revenue or profit figures. (Northwestern netted \$107 million on \$981 million in patient revenue for the fiscal year ended Aug. 31, 2006, the latest available.) Many big hospitals, including the University of Chicago Medical Center, have scaled back maternity care.

Mr. Harrison and Northwestern are betting they can turn a profit on deliveries indirectly by locking in moms and their new families as life-long hospital customers. Health care observers believe mothers decide the majority of family medical matters.

But experts say there's no guarantee that a busier maternity ward will drive demand for higher-margin offerings like cancer or gynecological care.

"Hospitals can't just rely on obstetrics to be the entry point for other services," says Lisa Slama, a director at Skokie-based



Northwestern Memorial gynecologic oncologist M. Patrick Lowe shows off one of Prentice's new operating rooms. The hospital hopes to capture more business from gynecological and breast surgeries, among the most lucrative in women's medicine.

could be a huge profit center at Prentice. The hospital will treat up to 86 sick newborns at once—nearly double current capacity of 46. Northwestern officials decline to disclose their charges for the service. Commercial insurers paid hospitals an average of \$4,247 per day for babies in neonatal intensive care in 2005, according to Thomson Healthcare.

The new facility puts Northwestern deeper into maternity care at a time when some fellow academic hospitals have curbed theirs, partly because of skyrocketing medical malpractice costs. The funds Chicago-area hospitals set aside to pay malpractice claims have jumped fivefold or more since 2002, to \$20 million or more per claim in some cases.

Mr. Murphy, Northwestern's operations chief, acknowledges the greater exposure to malpractice risk but says the hospital's birthing expertise, honed through its high volume, allows it to blunt that threat better than most.

Mr. Harrison says the hospital sees maternity care as one of its

core missions. "We continue to see women who want to have their babies at Prentice," he says. "As the market leader, we want to fill that demand."

The expansion of that mission could pressure smaller competitors. For some community hospitals, losing even a few hundred deliveries to Prentice could turn profits into losses, says Chicago-based health care consultant Bruce Anderson.

Norwegian American Hospital in Humboldt Park isn't waiting to see what effect Prentice will have. It plans to begin a \$5-million renovation of its maternity ward to boost volume beyond the 1,935 deliveries it performed last year.

But CEO Michael O'Grady already has seen neighborhood residents opt for Northwestern's booming obstetrics program in recent years. He is wary of the new crosstown colossus.

"Does what Northwestern is doing add to our sense of urgency?" he asks. "You bet."

Contact: [mcoulton@crain.com](mailto:mcoulton@crain.com)

## STORK RATE

Deliveries at Northwestern have grown from roughly 4,000 a year to more than 10,000 in the last 20 years, far outpacing area rivals. The new Prentice Women's Hospital opening this month will be able to deliver 13,600 babies a year.

### BIRTHS IN 2006

|   |        |
|---|--------|
| Northwestern Memorial Hospital (Chicago)        | 10,363 |
| Advocate Christ Medical Center (Oak Lawn)       | 4,034  |
| Edward Hospital (Naperville)                    | 3,941  |
| Advocate Lutheran General Hospital (Park Ridge) | 3,882  |
| Mount Sinai Hospital (Chicago)                  | 3,767  |

Source: Bessie Department of Public Health

### HOSPITAL PROFIT DERIVED FROM WOMEN'S SERVICES 2003



Delivering babies is among the least profitable hospital services for women. Here's a look at the average profit per case for five common women's services at hospitals (figures from 2005):

### HOSPITAL PROFIT BY SERVICE

|                      |         |
|----------------------|---------|
| Gynecologic oncology | \$3,765 |
| Urogynecology        | \$3,116 |
| Breast treatments    | \$2,170 |
| Gynecology           | \$2,062 |
| Obstetrics           | \$1,308 |

Source: Advisory Board Co.

## BP flap hits rival refiners

REFINERIES from Page 2

The energy companies agree. "A new bar or threshold has been created," says Jim Wilkins, manager of health, environment and safety for the refining arm of Houston-based Marathon Oil Corp., which is seeking permits for a refinery expansion in Detroit and is studying an expansion of its Downstate Robinson facility.

For the most part, public pressure has focused on the need to spend more money on refinery emissions-control equipment, but Mr. Learner, going one step further, is calling on refiners to also offset the increased greenhouse gas emissions that would result from an expansion.

The cost-effectiveness of

available emissions-control technology is ultimately a judgment call for regulators, but carbon offsets go beyond what federal law currently requires.

"These are multibillion-dollar projects," Mr. Learner says. "We want to make sure refineries in the Midwest are state of the art."

At least in BP's case, it's unclear whether the emissions-control technology exists.

"Have we found a silver bullet? That remains to be seen," says a spokesman for BP, which is working with Purdue University and Argonne National Laboratory on a solution. "We could be forced to cancel the project entirely."

Contact: [pmerrison@crain.com](mailto:pmerrison@crain.com)



Howard Learner, head of the Environmental Law and Policy Center, says that since BP, "the rules of the game" have changed.

## With Challenger brand, Cat

CAT from Page 3

out selling ag (equipment), too."

Cat and Agco still face an uphill battle against Moline-based Deere, the world's biggest farm equipment maker, as well as Burr Ridge-based CNH Global N.V., maker of Case IH and New Holland tractors and combines.

"It's not easy attacking John Deere," says Pat Puntoni, a vice-president for ag equipment at Altofer Inc., a Cat dealer in Downstate Clinton. "The problem you have is getting the customer to look at you. You've got to have something different."

Agco's brands have a combined 10% of the North American farm equipment market, compared with 50% for Deere and 30% for CNH. Doug Griffin, vice-presi-

dent of marketing for Agco, is counting on Cat to help close the gap: "We're going to leverage the yellow paint every way we can to help build the Challenger brand."

Deere and CNH declined to comment.

Mr. Puntoni figures the consolidation that's eliminated many small family farms will help Challenger by making Deere's network of nearly 3,000 dealer stores in the United States and Canada less of an advantage. Challenger has 320 dealer locations.

"We're dealing with less and less people, but they're handling more and more money and bigger equipment," says Mr. Puntoni, whose Challenger business has been growing at about 20% a

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# stalks Deere

year for the last three years. His dealership recently opened a new branch to service farm equipment.

Challenger won over Joe Warner, who farms 5,500 acres of corn and soybeans near Downstate Rantoul. He switched from Deere more than a decade ago and now has three Challenger tractors, which he says last longer because of the Cat-built components. He also likes the rubber tracks on some Challenger models—another Cat-developed feature.

"The ride and comfort in a Cat Challenger (tracked) tractor is extremely quality," says Mr. Warner, 62.

Contact: [rtila@crain.com](mailto:rtila@crain.com)

# EXHIBIT 060



## *Heavy Metal; Caterpillar, a successful American company in an international market*

CBS News Transcripts Sunday Morning 9:00 AM EST CBS

February 17, 2008 Sunday

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**Length:** 636 words

**anchors:** ANTHONY MASON

**Reporters:** MARTHA TEICHNER

### **Body**

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HEAVY METAL

ANTHONY MASON, host:

How's this for some heavy metal, from *Caterpillar*, an American company that's thriving, even as some equally famous brands--Polaroid, for example--are fading. That Polaroid story coming up from Daniel Sieberg.

But to begin, Martha Teichner visits a global company whose success is as big as its products.

(Footage of *Caterpillar machinery*; factory)

MARTHA TEICHNER reporting:

(Voiceover) They only look small. Tipped up, one of these babies is five stories tall and weighs 700 tons. That's almost a million and a half pounds. It'll cost you about \$6 million. But Peoria, Illinois, based *Caterpillar* can't make its behemoth earth movers fast enough. Instead of following the US economy on its downward slide, in 2007, *Cat* reported record sales and profits. Instead of firing American workers and shipping their jobs overseas, *Cat* was hiring at its US plants. In other words, defying economic gravity.

Mr. JIM OWENS: I think this plant is living proof that we can win and compete in the global marketplace.

(Footage of Owens; factory)

TEICHNER: (Voiceover) *Caterpillar* CEO Jim Owens just said the magic word: global.

(Footage of President Bush at *Caterpillar* factory)

TEICHNER: (Voiceover) Last year, President Bush went to a *Caterpillar* plant to promote worldwide free trade.

President GEORGE W. BUSH: I would suggest moving back, I'm about to crank this sucker up.

TEICHNER: (Voiceover) Or was it just to drive the mother of all boy's toys?

(Footage of *Caterpillar machinery*)

TEICHNER: (Voiceover) The entire developing world--China, India, Indonesia, countries whose growth is relatively immune to the downturn in the US economy--are still buying.

Mr. STU LEVENICK: We're seeing optimism in all of our global markets.

JENNY REILLY

Heavy Metal; Caterpillar, a successful American company in an international market

I'll use these grab irons.

(Footage of Levenick)

TEICHNER: (Voiceover) Stu Levenick is a Caterpillar group president.

Does it have power steering?

Mr. LEVENICK: It has power steering, absolutely.

(Footage of Caterpillar machinery; visual of map; footage of Komatsu sign and building)

TEICHNER: (Voiceover) Caterpillar manufactures all its biggest trucks and tractors in the United States. Its other vehicles are made in 26 different countries. But globalism is as globalism does. The Japanese company Komatsu, Cat's biggest rival, built itself a great big plant in Peoria, Caterpillar's hometown. All of which means that here, along the banks of the Illinois River, global is an adjective, not an expletive. And the word recession doesn't sound as scary as it does elsewhere.

Mr. BERNARD GOITEIN: We seem to be doing better, and our consumer confidence in the future is still higher than you're finding in the average of the country.

(Footage of Teichner and Goitein)

TEICHNER: (Voiceover) Bernard Goitein is a management professor at Bradley University in Peoria.

(Footage of flags; classroom)

Mr. GOITEIN: (Voiceover) Global businesses understand they operate globally, and at the business school we realize we have to prepare our students, largely American, for a global environment.

(Footage of Caterpillar factory; picket lines)

TEICHNER: (Voiceover) You could say that Caterpillar's employees get a lesson in international business with every paycheck. The bitterness of two long, ugly strikes in the 1990s is still festering, a decade of bad blood.

Mr. RICK DOTY: It was purely they wanted to bust the UAW out of their plants.

(Footage of Teichner and Doty)

TEICHNER: (Voiceover) But even the UAW's Rick Doty gives Caterpillar credit for its global strategy.

Do you feel, in a sense, that your jobs are being saved by what's happening worldwide?

Mr. DOTY: Oh, absolutely.

(Footage of Caterpillar factory; machinery)

TEICHNER: (Voiceover) More than half of everything Caterpillar makes in the United States ends up overseas. Globalism has become a fact of life. And does it play in Peoria? You bet.

**Load-Date:** February 17, 2008

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# EXHIBIT 061



**» CLEAR**  
CONTINUED FROM PAGE 1

regulatory edge against foreign-controlled markets and each other.

The CME Group wants to preserve the existing system, while the Chicago Board Options Exchange favors replacing the two regulators with a single regulator with a single regulatory as new derivatives products have blurred the distinctions between futures contracts and equities.

CBOE Chairman and Chief Executive William Brodsky, who is the CBOE's largest shareholder, but he is waiting to see whether the words are matched by substantial action.

"On one hand, I'm pleased they made some progress," Brodsky says. "But I'm not sure they would have made progress if we hadn't kept the pressure on."

In its public comments for the Treasury Department, NYSE-Euronext expressed its support to adopt common goals because a merger of the two bodies would "be a natural step to take. It is a merger would also require congressional approval."

**'The farm community does not want the CFTC to be gobbled up by a Wall Street' regulator.**

—Lawyer Philip Johnson

The CFTC and SEC appeared to endorse the NYSE-Euronext reform legislation. In addition, the farm community expressed its cooperation on enforcement and new derivatives. Their memorandum of understanding would create a liaison between the agencies and improve their ability to share information.

"As regulators, we have a responsibility by past agricultural fraud, abuse and manipulation in order to protect U.S. consumers and markets," said CFTC Commissioner Bart Chaffetz. "At the same time, in the past, it has taken too long for regulators to respond to highly regulated products and to allow innovative transactions to come to market."

But key structural and cultural discrepancies still exist that would prevent an immediate combination of the agencies. Exchange officials say the SEC's rules with respect to the CFTC with commodities.

"There's no question that having separate regulators for futures markets allowed for a lot more innovation than under SEC regulation," said Rick Grigg, a just dean of the University of Chicago's Graduate School of Business.

An environment developed in which the CFTC-regulated CME Group continues to grow. The new futures contract for monthly oil futures as the CFTC still waits for a response to a new derivative it proposed in 2004. The CBOE wants to have additional exchange-traded funds that invest in gold, but prior to this memorandum the agencies could not decide who should regulate the product. The agencies now have shared jurisdiction.

The SEC follows a set of rules born out of the Great Depression which are meant to protect investors and monitor companies raising money through public offerings. No one and investment advisers fall under its domain, and generally so do the options and CBOE being trading in 1972.

The CFTC sticks to a set of broad principles. It has a strong cultural heritage because farmers once prepared for uncertainty in harvest with contracts in futures market, which are not even at a set price later.

And though the vast majority of the CME Group's volume consists of financial futures, the CFTC still reports the House and Senate agricultural committees.

"The farm community does not want the CFTC to be gobbled up by a Wall Street regulator," said lawyer Philip Johnson, who also is part of the legislation establishing the CFTC in 1974.

ASSOCIATED PRESS

WASHINGTON — Sen. John McCain (R-Ariz.) said Tuesday that his inquiries into a \$33 billion Air Force tanker contract were intended to be nonpartisan. McCain denied they were motivated by lobbyists who are close advisers to his presidential campaign.

"I had nothing to do with the contract, except to insist in writing, on several occasions, that it be fair and open and transparent," he said at a news conference in Las Vegas. "That was my involvement in it."

His remarks came after The Associated Press reported that some of his current advisers lobbied last year for

European Aerospace Defense and Space Co., parent company of planemaker Airbus SAS. EADS and Northrop Grumman Corp. beat out Chicago-based Boeing Co. in a recent reletting contract.

On Tuesday, Boeing filed a formal protest of the tanker award with the Government Accountability Office, citing "irregularities" in the contract competition.

Two of the lobby lists were given to Boeing's work when they joined McCain's campaign last year. One list lobbies for EADS and serves as McCain's national finance chairman.

McCain, the presumptive Republican presidential nominee, has been instrumental

and its supply partners would create 40,000 jobs while saving 1,000 aerospace factories in the U.S.

Both sides are looking for information to resolve the political issue, said Richard Absoluta, Air Force spokesman. Virginia-based T-1 Group "welcomes to the great debate."

The GAO, by contrast, will focus narrowly on whether the Air Force's evaluation process was flawed. McCain's campaign says it has the Air Force evaluate the tanker proposals, a process the Pentagon has devolved as unusually rigorous. In a statement Tuesday, the Air Force said that if it followed a carefully structured process, designed to ensure transparency, maintain integrity and promote fair competition.

"Several independent review teams assessed the process as sound and thorough," Chicago-based Boeing has ample evidence to defend its



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—Sen. John McCain

in the Pentagon's long attempt to complete a deal on the tanker. McCain helped block an earlier scandal-ridden tanker contract with

Boeing in 2004 and prodded the Pentagon in 2006 to change proposed bidding procedures by Airbus.

EADS retained Oglivy Government Relations and the Leffler Group to lobby for EADS. McCain said last year, months after McCain sent two letters arguing the Defense Department's tanker award was the bidding, proposals guaranteed competition between Boeing and Airbus.

"They never lobbied him related to the issue, and the letters went out before they were contacted" by EADS, McCain campaign spokesman John Hanftliker said.

"The aesthetics are not great, especially since McCain is an advocate of reform and transparency," said Richard Absoluta, an analyst

did not line.

"We were very surprised that our competition which seems to be building their airplane in a lot of different places, a lot of different ways, that over time that just would not be viewed as risky by the Air Force," said McCain.

Another point of contention is war-game computer modeling designed to show how crews of the tankers would perform in battle, introduced by the Air Force in late 2006 in the middle of the evaluation process. The computer simulation, developed by Northrop, awarded a proposal as more if one of the tankers failed to complete their mission.

However, Boeing charges that the simulation was tweaked during the final review for proposal, as well as afterward, so that Northrop-EADS tankers wouldn't be

with the aerospace consulting firm T-1 Group. Boeing lobbyists are suing to end this arrangement.

McCain portrayed himself as a neutral watching.

"I had no involvement in a defense America and to make sure that our nation is secure, and we don't have unlimited dollars to do so," he said. "So as long as it was a fair and open process, I support all Americans' right to speak their mind."

Rep. Norm Dicks (D-Wash.) said the field was "filled by Airbus" because the Pentagon did not allow European subsidies for Airbus in its deliberations, a decision he blamed on McCain. Everett, Wash., is where Boeing would perform most of the tanker work.

disqualified.

For example, McCain said, the commander came add ramp space at several Air bases, adding the Northrop proposal would require more would be needed to park the Air Force tankers, whose wing span is 27 percent larger than Boeing's offering.

"They have a really compelling argument about the Air Force infrastructure and all the knock-on costs of storing and parking far larger airplanes," said Howard Rubel, aerospace analyst with Defense & Co.

Still, Rubel said Boeing should have sounded alarms about irregularities months ago while the proposals were being tested.

"The [Boeing] is a case" he said. "Did they present it very well? Doesn't look like it."

Johnson@tribune.com

**» BOEING**

CONTINUED FROM PAGE 1

has until June 15 to either reject Boeing's claims or to ask the Air Force to take a fresh look at the proposal.

Congress also can intervene by blocking funding, splitting the contract or by introducing the contracting decision, a process that could bow an earlier tanker deal when an inquiry by House Committee on John McCain asserted major ethics violations.

A group of Boeing supporters in that its proposal would create 40,000 jobs within the U.S. \$100 billion in the 25 states served by Boeing and its tanker partner, European Aerospace Defense and Space Co.

However, Northrop on Tuesday released new methodology showing that the Los Angeles-based contractor

case, company officials told reporters and analysts during a Tuesday conference call.

"We do not think we were treated fairly," said Mark McGraw, vice president of Boeing tanker programs.

The competition was extremely close, McGraw said, and Boeing's proposal received high marks from procurement officials. But the Air Force ultimately opted for the larger proposal led by the Airbus A330 jet, even though it had lower cargo capacity than Boeing's proposal.

Boeing also disagreed with how the Air Force evaluated the costs and risks of the two proposals, claiming government officials rejected the savings that Boeing said it could gain from manufacturing the tanker as its design-

**» CAT**

CONTINUED FROM PAGE 1

sponded to slowing U.S. conditions in coming months. Selection in some U.S. production or shifting their production to offshore, said McCain.

Some facilities are still running at full capacity.

On Tuesday, Reuters emphasized that Caterpillar's oil share markets remain strong despite the mid-downturn in the U.S. economy. "Most emerging economies are in good shape," he told financial analysts, "with relatively low inflation and strong balance sheets. They have a need to invest in infrastructure, and they have the resources to do so."

Caterpillar's profits are responding to dynamics that the company hasn't recognized in the market. But all eyes are on Wall Street hasn't adjusted its U.S. share model to reflect its own stock still rebound off share sales.

Historically, Caterpillar's earnings have risen and declined in concert with the health of the U.S. economy. But in January, the company reported a 10 percent year-over increase in earnings, despite the mid-downturn in the U.S. economy.

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**» ABRAMS**

CONTINUED FROM PAGE 1

ture across Abrams's inter-active, broadcasting and publishing properties. His first day will be April 1, but plans to relocate to Chicago, his hometown.

"He's a genius and the person who inspired me to become the radio personality I know I could become," said Bob W. XM, XM 101.5's managing director and a seasonal Chicago Tribune columnist, who was first hired by Abrams in 1994. He was later hired by Abrams at Chicago's WLSM-FM 97.9.

Make them play live five or six hours a day, then they get to be on the radio, and our attitude was, 'No, keep going,'" Abrams said.

Influenced by Washington, D.C., the "creative heart and soul" of XM as chief creative officer since its founding in 1996, Abrams was a founding partner of Berkus/Abrams result-



More than 130,000 people registered for the CME/Exp/Com/Agg trade show, which began Tuesday in Las Vegas. Caterpillar CEO Jim Owens told analysts at the show that he expects revenue to jump more than 30 percent by 2010.

particularly in the booming Asia Pacific region.

China's strong economic growth is spurring strong growth in nearby economies, and are result, helped by the U.S. dollar's weakness, is that Caterpillar's exports to off-shore markets jumped 20 percent in 2007, to \$12.6 billion.

The company drew 10 percent of its sales from markets outside North America.

For investors, the big question is whether the offshore

market can remain strong if the U.S. economy's troubles deepen into outright recession, as appears likely. His bullish a troubled U.S. economy has been enough to derail growth of trading partners around the world. But in view of China's astonishing growth and other factors, America's slowdown might not drag the rest of the world down with it this summer.

Owens, who holds a PhD in

economics, also told analysts that Caterpillar is "optimistic" about long-term prospects of the industries we served," despite weak conditions in North America, though he said the company "is not likely" to see any significant improvement in those markets in 2008.

Capital spending in 2008 will rise significantly, to \$2.3 billion from \$1.7 billion in 2007, as the company expands production capacity primarily

in offshore markets. "Demand in Russia is still exploding," he said, and Caterpillar expects continued growth in emerging markets to create a "stronger global average." On a day when the Dow Jones industrial average surged nearly \$17 points, shares of Caterpillar, a Dow component, added \$16, or 1.7 percent, to \$224.30 on the New York Stock Exchange.

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**» ABRAMS**

CONTINUED FROM PAGE 1

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Photo by the Tribune by Jim Owens

Some credit Jim Abrams with creating XM's album rock format, others say he led the push to consultant-driven playlists.

and his close aide MTV. Billings, Bon and Coca-Cola. Randy Michaels, Tribune's chief executive of brand, existing and interactive, called Abrams "the most for midsize creative thinker in the media business" in a statement and said Abrams will "pump new life into our content, re-energize our brands, and get people thinking and working together."

just now again, it was bigger than ever.

"I don't know what the Top 100 ever is for newspapers, but people are writing 'them' but because of the Internet and so many other options are behind them and they just might be ... not to sleep on it ... that Top 100 kind of what it means."

Red state: Chicago's Sun-Times parent Sun-Times Media Group, which is weighing ways to boost its ongoing share price, including a possible sale on Tuesday announced that its fourth-quarter loss widened to \$20 million from \$16 million as programs expanded to the same quarter in 2006.

Overall, the company returned to profitability in 2007, landing \$271 million in the third quarter reporting a \$6.7 million loss in 2006, but that's because of a big Canadian tax settlement. Sun-Times Media's 10 operating units had \$1.1 billion in operating loss in 2006.

Cyrus F. Freidheim Jr., the Sun-Times Media Group's chief executive, said in a press release, told analysts the Sun-Times expects its Audit Bureau of Circulations circulation survey to end this month, it also said 10 percent of the company's campaign to cut \$20 million in operating costs are complete.

Post report: NBC's "Law & Order" at 9 p.m. Wednesday on WJLA-TV 5 has Lara Flynn Boyle playing what she says is her last role as an ambitious reporter ... who loses her sexuality to try to break a murder case. Her circulation survey commitments to end this month, it also said 10 percent of the company's campaign to cut \$20 million in operating costs are complete.

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# EXHIBIT 062



# EXHIBIT 063





WEDNESDAY, APRIL 9, 2008 - VOL. CCLXI NO. 83

# THE WALL STREET JOURNAL

MONDAY

DAA 12546 41 41019-08 NASDAQ 1246.76 NYSE 11870.41 VIX 21.00 STOCK B 120 32 70.72 10-YR TREAS 4.76 30-YR 5.566 OIL 51.949 7.34M GOLD 1164.00 73.22 EURO 1.51270 YEN 102.57

\$\$\$ 91.50

## What's News

Business & Finance World-Wide

**The Fed is considering contingency plans for expanding its lending power to enhance credit markets fast. The interest tabs are part of a continuing effort at the Fed, similar to what is under way at foreign central banks, to determine the extent of the credit crunch becomes more severe. A3**

**Some Fed officials are wary about a worse-than-expected economic recovery. March minutes showed an A3**

**Small-business owners' confidence in the economy is plummeting, a survey finds. An index of pending home sales fell 1.9% in February. A4**

**ConocoPhillips and BP plan to jointly build a natural-gas pipeline from Alaska to the lower 48 states, a project that could cost over \$30 billion. A5**

**Private-equity firm Apollo Management filed for an initial public offering of stock valued at about \$1.6 billion. C1**

**Citigroup is near a deal to purchase about \$12 billion of leveraged loans and bonds to some private equity firms. C2**

**The Dow industrials fell 35.90 points to 12,776.44 as stocks stayed in a technical trading range ahead of first-quarter earnings reports. C3**

**0-7 officials are expected to back measures to make financial markets more transparent. The housing turmoil and credit crunch may lead to losses of \$450 billion, the IMF says. C4**

**Wallo sought J.P. Morgan's help while in talks with TFC and spurred a takeover bid of \$1 billion, CFC, CIO, C20**

**An investment fund tied to TFC is threatening \$1 billion of dollars in losses. C2**

**U.S. energy officials expect oil to average \$120 a barrel this year, up sharply from an earlier forecast. Creditors closed \$1 billion to \$108.50. A6**

**American Airlines canceled 500 flights to conduct more safety inspection after accidents from the FAA. B1**

**Delta and Northwest could meet ahead with their delayed merger plan in early or next week if Delta management supports talks with pilots. B3**

**Glass received a warning letter from the FDA after it filed its trial reports about Avastin trials. B2**

**A former Nyxer director and three traders pleaded guilty for their roles in a fraud involving customers through illegal natural-gas trading. C1**

**JFE and JFE will begin reports today on a merger of lists that would create Japan's biggest shipbuilder by merger. B5**

**A number of pilots at China Eastern disrupted flight last week in a protest against long hours and inadequate pay. B3**

**Altavia said it has enough cash for the short term but warned it needs a large injection of money to keep alive. A4**

**Japan's largest private-equity fund was the holding for GRT Automobile in a deal valued at about \$3 billion. C3**

## Candid Camera: Trove of Videos Vexes Wal-Mart

Producer Peddles Clips To Lawyers and Union; Mrs. Clinton on Stage

By Gary McWilliams

LEWIS, Kan.—For nearly 20 years, Wal-Mart Stores Inc. employed a video production company to help capture footage of its top executives, sometimes in a video production room. Now the retail giant stopped using the company.

At first, the decision threw Ender Productions Inc. into a panic. Now it's Wal-Mart's top management.

In recent months, Ender has reported a trove of some 15,000 Wal-Mart tapes to the outside world, including a video of the president and board member challenging store managers in 2004 to consistently work longer hours.

The 100s presidential candidate said he is reviewing the tapes. He said he is not planning to release them. He said he is not planning to release them.

McWilliams said he is reviewing the tapes. He said he is not planning to release them. He said he is not planning to release them.



## Olympic Turmoil Builds Protests in San Francisco, Bogge interview

All

## Bush to Expand Help on Mortgages

By John D. McEnroe and Damian Paletta

WASHINGTON—The Bush administration plans to expand a program that helps struggling borrowers by their homes, but it faces opposition to the program's expansion.

The expansion is to be announced Wednesday and is designed to help about 500,000 homeowners, including many who own more than their homes are worth.

The expansion would allow borrowers to refinance their mortgages at lower interest rates. The program is expected to help about 500,000 homeowners.

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## Crossings With Migrants Slow as Job Picture Dims

By Miriam Jordan

The number of illegal immigrants apprehended along the U.S.-Mexico border is falling, though an indicator that the economic downturn and border-patrol security could be detrimental to the crossings.

The U.S. Border Patrol said Tuesday that the number of apprehensions dropped 29% to 13,772 between Oct. 1, 2007, and March 31, 2008, from the same period in late 2006 and early 2007.

The drop was particularly stark in the Yuma sector in Arizona, where apprehensions plunged 76% to 5,900 people over the last 150-mile stretch of the border. The state gained a law effective Jan. 1 that cracks down on employers who hire undocumented workers.

There is no way to measure the number of people who try to cross into the U.S. from Mexico each year. Nor is there a precise way to gauge how many crossed on Feb. 20, federal officials said.

The Border Patrol and some experts say tougher measures and a greater number of agents on the ground are discouraging border crossings from Mexico. Experts also cite tougher state laws, particularly in Arizona, Kentucky and others, and the impact of the U.S. economy, in particular the housing boom, industry.

Francisco Lopez, a 43-year-old illegal immigrant and the parent of two U.S.-born children, arrived about \$200,000 a year transporting construction material, but he worked dry and he now drives a taxi to make ends meet. "To live in America these days is to suffer," Lopez says, who lives in the Chicago area. "I'm not recommending to my friends back home to come here."

## Circuit City Investors Brace for Bad News

Results from circuit city investors brace for bad news. Circuit City will show if the company is in a state of decline.

## Incentive Figures Dues Bought Cars Curfew

Wholesale investors are expected to receive 0.5% in February after January's higher-than-expected 0.8%. The Fed may raise rates.

## World Wise

Global trends include the impact of the oil price on the world economy. The world is facing a global financial crisis.

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**How UTC Prepped  
David's Successor**  
MARKETPLACE B1



**Mall Owners Feel  
The Chill in Retail**  
THE PROPERTY REPORT C10



**Petraeus Cautions  
On Iraq Drawdown**  
U.S. NEWS A3

# THE WALL STREET JOURNAL.

**DOW JONES**

A NEWS CORPORATION COMPANY

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WEDNESDAY, APRIL 9, 2008 - VOL. CCLI NO. 83

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# TODAY'S AGENDA

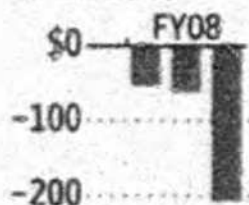
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## *Circuit City Investors Brace for Bad News*

Results from electronics chain **Circuit City** will show if the company is slipping further into the

red. A shareholder group has called turnaround efforts "disastrous" and is seeking to oust CEO Philip Schoonover.

CIRCUIT CITY  
NET LOSS  
in millions



## *Inventory Figures Due; Baghdad Faces Curfew*

Wholesale inventories are forecast to have risen 0.5% in February after January's higher-than-expected 0.8% rise, fueling fears products stay on shelves too long. **Commerce Department, 10 a.m. EDT.**

Baghdad faces a one-day curfew on the fifth anniversary of its capture by U.S. forces.

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## REVIEW &amp; OUTLOOK

## Volcker's Demarche

**Y**ou don't have to predict it. We're in it." That David Volcker wrote in his resignation Tuesday about whether he still pre- dicted a "dollar crisis" in the coming years. We hope current Federal Reserve Chairman Ben Bernanke is paying attention.

Mr. Volcker, a former Fed chief, has a well-earned reputation for strong, clear, and often blunt, strong institutional pressure not to second-guess one's successors at a place like the Federal Reserve. This makes his speech to the Economic Club of New York all the more remarkable for the sharp questions he raised about inflation, Fed independence and moral hazard.

On the dollar, Mr. Volcker's blunt talk of crisis is a welcome tonic to the current finan- (ist consensus that now dominates Washington. The world has been staging a run on the greenback, with damaging results if contin- ued. Mr. Volcker noted that when "concerns about secession are rife," the central bank will be tempted to "subordinate the fundamen- tal need to maintain a reliable currency to the impulse to mount a flagging defense." The danger is that you lose both battles, as the U.S. did in the 1970s, and wind up with stagflation.

The present climate, Mr. Volcker told his audience, reminded him of nothing so much as the early 1970s. Then, as now, certain com-modity prices were rising fast—the fed oil and soybeans as two examples. Then, as now, these were explained away as a "temporary price run-up" and not as a harbinger of a broader inflationary trend.

All we know now that ended, and Mr. Volcker knows better than anyone. He was the one who, at the end of that decade, had to step in to raise interest rates to positive lev- els to break the loop of that lost inflation. The commodity prices were still rising, but soy- beans are \$12 a bushel today compared to \$7

a year ago. Mr. Volcker is warning the Fed not to let inflationary expressions become embedded once again.

Mr. Volcker also argued Tuesday that the Fed's strenuous efforts on behalf of the housing market looked "biased toward par- ticular institutions" or "politically sensitive cir- cumstances," in the housing market. He did not argue that no government in- tervention was warranted—the crisis was, he said, "too threatening" for the government to stand aside.

But the Fed has particular duty to de- fend the integrity of the "flat currency" in its charge. And exchanging dollars for "mort- gage-backed securities of questionable qual- ity" both raises the specter of moral haz- ard and potentially undermines the world's faith in the integrity of the Fed's balance sheet. Unless the Fed can shut the door it opened with its guarantee of \$21 billion worth of Bear Stearns paper—which "seems highly unlikely," in Mr. Volcker's words—it will have to take on oversight of the institu- tions that are buying the mortgage paper.

Related to this, Mr. Volcker argued again a further extension of this implicit Fed mandate to hedge funds or private equity groups whose deal or beyond what the system as a whole. Bright about now should be the worst time for such a hedge-fund blowup, if only to show that the Fed will not be taken in.

In recent days, another former Fed Chair- man, Alan Greenspan, has been making the rounds defending his legacy. Mr. Volcker, with the benefit of his distance from the Fed, offered something more useful: A diagnosis of our current predicament and that response to avoid the dangers of a Fed that responds too easily to political pressure and fails to protect the value of the dollar.

## 'See No Progress'

A usual measure of General David Petraeus's achievement is the turn in the U.S. political mood seen in the U.S. Congress. In September, Senators felt entitled to talk, even before, the Iraq conflict. This week, however, was accorded more re- spect, in showing that even Democrats can't stand the Iraq war, instead, they ignored them.

At yesterday's Senate double-hour, General Petraeus was sober and candid in characterizing the security program mid- dle last session, calling it "significant but un- known and uncertain," "fragile and reversible." He noted important advances. Both high-profile terror attacks and civilian deaths, including those due to terrorism, are down. And in Iraq, half of Iraq's provinces are under Iraqi control, and Ambar and Qadisiyah are expected to transition over the coming months. All Qaeda in Iraq has been greatly diminished because of un- relenting pressure and better counterinsur- gency intelligence.

General Petraeus also emphasized the ef- fort made by Iraqis. The Iraq Security Forces have grown by 130,000 soldiers and police over the past year to 340,000. Ambassa- dor Ryan Crocker, the U.S. envoy to Iraq, added that political reconciliation is "moving in the right direction" but that it is not "linear," as some demand along the Western model. The Iraqi parliament is nonetheless reaching compromises, and local political groups are being formed more through de- bate and less through violence.

The security situation remains unstable, partially because of the "distractive" role Iraq has played, and that "special groups"

of Shiite extremists backed by Tehran con- stitute the most lethal threat to stability. The worst course for the U.S. would be to withdraw, they said. As Mr. Crocker put it, pulling out would lead to suffering "an even greater loss of life than what we were already seen. Spiraling conflict could draw in neighbors with devastating consequences for the region and the world."

Regrettably, none of this seemed to penetrate the minds of most Senate liberals. Democ- rats largely used the platform for reiterating the arguments they have made for 19 months, without acknowledging the changes on the ground. Joe Lieberman described the ap- proach of his former party as "burr no progress in Iraq, no progress in Iraq, and no progress in Iraq." Mr. Lieberman seemed to take umbrage at Mr. Petraeus's assessment. She devoted her time to arguing that, to the contrary, it is the U.S. that has made for the 19- month Iraq war, a 35-day "period of consolidation and evolution."

If the hearings had a common theme, it was the contrast between the seriousness of General Petraeus and the sensitivity of the Democrats. President Bush's worst mistakes in Iraq were due to standing by flawed strategies and not thinking. Democrats have now adopted that posture.

## Colombia and Cat

President Bush sent the U.S.-Colombia Free Trade Agreement to Congress Tuesday, and Democratic leaders in the House are expected to be cheer- er. No surprise there. AFL-CIO President John Sweeney has been promoting the deal, and we're guessing his confidence has something to do with Big Laka's contributions to the Democratic Party in an election year.

But if House Speaker Nancy Pelosi's anti-Colombia motivations are easy to divine, Mr. Sweeney's are more puzzling. Union leaders like to say they're looking out for the well-being of the rank and file. But by exchang- ing the Colombia FTA, Mr. Sweeney would weaken the competitiveness of American manufacturing and put some of America's remaining union jobs at risk. There are jobs that exist today that would be gone if Congress rejects this market opening in South America.

Exhibit A are 8,600 jobs at two Caterpillar factories in Illinois. Caterpillar exports more to Peru and Colombia than it does to Germany, Japan or the United Kingdom. So keeping and growing market share in the well-being of the rank and file. But by exchang- ing the Colombia FTA, Mr. Sweeney would weaken the competitiveness of American manufacturing and put some of America's remaining union jobs at risk. There are jobs that exist today that would be gone if Congress rejects this market opening in South America.

Consider exports of the off-highway truck made in Canada. Customers in Colombia now pay a 15% tariff—equal to \$200,000 on the import of these vehicles. If the FTA goes through, that import tariff goes to zero immediately. Conversely, there are deal dies and Colombia, which is trying to expand its world trade, strikes an agreement with another country where similar vehicles are made. U.S. export's will immedi-

ately be at a 15% price disadvantage.

Colombia also has a large mining industry, and there are more Cat-D haulers in Colombia than in any other country in the world. Those haul- ers are made in East

Colombian auto makes to- day in the U.S. any other country in the world. Those haul- ers are made in East. For 90 months of protection, ex- ports pay a 5% duty to import Cat haulers, which compete against Ko- rean haulers, which have a final U.S. work force of 30,543—Eaton an even more im- portant threat in the case of motor graders, a piece of heavy equipment used to level the playing field, literally. A company called Chapman also makes tractors in Can- ada, and Colombia is also negotiating a FTA with Canada. If Canada goes a deal with Colombia, will the U.S. walk away from its Can- adian market? The U.S. will cost more than was made in Canada. Once again, Mr. Sweeney's agenda makes the U.S. work force less competitive.

The AFL-CIO reputation makes even less sense when you consider that 92% of Colom- bian goods coming to the U.S. now enter the American market duty free under the Aus- tralian Trade Preferences Act, or ATFA. In June 2007, 90 months of protection, ex- ports pay a 5% duty to import. Now the ATFA, and thereby maintain open U.S. markets for Colombian products. The FTA a choice to open U.S. markets to U.S. members services. It's like saying that we want U.S. products going to Colombia to be heavily taxed. Even for a trade prom- oter like Mr. Sweeney, that makes no sense. For American workers, it's crazy.

## OPINION

## A Cure for the Pay Hysteria?

**W**hy is Aflac, a company owned by a bird, so successful? The answer may lie in giving its shareholders an equal say on the CEO's pay package.

Let's look at the case of James CEO of the insurance company. Mr. Kelly's success in fielding open capital markets about the man- agement's financial strategy made his company a success in the public eye of CEO's.

Because he's trying to curry favor with the corporate governance crowd and allow equal representation of the role of employ- ee with his last name in the company? Aflac CEO, as the son and nephew of Aflac's founders and CEO, is not a stakeholder or a potential successor.

**BUSINESS WORLD** **By Andrew Ross** **Hudson, N.J.**

Now, to say, "I've worked hard to build this company, and I want to see somebody who can't handle it." His will have the same chance as anybody else would like to win the job.

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## Making Business a Crime

**By Harvey Silvergate**

**W**hen news of a liquidity crisis at Leh- man Brothers began to circulate in late March, company spokeswoman Kerri Ann Cunningham insisted that the firm's re- sponses. "There are a lot of rumors in the marketplace that are totally unfounded," she told this newspaper.

Perhaps she had been ad- vised by Lehman's insur- ance broker, Citigroup, that the investigation of Bear Stearns executives for publicly defaming their former employer, Citigroup, was being used to avoid saying anything about what could have happened to them.

It is not clear whether the insur- ance firm's financial stability, Bear Alan Schwartz tried to calm the waters. He issued a public statement that Bear's "balance sheet" is "strong and liquid" and "we have reviewed these comments so CIBC on March 12.

Those assurances failed to reduce industry con- fidence. The federal regulator, followed by the Federal Reserve, took legal action that allowed J.P. Morgan Chase to acquire Bear on the cheap.

It is not clear how many jobs were lost. The Department of Justice has reportedly launched a criminal investigation into these pub- lic statements, but it may have done so many years ago. Other professionals who have engaged in extremely risky transactions of their job.

In the case of Bear, the firm has a particular incentive to do so. It would still retain a portion of the government's role in the current economic crisis and provide a satisfactory resolution to the crisis.

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Mr. Cantor will find his way of the last surviving

# Colombia and Cat

President Bush sent the U.S.-Colombia Free Trade Agreement to Congress on Tuesday, and Democratic leaders greeted it with a Bronx cheer. No surprise there. AFL-CIO President John Sweeney has been promising that the deal won't pass, and we're guessing his confidence has something to do with Big Labor's contributions to the Democratic Party in an election year.

But if House Speaker Nancy Pelosi's anti-Colombia motivations are easy to divine, Mr. Sweeney's are more puzzling. Union leaders like to say they're looking out for the well-being of the rank and file. But by quashing the Colombia FTA, Mr. Sweeney would weaken the competitiveness of American manufacturing and put some of America's best-paying union jobs at risk. These are jobs that exist today but could well be gone if Congress rejects this market opening in South America.

Exhibit A are 8,600 jobs at two Caterpillar Inc. factories in Illinois. Caterpillar exports more to Peru and Colombia than it does to Germany, Japan or the United Kingdom. So keeping and growing market share in both countries is important to union members in both plants. Not all are union jobs but both facilities are United Auto Worker shops.

Consider exports of the off-highway truck, made in Decatur. Customers in Colombia now pay a 15% tariff—equal to \$200,000—on the import of these vehicles. If the FTA goes through, that import tariff goes to zero immediately. Conversely, if the deal dies and Colombia, which is trying to expand its world trade, strikes an agreement with another country where similar vehicles are made, U.S. exports will immedi-

ately be at a 15% price disadvantage.

Colombia also has a large mining industry, and there are more Cat D-11 bulldozers in Colombian coal mines today than in any other country in the world. Those bulldozers are made in East Peoria. Colombian customers pay a 5% duty to import

## A case study in trade and union workers.

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Cat bulldozers, which compete against Komatsu bulldozers made in Japan. Union members might ask Mr. Sweeney why he wants to spurn an offer that would give U.S. products a 5% price edge against Japanese competition.

Caterpillar—which has a total U.S. work force of 50,545—faces an even more imminent threat in the case of its motor graders, a piece of heavy equipment used to level the playing field, literally. A company called Champion also makes motor graders in Canada, and Colombia is also negotiating an FTA with Canada. If Canada seals a deal with Colombia while the U.S. walks away from its Colombia pact, graders made in the U.S. will cost more than those made in Canada. Once again, Mr. Sweeney's agenda makes the U.S. work force less competitive.

The AFL-CIO's rejectionism makes even less sense when you consider that 92% of Colombian goods coming to the U.S. now enter the American market duty-free under the Andean Trade Preferences Act, or ATPA. In June 2007, 365 members of Congress voted to renew the ATPA and thereby maintain open U.S. markets for Colombian products. The FTA is a chance to open Colombian markets to U.S. goods and services. Killing it is like saying that we want U.S. products going to Colombia to be heavily taxed. Even for a trade protectionist like Mr. Sweeney, that makes no sense. For American workers, it's crazy.

# EXHIBIT 064



Urlacher: I never told Bears I was going to retire. SPORTS

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# Chicago Tribune

*Saturday, April 19, 2008 | Chicagoland Final*



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# Chicago Tribune

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## Olympics jump to Tempel Farms

Top equestrian facility opens door to 2016 bid

By Susan Kucaka  
and Kathy Bergen  
BUSINESS WRITERS

Presented with an offer too good to refuse, the Chicago team bidding for the 2016 Olympics announced Friday that Tempel Farms, one of the Midwest's premier equestrian facilities, is the new proposed site of equestrian events from the summer games. It also says to rest concerns by preservationists who had objected to the previous proposal to build the events in a Lake County forest preserve.

The move spurs Olympic officials from having to build a state-of-the-art equestrian facility from scratch for the summer games. It also says to rest concerns by preservationists who had objected to the previous proposal to build the events in a Lake County forest preserve.

"The offer put forth by Tempel Farms will improve our initial proposal in a number of ways," Chicago 2016 bid leader Bruce Ryan said in a statement. "It is especially noteworthy that a critical cross-country course already exists."

Tempel Farms, founded in 1938 by the late industrialist Tempel Smith and his wife, Esther, in north suburban Woodworth, features training and breeding and dressage facilities along with a world-renowned training staff. It is home to the largest privately owned herd of Lipizzans in the U.S.

Olympic officials initially considered Tempel Farms for the Games, but ultimately rejected Smith's offer because they were willing to host the equestrian events on forest preserve property, officials said.

Tempel Smith's grandson, Laurens Lefinowski Jr., said his family recently offered the 1,000-acre site for Olympic use. Tempel Farms previously has hosted the North American Young Rider Championships and the United States Dressage Federation Young Rider Clinic Series.

"My grandfather would have been very excited," Lefinowski said. "He was such an American, and this is something he would have been ecstatic about. We hope to offer our site to the 2016 Olympic committee as it will help bring the Olympics to Chicago."

**Old Mill Creek** WATERGATE RD

**Tempel Farms**  
New proposals to

**Lakewood Forest Preserve**  
Original proposal site

**L.A.V.E.**

**WILCOX**

**Chicago**

THOMAS GRAPIC

## Nicor wants to raise natural-gas rates

The utility plans to ask the Illinois Commerce Commission for a \$10 million rate hike to cover delivery of the fuel. Consumers watchdogs question file move. PAGE 3

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# Stocks buoyed by earnings

Most results meet, beat expectations

TRADING STAFF AND INVESTMENT

Wall Street topped off a strong week with a big rally Friday after results from companies like Caterpillar Inc., Citigroup Inc. and Google Inc. helped ease investor anxiety about the health of corporate profits.

Investors have been worried that recent data indicate a slowing economy, which would cut into profit growth at some of the nation's big cost companies. But results so far have shown that earnings, for the most part, are meeting or beating expectations, and the major indexes all posted gains of more than 1 percent for the week.

### FRIDAY'S MARKETS

**Dow Jones** **+228.87** to 12,849.36  
**Nasdaq** **+61.14** to 2,402.97  
**S&P 500** **+24.77** to 1,190.33  
**10-year T-note** **-0.03** to 3.70%

### MORE INSIDE

Citigroup posts \$5 billion loss, plans 9,000 job cuts. PAGE 3

Next week will provide a new test of the market's exuberance, however, with 100 companies in the Standard & Poor's 500 and nine Dow Jones industrial average components scheduled to report results, according to

### Thomson Financial

Citigroup, the nation's big cost bank, encouraged investors with results that didn't contain any big surprises. The bank reported a loss of \$5.1 billion during the first quarter because of poor bets on mortgages and leveraged loans, but the loss was half the \$10 billion recorded for the preceding quarter.

Google helped boost investor sentiment, as well as the stock-heavy Nasdaq composite index, by reporting first-quarter earnings and revenue growth late Thursday that handily topped analysts' predictions.

Google rallied \$20.47, or 20 percent, to \$129.11, the most since its August 2007 initial public offering and the big gain in the S&P 500.

PLEASE SEE STOCKS B PAGE 2

## Cat stock surges as profit beats forecasts

By James P. Miller  
TRADING WRITER

Caterpillar Inc. reported a stronger than expected 11 percent first-quarter earnings increase Friday as a routine cost surge in international sales helped the heavy-equipment giant offset weakening domestic markets.

The company, whose profits have historically moved up and down with the U.S. economy, has been expanding its inter-

national presence for a decade. Now, with sell-off over half of its sales coming from outside the U.S., Caterpillar reported its most profitable first quarter ever—at a time when the U.S. economy is mired in what many experts say is a full-blown recession.

"Even though we're currently weathering a recessionary storm in the U.S.," said Chairman and CEO Executive Jim Owens, "we expect the rest of

PLEASE SEE CAT B PAGE 2



Grigor Harutyunyan (left) and Sassoon Perotian admire a new black Lamborghini at Bentley Gold Coast dealership in Chicago.

## Drivers shift behavior

Gasoline and oil prices continue to set new records, forcing U.S. consumers to adjust driving and travel plans, research fills up.

By Joshua Bok  
TRADING WRITER

With oil and gasoline prices at all-time highs, the most luxurious indulgence—Lamborghini Gallardo Sport—might be that it gets 12 miles per gallon.

"It takes a back seat" to the frayed jacket. "It takes a back seat," Harutyunyan said. But gasoline remains at

the forefront of an American economy now painfully adjusting to the realities of escalating oil prices. With the problem compounded by a declining stock market and rising unemployment, many consumers have started trimming household budgets that are not nearly as recession-proof as 412 horsepower sports cars.

Light-sweet crude futures closed at a record \$114 a barrel Friday, while AAA reported gas nationwide averaged a record \$1.44 a gallon and died \$1.16 a gallon. It was the fifth consecutive day that oil futures hit a new peak on the New York Mer-

cantile Exchange, with the latest daily price surge caused by rebels in Nigeria damaging a pipeline owned by Royal Dutch Shell.

The Department of Energy projected last week that gas prices could cross \$4 a gallon this summer, a consequence of the traditional family vacation, political instability in oil-producing nations and increased demand from emerging economies such as India and China.

A survey of AAA Chicago members released this week showed that 76 percent are reevaluating their shopping

## Gas by the gallon

The cost of driving varies, depending on the car. Comparing the cost based on the price of gasoline in Chicago.

**12** miles per gallon for a 2008 Lamborghini Gallardo Spyder  
■ Gallons needed to drive 25 miles: **2.08**  
■ Cost to drive 25 miles: **\$75.8**

**46** miles per gallon for a 2008 Toyota Prius Hybrid Ecocoupe  
■ Gallons needed to drive 25 miles: **0.54**  
■ Cost to drive 25 miles: **\$1.96**

**25** miles per gallon for a four-cylinder 2008 Honda Accord coupe  
■ Gallons needed to drive 25 miles: **1**  
■ Cost to drive 25 miles: **\$3.65**  
SOURCE: FuelEconomy.gov

## Record territory

U.S. gasoline prices hit an all-time high on Friday, while Chicago reached the peak it reached in May 2007.

Per gallon cost of reg. unleaded



Friday: Chicago: **\$3.65**  
National: **\$3.44**

DAILY AVERAGE

| MONTH | 2007 | 2008 |
|-------|------|------|
| JAN   | 1.80 |      |
| FEB   | 2.20 |      |
| MAR   | 2.50 |      |
| APR   | 2.80 |      |
| MAY   | 2.50 |      |
| JUN   | 2.20 |      |
| JUL   | 2.00 |      |
| AUG   | 2.10 |      |
| SEP   | 2.20 |      |
| OCT   | 2.30 |      |
| NOV   | 2.40 |      |
| DEC   | 2.50 |      |
| JAN   |      | 1.80 |
| FEB   |      | 2.00 |
| MAR   |      | 2.20 |
| APR   |      | 2.40 |
| MAY   |      | 2.80 |
| JUN   |      | 2.50 |
| JUL   |      | 2.20 |
| AUG   |      | 2.00 |
| SEP   |      | 2.10 |
| OCT   |      | 2.20 |
| NOV   |      | 2.30 |
| DEC   |      | 2.40 |
| JAN   |      | 2.50 |
| FEB   |      | 2.60 |
| MAR   |      | 2.70 |
| APR   |      | 2.80 |
| MAY   |      | 2.90 |
| JUN   |      | 3.00 |
| JUL   |      | 3.10 |
| AUG   |      | 3.20 |
| SEP   |      | 3.30 |
| OCT   |      | 3.40 |
| NOV   |      | 3.50 |
| DEC   |      | 3.60 |

### INSIDE RETAILING BY SANDRA M. JONES

## Forever 21 favors 2 Mag Mile stores

Forever 21 Inc. opened its first Mag Mile store last week on Friday and has plans to open a second store just as big down the street later this year.

The Los Angeles-based fast-fashion retailer announced its two-level, 60,000-square-foot in the former Virgin Megastore space at 540 N. Michigan Ave. with the gift reserved for its department store rivals, a red carpet, runway show, live display and dancers in the windows overlooking the famous boulevard.

But there is more to come to be, said Larry Meyer, senior vice president of Forever 21, in an interview after the grand opening. Forever 21 plans to open another two-level, 80,000-square-foot store in the old Lord & Taylor space at Water Tower Place above the

site where American Girl Place is now being built this year, he said.

"We think there is enough demand in and around Michigan Avenue," to justify two stores, said Meyer. Forever 21 already operates a 7,000-square-foot store at Water Tower Place on North Michigan Avenue, which it will close when the larger store opens this fall.

At a time when many retailers are walking back expansion plans to adjust to the economic slowdown, privately owned Forever 21 is going gangbusters.

The \$1.3-billion retailer increased its square footage by 30 percent last year and intends to do the same in 2008, Meyer said. He expects sales to increase in 2008 to \$1.8 billion, which would be a 38 percent gain. Meyer attributes the 24-



Sung Wun Sohn, vice chairman of Los Angeles-based Forever 21, stands inside the clothing chain's new showcase store at 540 N. Michigan Ave., which opened Friday.

year-old chain's recent growth to a surge in financially strapped consumers discovering discount fashion. Forever 21's monthly same-store sales gains have accelerated this year, he

said, without being more specific. The sales trend contrasts with falling comparable sales at such major chains as J.C. Penney, Target, Gap and Kohl's. Same-store sales measure

growth at stores open at least one year.

Owner and CEO Don Chang and his wife, Jin Song Chang, started the

PLEASE SEE RETAILING B PAGE 2

# Cat stock surges as profit beats forecasts

**By James P. Miller**

TRIBUNE REPORTER

Caterpillar Inc. reported a stronger-than-expected 13 percent first-quarter earnings increase Friday, as a continued surge in international sales helped the heavy-equipment giant offset weakening domestic markets.

The company, whose profits have historically moved up and down with the U.S. economy, has been expanding its inter-

national presence for a decade. Now, with well over half of its sales coming from outside the U.S., Caterpillar reported its most profitable first quarter ever—at a time when the U.S. economy is mired in what many experts say is a full-blown recession.

“Even though we’re currently weathering a recessionary storm in the U.S.,” said Chairman and Chief Executive Jim Owens, “we expect the rest of

PLEASE SEE **CAT** » PAGE 2



## » CAT

CONTINUED FROM PAGE 1

the world to continue to invest in infrastructure growth well into the next decade."

Caterpillar shares surged more than 8 percent Friday, making the stock easily the biggest percentage gainer in the Dow Jones industrial average.

Caterpillar's first-quarter results were "impressive," said Morningstar analyst John Kearney, particularly since the Peoria-based company is "facing deteriorating macroconditions in its North American markets."

In the quarter, net income was \$922 million, or \$1.45 a diluted share, up from the year-earlier period's net income of \$816 million, or \$1.23 a share.

Because higher steel costs pinched profit margins, the earnings increase of 13 percent wasn't as solid as the 18 percent increase in sales, which climbed to \$11.8 billion from \$10.02 billion.

Caterpillar's results topped the \$1.33 a share analysts had been anticipating, sending the company's stock to an eight-month high.

In New York Stock Exchange trading, Caterpillar shares ended up \$6.69, or 8.5 percent, at \$85.28. That helped push the Dow higher by more than 228 points.

Underscoring the widening gap between slow-growth domestic markets and still-vibrant international regions, Caterpillar noted that sales outside North America grew by 30 percent, while North American sales managed a 4 percent upturn.

Sales outside North America represented 58 percent of Caterpillar's total sales, up from 53 percent in the year-ago quarter. Exports rose 17 percent, thanks in part to the weaker dollar, Owens told analysts in a conference call.

Caterpillar, with operations in 23 different time zones, faces starkly different conditions at home and abroad. For many product lines, the company remains capacity-constrained, with factories running flat-out. Some U.S. factories are switching over to serve export markets.

And while Owens told analysts the still-weakening U.S. heavy-machinery market will probably hit bottom "in the next three to six months," offshore sales reflect a fundamental shift.

The torrid growth of China's industrial economy has driven the price of commodities higher around the globe, spurring demand for iron ore, copper, petroleum, energy plants and for infrastructure projects such as

harbors and highways.

As new mines open in Australia and South America, demand for Caterpillar's mining trucks has zoomed. Caterpillar and its rivals are racing to supply bulldozers and other machinery used in building projects in China, India and other rapidly developing nations.

Despite the first-quarter results, Caterpillar didn't raise its previous guidance that full-year per-share earnings would increase in a range of 5 percent to 15 percent.

In part, that's because the company has lowered its estimates for North American sales: While it previously expected sales to range from flat to up 5 percent, the company said Friday that sales in the home market could drop by as much as 2 percent, and at best will rise by 2 percent.

Western Europe sales are also sluggish, company officials said, but those eroding conditions are more than offset by strengthening demand in the Asia-Pacific and other developing regions.

"We're in what is kind of an unprecedented time in history, with North America so weak and the rest of the world so strong," said Mike DeWalt, the company's director of investor relations.

[jpmiller@tribune.com](mailto:jpmiller@tribune.com)

# EXHIBIT 065

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# CRAIN'S

## CHICAGO BUSINESS.

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GREG HINZ

### Pros and cons

Ill. voters could take state matters into their own hands. **PAGE 2**



## SKINNER'S NO DRIVE-THRU CEO

BY DAVID STERRETT

When McDonald's Corp. named James Skinner CEO in November 2004, many figured he would merely keep the seat warm until the board settled on a long-term successor.

Directors had twice passed over the company veteran, turning to him only after two predecessors died in less than a year.

More than three years later, the former high school wrestler has a firm grip on the job, and his tenure is proving more transformative than expected.

He has overseen three years of unprecedented sales growth and launched the biggest menu expansion in 30 years, rolling out fancy coffees and bottled drinks in a challenge to both Starbucks and 7-Eleven.

And with McDonald's now facing the first serious economic downturn in five years, it's clear the decisions he makes over the next year will leave a lasting imprint on the fast-food chain.

See SKINNER on Page 8



**"I'VE BEEN SHOOTING OVER BIG GUYS MY ENTIRE LIFE."**

[James Skinner, CEO, McDonald's Corp.]

## Traffic slows at O'Hare

As airlines cut flights, city tries to push expansion forward

BY PAUL MERRION AND JOHN PLETZ

Traffic is declining at O'Hare International Airport just as the city of Chicago presses cash-strapped airlines to fund the second phase of the airport's expansion.

About 16 million passengers flew through O'Hare from January to March, down 9% from the same period a year earlier, according to figures posted on the Chicago Department of Aviation's Web site last week. Flights fell 5.3% to 213,160. If the trend continues through 2008, it would mark O'Hare's first full-year decline in passenger traffic since a 1.3% slide in 2002.

The drop-off comes as Chicago tries to push ahead with phase two of the \$8.35-billion,

multiyear project to expand O'Hare, which can go forward only if airlines agree to foot the bill through higher landing fees. But these days, airlines are more interested in reducing capacity than adding it.

Carriers like Chicago-based United Airlines, a dominant player at O'Hare, are slashing flights as they contend with soaring fuel prices. They're also negotiating mergers likely to lead to further capacity cuts.

"It's possible things could be deferred or postponed," particularly a proposed new western terminal, says Joseph Pezzimenti, airport bond analyst for credit-rating agency Standard & Poor's in New York.

Chicago is seeking federal approval to spend \$201 million in future O'Hare revenue—generated by a \$4.50 ticket tax on each departing passenger—on the final design and engineering

See O'HARE on Page 5

## Obama guru's moment of truth

Axelrod's mantra of change missing mark with key voting bloc

BY GREG HINZ AND PAUL MERRION

David Axelrod's above-the-fray political strategy turned U.S. Sen. Barack Obama from promising first-terminer to presidential front-runner, but his game plan is starting to show its limitations as the struggle with U.S. Sen. Hillary Clinton drags on.

The Chicago-based chief strategist and media maestro for the Obama campaign crafted a message of change and hope that resonates with college students, urban professionals and political independents. But it's falling flat with the biggest part of the Democratic base: blue-collar voters equally skeptical about their economic security and the sweeping platitudes of a relatively untested



Axelrod

politician.

To win the Democratic Party's nomination, let alone defeat presumptive GOP nominee U.S. Sen. John McCain, R-Ariz., in the general election, Mr. Obama needs to connect with Rust Belt voters like those who handed him a nine-point defeat in the Pennsylvania primary last week. Observers say the Obama campaign must sharpen its focus, be more specific about what "change" means to middle-class Americans, ramp up its ability to fend off political attacks and re-introduce Mr. Obama to the tens of millions of voters who still barely know him.

"There's no doubt they're going to have to make some changes (to be successful), more

See AXELROD on Page 10

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## DON'T DISMISS THE POSSIBILITY OF A CONVENTION TO REWRITE STATE CONSTITUTION

# Con game

Most voters nowadays likely would leap at the chance to send a message to Springfield—an angry, screaming message.

They have cause. Bickering Democrats seem likely to go into overtime for a second year in a row on a state budget. Lawmakers disagree on a desperately needed capital plan, toughened ethics standards, reforms to shore up the state's strapped employee pensions, and pretty much everything else. Meanwhile, the question emerging daily from federal court isn't whether but how badly Gov. Rod Blagojevich has been damaged this time.

All of that underlines the temptations of a seemingly quick, easy means to put the bums in their place. And such an opportunity is coming soon.

I'm not talking about the proposed recall bill, which like everything else in Springfield seems caught in a political morass, but something much more fundamental and meaningful: a convention to rewrite the Illinois Constitution.

Under the provisions of the state's existing 1970 constitution, voters are supposed to be given the chance every 20 years to decide whether to reopen the document for major change. Since the last opportunity for a re-opener came in 1988, voters this November will decide whether or not to call a constitutional convention, or con-con. If three-fifths of those voting on the question or a majority of



GREG  
HINZ

gued that many flaws in state government "are neither cause for nor remedied by constitutional change." Merely calling a convention doesn't guarantee change, it adds, and there are ways to amend the constitution without opening the entire document.

Even embattled Team Blagojevich, whose trademark is broad appeals to populist sentiment, is sending out word that a convention is a bad idea. Con-con just might decide to allow voters to recall officials—like the governor—between regular elections.

But there are dissenters. "There could be a perfect storm that pushes this proposal into reality," says Michael Lawrence, who served as press secretary to Illinois' last successful governor, Jim Edgar, and now teaches at Southern Illinois University. "People clearly are unhappy with what's happening in state government today."

Indeed, there is plenty of potential ammunition for a pro-con PR blitz.

Do you think public schools are underfunded? Do lawmakers spend too much money on pork projects? Should the state constitution restrict legal abortion—or should it more clearly leave all choices up to the women involved? All of those could

provide fuel. So might road builders from Chicago to Cairo, gun fans and gun foes, and those who want to mandate steps like recall and referenda to control the polls. The potential for mischief is almost endless.

My use of "mischief" is a good indication of where I stand. I want to give con-con more thought before the fall but at this point lean in the "no" direction.

What counts, though, isn't what any columnist has to say. What counts is whether some big, organized, well-funded pressure group that feels strongly about an issue like one of those I mentioned puts its muscle behind con-con. If it does, all bets are off.

Keep an eye on this one, folks, because it could make quite a splash.

Contact: ghinz@crain.com

# Goodwill haunts local companies

## Bad buyouts during boom times producing big writedowns

BY ANN SAPHIR

The sputtering economy is forcing a growing number of companies to own up to an unpleasant fact: They overpaid for acquisitions made in better economic times.

Sara Lee Corp. warned investors in February it may need to write down as much as \$1.36 billion related to acquisitions in the United States and Spain. Also in February, R. R. Donnelley & Sons Co. wrote off \$752.2 million related to \$4 billion of purchases from 2004 to 2006. Sirva Inc., the moving company based in Westmont that filed for bankruptcy protection in February, wrote off \$388.4 million after the housing slump dented the value of past purchases.

Investors often dismiss such one-time charges as mere accounting adjustments. They do

so at their peril, says Mark Hirschey, a professor at the University of Kansas School of Business. Writeoffs related to past acquisitions can signal trouble ahead, he says, because they mean the expected profits that justified the purchase haven't materialized.

"Sometimes when companies acquire others, they have an optimistic bias—they are the prince that can kiss this frog and make it beautiful," Mr. Hirschey says. A writeoff reflects "a bad decision, and that raises the market skepticism about the quality of the management."

When one company buys another, it typically pays more than the value of the company's tangible assets—its factories, land or machinery. That's because it's expecting earnings from intangible assets, such as a product's brand name. The excess payments are recorded on the company's balance sheet as "goodwill" and can make up more than half of the purchase price.

As long as the acquired busi-

## TROUBLE AHEAD?

### ACQUISITION-RELATED WRITEDOWNS

| Company                           | Problem purchase                      | Writedown       |
|-----------------------------------|---------------------------------------|-----------------|
| Sara Lee*                         | Various acquisitions                  | \$1.36 billion  |
| R.R. Donnelley                    | Moore Wallace/<br>Office Tiger/Astron | \$752.2 million |
| Sirva                             | Various acquisitions                  | \$388.4 million |
| ITW                               | Gick Composites                       | \$97.0 million  |
| Acas Brands/Commercial Laminating |                                       | \$35.1 million  |
| Kraft                             | Keyline/First 20                      | \$3.0 million   |

\*Writedown is "nonrecurring liability"  
Source: Crain's reporting

ness performs as expected, the assets keep their value. But economic slowdowns typically force acquirers into a "come-to-Jesus moment," says Bill Hughes, co-CEO of Milwaukee-based Valuation Research Corp., which advises companies on their required annual goodwill assessments.

Mr. Hughes predicts more writedowns as companies, particularly those in housing, finance or retail, deal with the consequences of years of easy credit that helped fuel ever-pricier acquisitions. Writeoffs are particularly worrisome for companies with a lot of debt and whose banks require them to have enough assets to backstop their

See GOODWILL on Page 8

## THE POTENTIAL FOR PRO-CONVENTION MISCHIEF IS ALMOST ENDLESS.

those voting in the election say yes, a convention would be held, likely in 2009.

Conventional wisdom is that voters this year will reject such a move just as they did in 1988—by a 3-1 margin.

Sen. John Cullerton, D-Chicago, notes that both business and labor achieved major goals in the 1970 constitution, which bans both a graduated income tax and any reduction in a state worker's pension once he or she goes on the payroll. "They won't want to risk it," he says.

Michael Madigan, the often taciturn House speaker, has let it be known he thinks con-con is a bad idea. "He believes the constitution that was put together in 1970 was a pretty good document," Mr. Madigan's spokesman says. "There are more risks than potential gains."

The Illinois Business Roundtable, in a February report, ar-

# Cat tests rentals at Home Depot

## As construction ebbs, looking to lure pros who will rent vs. buy gear

BY BOB TITA

Caterpillar Inc. aims to fortify its construction equipment rental business with help from retail giant Home Depot Inc.

Caterpillar, the world's largest maker of bulldozers, excavators and other earth-moving equipment, has begun offering rentals to contractors at a Dallas Home Depot store, where a counter staffed by Cat's Dallas dealer has been operating since November.

The pilot program is aimed at gauging whether contractors buying lumber, drywall and shingles from Home Depot, the nation's second-largest retailer, are interested in Cat's line of small construction equipment.

A favorable response in Dallas could lead the companies to roll out similar rental counters in hundreds of Home Depot stores nationwide. More than half of the 2,200 Home Depot stores in North America already rent power tools, carpet cleaners and other hand-held items.

Neither Cat nor Home Depot would divulge revenue-sharing details from the pilot, but some industry observers estimate that



Skid-steer loaders, top, and mini-excavators are available for rent in Dallas.

Home Depot gets a 7% cut.

"We have a focus on pro customers, so this is just offering them another service," a Home Depot spokeswoman says. Caterpillar didn't respond to requests for comment.

Access to Atlanta-based Home Depot's network of stores would boost Peoria-based Cat's profile in the \$38-billion equipment rental industry at a time when dismal conditions in the U.S. construction

sector have made contractors cautious about buying new machines. Moreover, Cat's skid-steer loaders, mini-excavators and other compact equipment would gain exposure to the small to medium-sized contractors and landscapers that use such equipment the most and accounted for about 30% of Home Depot's \$77.3 billion in total sales last year.

"With this small equipment, you need as many points of contact with the customers as you can get," says Frank Manfredi, a construction equipment consultant in Mundelein. "It's very competitive. You're dealing with tens of thousands of other rental businesses."

Caterpillar dealers rent equipment out of more than 500 locations in North America. The company avoids selling new machines to independent rental companies and likely would continue to rely on its dealers to provide the equipment and manpower if the Home Depot rental program expands.

Rental revenue has become vital for Cat dealers as the housing slump prompts customers to pull back on purchases. First-quarter sales in North America grew less than 1% from the year-earlier period, and Cat recently lowered its outlook for U.S. economic growth to just 0.5%.

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Wakeup: Tune in to Assistant Managing Editor Ann Deppes on WBBM-TV's "Business News."

CRAIN'S ON TV  
Breakdown: WHAQ-TV/Channel 3 carries Crain's top story at 10 p.m.

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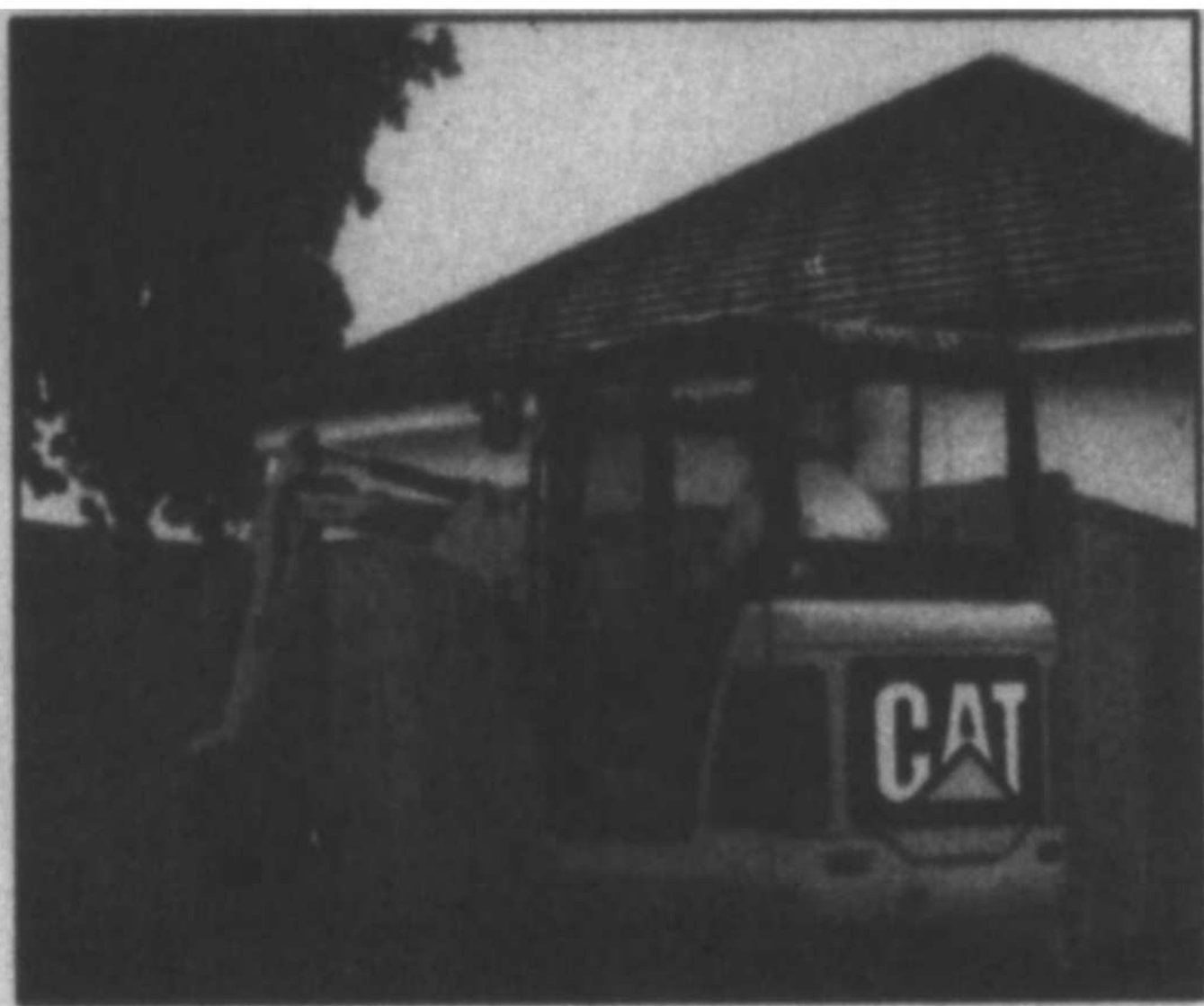
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Contact: [rtita@crain.com](mailto:rtita@crain.com)





**Skid-steer loaders, top, and mini-excavators are available for rent in Dallas.**

# EXHIBIT 066

## *Cat CEO predicts record profits; Shareholders: End 'staggered board'*

Chicago Tribune

June 12, 2008 Thursday, Chicago Final Edition

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**Section:** BUSINESS ; ZONE C; Pg. 3

**Length:** 434 words

**Byline:** By James P. Miller, TRIBUNE REPORTER

### **Body**

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Despite the U.S. economic slowdown, Caterpillar Inc. is "extraordinarily well-positioned" for success, Chairman and Chief Executive James Owens told stockholders at the heavy-equipment giant's annual meeting Wednesday.

The Peoria-based company expects to post its fifth consecutive year of record profits in 2008, Owens said, as solid economic expansion in most regions of the globe continues to spur new infrastructure developments -- fueling demand for the earthmovers, mining trucks and diesel-powered electric generators Caterpillar makes.

While upbeat, Owens' discussion of Caterpillar's prospects didn't offer any new guidance. Sales and revenues, which totaled \$45.96 billion in 2007, will likely rise between 5 percent and 10 percent in the current year, he reiterated, while earnings per share will probably rise by 5 percent to 15 percent from last year's \$5.37.

Caterpillar's domestic sales of machinery and engines have been dampened by a slowdown in the American economy and, in particular, by the collapse of the once-robust housing market.

Owens, an economist and a strong supporter of free trade, told the audience in response to a question about growing protectionist sentiment among Americans that the "greatest risk to the [U.S.] economy would be a turning inward" and adoption of protectionist trade policies.

If that happens, he said, "The largest U.S. corporations will find a way to stay competitive. ... It will be the smaller corporations in this country that will suffer" from future trade restrictions.

At the meeting, which was held in Chicago, shareholders voted in favor of a proposal that calls for the company to end its "staggered board" system. Like some U.S. companies, Caterpillar divides its board into three classes, with only one class of directors coming up for election each year. That format offers a bulwark against takeovers because it protects against a hostile suitor taking control of the company's board through a proxy fight.

In response to pressure from corporate-governance groups, however, a growing number of companies have opted to have every director stand for election each year.

The proposal was backed by 54 percent of the votes cast, according to a preliminary tally.

Because the measure is only advisory, passage doesn't oblige Caterpillar to take any specific action.

Separately, Caterpillar raised its quarterly dividend 17 percent, to 42 cents a share. The dividend is payable Aug. 20 to stockholders of record at the close of business July 21, the company said Wednesday. Caterpillar previously paid a dividend of 36 cents a share.

[jpmiller@tribune.com](mailto:jpmiller@tribune.com)

JENNY REILLY

Cat CEO predicts record profits; Shareholders: End 'staggered board'

**Load-Date:** June 12, 2008

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End of Document

# EXHIBIT 067



**EARNINGS**

## Cat's gain built upon strength overseas

Record profit generated for 4th consecutive year

By James P. Miller  
THEIRAL REPORTER

Caterpillar Inc.'s fourth-quarter earnings rose a solid 10.5 percent, as continued strength in booming international markets helped the Illinois-based heavy equipment giant offset slumping domestic sales.

With the results released Friday, the company closed out its fourth consecutive year of record profit. And despite "anemic" conditions and the looming threat of a U.S. recession, Caterpillar's analysts expect to set another earnings record in 2008, thanks to "positive conditions for our sites in most of the rest of the world."

In the latest **MARK INSIDE** quarter, Caterpillar had net income of \$273 million, or \$1.01 a share, up 9.6% from \$249 million, or \$0.94 a share, in the year-ago quarter. Earnings include a \$20 million gain, or \$1.42 a share, from discontinued operations, and \$1.42 a share, from discontinued operations, and \$1.42 a share, from discontinued operations.

The most recent earnings matched analysts' expectations, but only with the help of a lower than expected tax rate that boosted per-share earnings by an estimated 14 cents.

Merrill Lynch analyst Andrew Orsini called the results "another operationally underwhelming quarter," in which the operating profit was higher than expected.

However, Morningstar analyst John Kearney praised Caterpillar's "solid" performance and said the company remains positioned to "continue its growth trajectory in coming years."

"Although the broad market suffered a sharp downturn Friday, Caterpillar shares bucked the trend to rise 0.9 cents, or 1 percent, in close at \$63.90 on the New York Stock Exchange."

PLEASE SEE CAT PAGE 2

## Housing woes cut Fortune profit by 22%

By James P. Miller  
THEIRAL REPORTER

Fortune Brands Inc. on Friday reported a 22 percent drop in fourth-quarter earnings, reflecting the drag of the housing market's woes, and a one-time charge.

The Deerfield-based consumer brands company, which makes liquor as well as home furnishings and golf-related products, said net income declined to \$201.5 million, or \$1.42 a share, from \$259.5 million, or \$1.85 a share, a year ago.

The latest quarter included a post-tax \$77 million in restructuring-related charges, which was offset in part by a \$45 million gain on the sale of an asset. The year-ago period was helped as well by one-time items that bolstered per-share earnings by 20 cents.

Excluding those items, Fortune Brands' earnings would have been \$1.41 a share in the most recent period, up from \$1.42 a share in the year-ago period and in line with analysts' forecasts. Sales rose less than 1 percent, to \$2.22 billion.

"Fortune is delivering more than we expected given the tough macro-environment," Bryan Spillane, an analyst with Bank of America Equities Research, wrote in a research note.

President and Chief Executive Bruce Carmonari noted the company had met its earnings and targets even though the housing correction in the U.S. has proven more challenging and persistent than anyone anticipated a year ago, or even three months ago.

At Fortune Brand's spirits seg-

PLEASE SEE FORTUNE PAGE 2

# Scuffle may aid United



Who is trying to decertify your Union and leave you with NO Contract or job protection?

Which Union has Officers indicted for fraud and theft?  
 WHICH A. O. Teamsters? (see also)  
 Which Union has Officers serving years in prison time for embezzlement of member funds? (see also) Teamsters? (see also) and Teamsters? (see also) AMFA? (see also) <http://www.amfa.org> <http://www.teamsters.org> <http://www.ao.org> Contact: [spokane@ao.org](mailto:spokane@ao.org) or 800.826.1407

A postcard sent by the Aircraft Mechanics Fraternal Association lists its position in its fight with the Teamsters to represent United mechanics.

## Unions' fight to represent 5,000 mechanics could ease any merger or outsourcing efforts

By Stephen Franklin  
and Julie Johnson  
TRAVEL REPORTERS

A Teamsters union bid to win over 5,000 mechanics from a smaller union could play into United Airlines' hands as it contemplates a merger and fields offers for its largest maintenance base in San Francisco.

The opening for the Teamsters occurred Friday when the National Mediation Board called for an election between the Teamsters and the Aircraft Mechanics Fraternal Association, or AMFA, a small independent union largely dominated by organized labor.

The article that plays to United's hands stems from the author's

downgrading efforts. Nearly half of United's 10,200 flight-line jobs were laid off years ago, and if neither the Teamsters nor AMFA win over 50 percent of the vote, that could leave the historically maverick group of United without any say in a merger.

It would also eliminate its veto power, so it can't force its current contract, over any sale or divestiture of the San Francisco base, where more than 2,500 mechanics work. So, too, the mechanics would no longer be covered by a union, United officials added.

No date has been set for the election. But union officials said they expected balloting to begin next

PLEASE SEE UNITED PAGE 2

## Rookie trader was trained at nondescript schools in France and came from a second-tier family, but he is said to have alone caused \$7.2 billion in losses



Societe Generale said Thursday that it had uncovered a \$7.2 billion fraud by a single futures trader. The French bank's headquarters are located just outside Paris.

# Accused fraud mastermind 'without particular genius'

By Geraldine Baum  
THEIRAL REPORTER

PARIS — Huddled over lunch Friday at a bistro on the Champs Elysees, two young bankers seemed to debate the double life of Jerome Kerviel, the rookie trader with French bank Societe Generale who is said to have perpetrated the largest fraud in banking history.

How could he hide his lies, the HSBC man asked his friend, who works in Societe Generale's head quarters on the rue de Paris.

"He'd have to keep checking out at the right moment," the HSBC banker speculated. "He must have never left his computer screen. Not even to eat."

Around Paris and, indeed, among financial workers around the globe, nobody would stop inquiring how could one rogue rack up so many billions in losses with out anyone knowing? And, who is this guy anyway?

Mostly he is the game warden



Jerome Kerviel mounted billions in trades, he allegedly engaged in unauthorized trades, evading detection.

who turned post hoc a young man trained at the nondescript schools of France's second cities, in Nantes and Lyon, to monitor the billions in trades banks execute every day. He then allegedly used his knowledge of how a bank protects itself to engage in unauthorized trades and evade detection.

As for anyone can tell, he didn't do it to steal money. He did it, apparently, because he could. But there remained many unanswered questions Friday, and Kerviel wasn't talking. A sign on the mailbox of his post-modern Seine apartment said: "Don't search here. He has been seeking refuge elsewhere probably for some time now."

Kerviel, who had a job investing bank money in European stock

markets indexes, may have been gambling "tens of billions of euros," far more than initially thought, bank officials were quietly telling reporters Friday in December as the markets started to slide. Kerviel apparently panicked and started deliberately losing to try to hide his fictitious trades and raise his chances of being caught.

They a week ago he made an error and tripped a security wire. By Jan. 19, he had confessed to his boss, and was helping the bank retrieve his trail of fraud, according to a source at the bank.

French police wanted Kerviel's home Friday for more than two hours, according to The Associated Press, and left with two large black leather cases and one briefcase.

Societe Generale executives that Kerviel didn't profit from his trade, and said he was acting alone. Some financial experts had a hard time buying that. "If you work in banks, you know that when losses are that big the bank cuts off posi-

PLEASE SEE KERVIEL PAGE 2

# Stocks drop after early rally runs out of steam

ASSOCIATED PRESS

NEW YORK — Wall Street ended a tumultuous week with a sharp decline Friday as backtracking followed two days of gains as investors turned cautious and called in some of their winnings.

The Dow Jones industrial average tumbled 171.44 points, or 1.4 percent, to 12,307.17, after rising more than 100 points early in the session. The Standard & Poor's 500 index fell 21.46, or 1.4 percent, to 1,230.81. The Nasdaq composite index dropped 34.72, or 1.5 percent, to 2,228.20.

Despite the large moves during the week, stocks finished not far from where they began it. The Dow added 0.9 percent, the S&P 500 edged up 0.4 percent, and the Nasdaq lost 0.6 percent. It was the Dow's first weekly advance of 2008.

The week started with a 64-point drop in the Dow soon after the market opened Tuesday. It rallied to close off 126 points, then the next day it plummeted 126 points before rebounding to finish up nearly 94. On Thursday, it added 108 points.

Investors had an initial burst of optimism Friday, sending each of the major indexes up more than 1 percent, after upbeat profit reports from big names such as Microsoft Corp. and word of a possible buyout of a troubled bond insurer.

But the advance proved short-lived, and the eventual decline waded a surging green that investors putting down bids ahead of the weekend were creating off two days of big gains.

"People may be looking to take some profit off the table in this volatile market, and there's a lot of activity that's coming up next week,"

PLEASE SEE STOCKS PAGE 4

## FRIDAY'S MARKETS

- ▼ Dow Jones 1271.44 to 12,207.17
- ▼ Nasdaq 34.72 to 2,228.20
- ▼ S&P 500 21.46 to 1,230.81
- ▼ 10-year T-note 0.15 to 1.56%

Find the market roundup and a list of top 500 mutual funds in PAGE 4.

## Economic labels

Coach CEO says recession tag applies, other retailers define it differently.

INSIDE RETAILING, PAGE 3

IN THE WEB EDITOR: For constantly updated business news, go to [cnbci.bizweek.com/business](http://cnbci.bizweek.com/business)

ON THE RADIO: Hear Tribune business reports at 6 a.m. on weekdays on WDBM AM 780.



# EXHIBIT 068

## *Google, Verizon may benefit from stimulus*

St. Paul Pioneer Press (Minnesota)

February 7, 2009 Saturday

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**Section:** BUSINESS

**Length:** 494 words

**Byline:** By Andrew Leckey

### **Body**

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If you've ever had trouble finding your car keys, you understand what economic stimulus is all about.

After searching unsuccessfully through every logical nook and cranny of your home, in desperation you begin to cast your eyes anywhere and everywhere. You hope this will prime the pump and help you find them.

Economic stimulus packages, which are tricky and never a sure thing, similarly hope to prime the pump. With the latest worthy objective a revived economy in 2009, 2010 and perhaps beyond, the varied measures include tax cuts, job creation, unemployment benefits, broadband access, alternative energy and health-care benefits.

How investors can successfully benefit from a batch of stimulants depends on how those components are handled, how long it takes, actual results and whether national morale improves. So take your time.

"This is going to play out over time and won't be a 'day trade' opportunity for anyone," said Arthur Hogan, director of global equity for Jefferies & Co. in Boston. "Investors needn't worry about getting into a particular basket of stocks early to avoid missing the boat, since we'll find out incrementally where the best places to put money will be."

Here are Hogan's stock recommendations to capitalize on those goals:

- First Solar Inc. (FSLR), which designs, manufactures and sells solar electric power modules using a proprietary semiconductor technology, continues to expand capacity and improve efficiency.
- Covanta Holding Corp. (CVA), leading provider of energy-from-waste services in the U.S., Europe and Asia, operates 57 facilities that convert solid waste, biomass and landfill gases into renewable energy.
- Cisco Systems Inc. (CSCO), the world's leading supplier of data networking equipment and software, enjoys significant economies of scale and is using recession for low-cost acquisitions.

Then there is the eagerly awaited return of the American consumer, thanks in part to tax reductions.

"We're going to see more spending at the discount or lower-priced retailers because people will want to get more bang for their buck," predicted James Swanson, chief investment strategist for MFS Investment Management in Boston, who recommends the stock of retailers Kohl's Corp. (KSS), Costco Wholesale Corp. (COST) and Wal-Mart Stores Inc. (WMT).

Recent stock "buy" recommendations of Standard & Poor's reflecting a stimulus-related focus on technology, telecommunications and construction projects include:

- Google Inc. (GOOG), whose free search engine is used around the world and generates revenue with each click on a text ad. It has enormous cash position and brand strength.
- Verizon Communications (VZ), the phone company serving about one-third of the U.S. population, also owns 55 percent of Verizon Wireless in a partnership with Vodafone.

Google, Verizon may benefit from stimulus

- ***Caterpillar*** (***CAT***), manufacturer of construction ***machinery*** and engines, will profit from billions of dollars intended for infrastructure projects.

Contact Andrew Leckey at [andrewinv@aol.com](mailto:andrewinv@aol.com)

**Load-Date:** February 8, 2009

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End of Document

# EXHIBIT 069

## *Obama plans to pitch stimulus at Cat plant*

The Associated Press State & Local Wire

February 12, 2009 Thursday 10:02 AM GMT

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**Section:** STATE AND REGIONAL

**Length:** 120 words

**Dateline:** EAST PEORIA III.

### **Body**

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President Barack Obama plans to push his plan for a sweeping economic stimulus bill during a stop at *Caterpillar* Inc. factory in his home state.

Obama is scheduled to talk during a meeting Thursday afternoon with *Caterpillar* workers facing the prospect of layoffs.

*Caterpillar* is cutting more than 20,000 jobs. The Peoria-based company says demand for its heavy construction equipment and other *machinery* has been severely hurt by the global economic crisis.

Obama said Wednesday *Caterpillar* will rehire some of its laid-off workers if the president's nearly \$800 billion stimulus bill is approved.

Obama also plans to stop Thursday evening in Springfield at a celebration of the 200th anniversary of Abraham Lincoln's birth.

**Load-Date:** February 13, 2009

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# EXHIBIT 070



# Cat Replaces Hydraulic Excavator

**Publication info:** Construction Bulletin ; Arlington Heights Vol. 294, Iss. 9, (Mar 2, 2009): 11.

[ProQuest document link](#)

## ABSTRACT (ABSTRACT)

The 345D L engine delivers 10 percent more power on about the same amount of fuel and meets EPA Tier 3 emissions regulations. Hydraulic flow has been increased by 2 percent.

## FULL TEXT

Caterpillar® has introduced the 345D L hydraulic excavator, replacing the 345C L.

The 345D L engine delivers 10 percent more power on about the same amount of fuel and meets EPA Tier 3 emissions regulations. Hydraulic flow has been increased by 2 percent. The main implement pump has been redesigned, and an electric regeneration circuit has been added to boost hydraulic efficiency and reliability. The new excavator also has undercarriage improvements, a heavier counterweight for greater stability and lifting performance, a standard heated seat, and other new features for high-production excavating, loading and underground utilities work.

## DETAILS

|                                |  |
|--------------------------------|--|
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# EXHIBIT 071

## Caterpillar Crawls Into Auction Territory

Engineering News-Record

April 6, 2009

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**Section:** Cover Story; Pg. 22; Vol. 262; No. 11

**Length:** 290 words

### **Body**

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On Nov. 12, 2008, a new auction occurred. Cold, wet and windy, the day was not helped by the fall financial meltdown or the dreary mood at the site of the lead consignor: Midwest contractor McAninch Corp.'s maintenance yard in Des Moines. Prices matched the mood and were down by double digits compared to prior months.

Despite the economy, the unreserved sale still generated \$8.8 million on 275 pieces of equipment, with an average unit price of \$32,000. Foreign bidders supplied 14% of the gross revenue. «If you have work, it's a good time to buy used equipment,» says Rick Albin, president and CEO of Cat Auction Services. A former Ritchie Bros. employee, Albin says dealers are well equipped to support contractors' used equipment. So, he thought, why not help them buy and sell it at auction?

The idea was an easy sell. «Caterpillar and Caterpillar dealers have viewed auctions as detracting from the value of their brand and their equipment,» says Albin. «There's a fair amount of business that's going to go to auction whether they choose to participate or not.» Cat dealers own the venture, and the Peoria, Ill.-based manufacturer supports the brand. A second sale was held March 26 in Elko, Minn.

Though the venture got off to a rough start, it offers less risk—something that may attract bidders to Cat. Dealers inspect the machines to certified, pre-owned standards and assign a rating according to wear life, age and hourly usage. «Our standard is more of a 'buyer informed' standard than a 'buyer beware' standard,» says Albin. Financing and maintenance plans can be arranged during the sale, which is listed on the Internet. In some cases, machines are available with an extended warranty, something seldom seen at other sales.

### **Graphic**

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photograph, ? Golden Opportunity. Cat's first auction's timing was bad, but firm says it was successful., PHOTO COURTESY OF CAT AUCTION SERVICES

**Load-Date:** April 13, 2009

JENNY REILLY

Caterpillar Crawls Into Auction Territory

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# EXHIBIT 072

## World's First Hybrid Bulldozer Keeps Up With the Bigger Cats

Engineering News-Record

July 13, 2009

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**Section:** Equipment Tracks & Trends; Pg. 14; Vol. 263; No. 2

**Length:** 517 words

### **Body**

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The world's first hybrid dozer will cost about \$100,000 more, or 20%, than a comparable non-hybrid of the same size but will do more work and pay for itself in about two and a half years, say Caterpillar Inc. managers.

Performance is tracking well in field trials, said the managers on June 23, as Cat rolled out the machine for press evaluation at the firm's training facility in Edwards, Ill. The D7E starts production in October and carries a list price of \$600,000, says David E. Nicoll, product execution manager. That is 20% more than the conventional D7R but 12% less than the next-highest model, D8T, he adds. «Some say it feels like it has D8 power,» Nicoll says.

Cat started work on the machine in the late 1990s to create a more efficient tractor with big-dozer power. But as emissions and energy concerns rose, the D7E's cleaner, greener, diesel-electric drive took on even greater significance.

Though such a high price premium is unusual for construction machinery, Cat still expects the D7E to save users money in owning-and-operating costs and provide a payback primarily in fuel but also productivity, maintenance and other efficiencies of the hybrid drive. «It means the accountants are happy,» Nicoll says. Overall, the D7E is up to 25% more fuel efficient than the D7R. Cat measures fuel efficiency in terms of material moved per gallon of fuel. Electric motors replace a torque converter, effectively turning the transmission into a set of power cables.

The midsize dozer is not a high- volume seller in North America, but Cat hopes to change that with the D7E's power and fuel economy. Last year, manufacturers sold about 2,000 D6-sized tractors in North America and 700 D8s, it says. In the D7-size range, only 300 were sold, but buyers worldwide took 4,000. Initially, the D7E will be sold in North America, Europe and Japan. The D7R will be available through mid-2010.

Taking away the trademark «high- drive» elevated sprocket was a tough decision, even requiring input from the chief executive's office. «Caterpillar is not getting away from the elevated sprocket,» Nicoll explains, adding that larger machines will keep it. The powertrain setup enables the sprockets to perform tighter, locked-track turns. Cat says it is considering hybrids for other machines.

Early reviews are glowing. Daniel R. Plote of Hoffman Estates, Ill.-based Plote Construction Inc. says the D7E his firm is trying out is as handy as one of its D8Ts. «It is amazingly keeping up, pound for pound?and the fuel economy is incredible,» he says. ENR found the D7E easier to control and quieter than the D7R, in part due to the engine's narrow operating rpm.

The machine is a breakthrough, but Cat may have missed an important opportunity to toot its horn over going green. When the concept was shown at CONEXPO 2008 in Las Vegas, Cat did not want to label it a hybrid because it does not store power

## World's First Hybrid Bulldozer Keeps Up With the Bigger Cats

onboard (ENR 3/24/08 p. 13). Plote and others think it would do some good. «We are going green,» Plote says. «Unfortunately, our industry is probably labeled as anything but green.»

By Tudor Van Hampton

### Graphic

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photograph, ? Yellow and Green? Cat's new diesel-electric drivetrain improves fuel efficiency by up to 25% and could signal a new era of power options for heavy *machinery*.

photograph, PHOTOS AND ILLUSTRATION COURTESY OF CATERPILLAR INC.

**Load-Date:** July 20, 2009

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# EXHIBIT 073

## *A New Heavyweight Among Hybrids*

The New York Times

January 24, 2010 Sunday, Late Edition - Final

Copyright 2010 The New York Times Company

**Section:** Section AU; Column 0; Automobiles; Pg. 9; AROUND THE BLOCK *CATERPILLAR* D7E

**Length:** 783 words

**Byline:** By TUDOR VAN HAMPTON

Tudor Van Hampton writes about heavy equipment for Engineering News-Record, published by McGraw-Hill.

### **Body**

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TESTED: *Caterpillar* D7E

WHAT IS IT? A diesel-electric bulldozer.

HOW MUCH? Base price is \$560,000; as tested, \$600,000. Loading up with options like a heated seat, rear camera, rock guards, GPS tracking device and autopilot blade controls can run the sticker to \$650,000.

WHAT MAKES IT RUN? A 9.3-liter 6-cylinder *Caterpillar* turbodiesel, rated at 235 horsepower and 719 pound-feet of torque, bolts to a 480-volt generator. Two 107-horsepower electric motors power the tracks to a top speed of 7 miles per hour.

IS IT THIRSTY? Not for a bulldozer. The D7E pushes 25 percent more m.p.g. -- material per gallon, that is -- than its nonhybrid counterpart, the D7R.

AT the controls of a *machine* that stands 11 feet tall, weighs 60,000 pounds and can move mountains, you quickly realize that the word hybrid is a relative term.

Officially, the *Caterpillar* D7E is not a hybrid bulldozer. Before 2009, in fact, *Cat* did not use the h-word to describe the earthmoving *machine*, a 10-year effort that generated over 100 patents.

*Caterpillar* engineers told me during a drive at the company's test facility in Edwards, Ill., that they prefer to call it an electric tractor with a diesel-electric hybrid powertrain. This fuzzy marketing terminology echoes the strategy of General Motors, which calls its plug-in hybrid, the 2011 Chevrolet Volt, an extended-range electric car. Yet aside from the differences in weight (roughly 28 tons) and price (about half a million dollars), the *Cat* D7E could easily play big brother to the Volt. Both vehicles use powertrains that directly couple an internal-combustion engine with an electric generator, though the Volt carries a lithium-ion battery pack enabling it to drive some 40 miles without starting its gas engine.

"We just don't have the battery-storage element," Mike Betz, chief engineer of the D7E, said.

A hybrid tractor, I discovered, drives much like a nonhybrid tractor. (I'm not an expert bulldozer pilot, though I am a certified crane operator). The cab is comfortable, and the controls are intuitive. The air-suspension seat gave welcome relief as I bounced over bumps and dips.

On each of the chair's telescoping armrests are joysticks. The left side controls direction; the joystick on the right moves the blade up, down or angles it for a cross-slope. Simple as that.

Sculpturing the dirt into small trenches and hills, I found the powertrain far smoother than those of typical construction *machines*. Keeping the ground level was where my skills ran out.

JENNY REILLY

## A New Heavyweight Among Hybrids

Part of the D7E's smoothness comes from the steady speed of its engine, which hums along at about 1,500 to 1,800 r.p.m. Normal tractors' engines rev up and down more; a nudge of the joystick is followed by a loud clatter, a plume of smoke and, finally, a jerk to the tracks.

Not so with the D7E. And even without a battery pack or idle-stop system, the powertrain wrings efficiency out of the engine by running it in a narrower r.p.m. range. That also makes this *machine* quieter -- almost eerily so -- than conventional tractors. Swing the doors closed and the noise peters out even more, to about the same level you'd expect in a car traveling down a freeway.

Like automotive hybrids, the D7E does recapture energy that would otherwise be wasted, though not in the traditional sense of a regenerative braking system. During forward and reverse shifts, which happen hundreds of times a day in a bulldozer, the electric motors momentarily push energy back into the engine's flywheel.

In bulldozers, miles per gallon is not the defining measure of fuel efficiency. The D7E burns 6.2 gallons of diesel an hour, drawing from a 126-gallon tank, but *Cat* says it can push 25 percent more material -- rocks, dirt, whatever -- per gallon than the nonhybrid D7R.

Aside from improving fuel consumption, the hybrid powertrain also spits out fewer pollutants in its exhaust. For this reason the Environmental Protection Agency graced the D7E with its Clean Air Excellence award last spring.

Even so, *Caterpillar* was reluctant to stick the hybrid label on the D7E.

"In some circles, that's not necessarily a selling point yet," said Daniel Sperling, a professor of engineering at the University of California, Davis, a member of the state's Air Resources Board and co-author of "Two Billion Cars: Driving Toward Sustainability." But it was Mr. Sperling who prodded the *Cat* people to step up the hybrid lingo.

"They were kind of struggling with how to describe it, both for their management as well as their customers," he said.

Perhaps one day *Caterpillar* will make electric bulldozers. But even now the yellow construction *machines* are showing a tinge of green. TUDOR VAN HAMPTON

<http://www.nytimes.com>

## Graphic

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PHOTO: THE EARTH MOVED: *Caterpillar* D7E's diesel-electric drive raises m.p.g., the material per gallon it moves. (PHOTOGRAPH BY MARIE-SUSANNE LANGILLE FOR THE NEW YORK TIMES)

**Load-Date:** January 24, 2010

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# EXHIBIT 074

## *Top 5 Companies in the Construction & Farm Machinery Industry With the Highest Dividend Yield (FSS, CAT, TWIN, NC, DE)*

SmarTrend

August 15, 2010 Sunday 10:12 AM EST

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**Length:** 304 words

### **Body**

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Below are the top five companies in the Construction & Farm **Machinery** industry as measured by dividend yield. Dividends can enhance returns for investors seeking income in addition to capital gains.

Federal Signal (NYSE:FSS) ranks first with a dividend yield of 4.1%; **Caterpillar** (NYSE:**CAT**) ranks second with a dividend yield of 2.5%; and Twin Disc (NASDAQ:TWIN) ranks third with a dividend yield of 2.1%.

Not too far behind, NACCO Industries (NYSE:NC) and Deere (NYSE:DE) have dividend yields of 2.1% and 1.8%, respectively.

SmarTrend is bearish on shares of FSS and our subscribers were alerted to Sell on August 11, 2010 at \$5.67. The stock has fallen 7.3% since the alert was issued.

Write to Chip Brian at [cbrian@tradethetrend.com](mailto:cbrian@tradethetrend.com)

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Get exclusive, actionable insight into how the market is expected to trend prior to market open with our free morning newsletter. Sign up at: <http://www.mysmartrend.com/signup>

As of Wednesday, 08-11-2010 23:59, the latest Comtex SmarTrend® Alert, an automated pattern recognition system, indicated an UPTREND on 07-13-2010 for **CAT** @ \$66.34. As of Wednesday, 08-11-2010 23:59, the latest Comtex SmarTrend Alert, an automated pattern recognition system, indicated a DOWNTREND on 08-11-2010 for FSS @ \$5.67. For more information on SmarTrend, contact your market data provider or go to [www.mysmartrend.com](http://www.mysmartrend.com) SmarTrend is a registered trademark of Comtex News Network, Inc. Copyright © 2004-2010 Comtex News Network, Inc. All rights reserved.

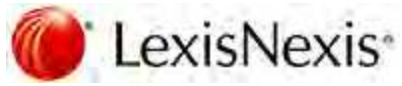
**Load-Date:** September 1, 2010

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JENNY REILLY

# EXHIBIT 075



**User Name:** Rachel Coffin

**Date and Time:** Thursday, March 21, 2019 2:31:00 PM EDT

**Job Number:** 85348917

## Document (1)

1. [CAT's \\$15 million investment still to add 500 jobs](#)

**Client/Matter:** -None-

## **CAT's \$15 million investment still to add 500 jobs**

The Newberry Observer (South Carolina)

November 5, 2010

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**Section:** NEWS; Pg. 1

**Length:** 192 words

**Byline:** Cindy Pitts; Staff Writer

### **Body**

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A big deal is ongoing in Newberry County that will mean jobs and new industrial investments.

Earlier this year Caterpillar officials went to county officials stating they were moving operations out of the county. This meant that the county would lose an industry and 200 workers would lose jobs.

County and state officials began working with Caterpillar and this spring announced they would stay in town.

To make the deal a reality on Wednesday the county began the first of three readings to offer a fee in lieu of tax agreement for the expansion not the closing of Caterpillar.

With the agreement Caterpillar will invest at least \$15 million in the county and hire around 500 new employees.

This will bring the Caterpillar workforce to around 700.

The agreement includes the restriction that Caterpillar must maintain the workforce after three years.

"This is a big deal for the county," said Councilman Les Hipp, as he praised county and state officials for help to retain the company and in the expansion.

The inducements will need three readings before the deal is official.

The manufacturing company on on Mawsons Way off Highway 219 makes generators.

### **Graphic**

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- File photo STILL STRONG - The Caterpillar Inc., company on on Mawsons Way off Highway 219 makes diesel generators.

**Load-Date:** August 7, 2014

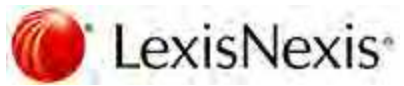
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Rachel Coffin



# EXHIBIT 076



**User Name:** Rachel Coffin

**Date and Time:** Thursday, March 21, 2019 2:55:00 PM EDT

**Job Number:** 85352171

## Document (1)

1. [CAT plans work start](#)

**Client/Matter:** -None-

## **CAT plans work start**

Winston-Salem Journal (North Carolina)  
November 7, 2010 Sunday, DAILY EDITION

Copyright 2010 Winston-Salem Journal All Rights Reserved

**Section:** A; LOCAL; Pg. 1

**Length:** 947 words

**Byline:** RICHARD CRAVER, JOURNAL REPORTER

**Highlight:** A2: Map shows location of Caterpillar plant site.

### **Body**

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Caterpillar Inc.'s choice of a 100-acre site at Temple School Road for a new \$426 million plant was not just the product of extensive negotiations and local and state incentives worth up to \$52 million.

It also happened because two local groups - the financial arm of Winston-Salem Business Inc. and the Millennium Fund - along with the Golden Leaf Foundation - stepped in with \$951,500 more when the real-estate part of the deal was hanging in the balance.

How the extra money came into play provides an inside look at high-pressure economic-development deals.

The Winston-Salem City Council and Forsyth County Board of Commissioners agreed to each provide \$3.75 million to Caterpillar as part of the company buying the land from Johnson Development Associates of Spartanburg, S.C.

However, Johnson told Caterpillar it wanted \$8.45 million - about \$3.45 million more than it had paid for the site in 2007. Local officials said they were not involved in the land negotiations.

They knew, though, that Johnson had leverage on its side:

- \* The land represented Johnson's largest investment in the Triad.
- \* It was the only available tract of industrial land in Forsyth large enough to meet Caterpillar's needs.
- \* Most importantly, it was the site Caterpillar wanted.

Johnson also is the owner of the site Caterpillar was considering in Spartanburg, S.C.

Providing land for free has become an increasingly common expectation of companies having multiple communities competing for their project.

For example, in the Dell Inc. deal, the City/County Utilities Commission bought the 189-acre site in 2004 - yards down the road from the Caterpillar site - and then deeded it to the city for the proposed Alliance Science and Technology Park. The land was valued at \$7 million. The money was given to Winston-Salem Business, which bought the land from the city and conveyed it to Dell.

In the Caterpillar deal, Johnson's sale price was an issue because the city and county "had reached the maximum for the level of assistance that they could provide," Winston-Salem Mayor Allen Joines said.

## CAT plans work start

"We generally do not commit more than 70 percent to 80 percent of new property taxes generated over a five- to 10-year period," Joines said. "In the case of Caterpillar, we had reached that level. Our purpose is to have a net return to the taxpayers even during the incentive period.

"Therefore, a gap existed, and the community devised a way to close the gap without involving the city or county," Joines said.

Officials tapped into the Millennium Fund and the Forsyth County Development Corp. (Winston-Salem Business) for the extra \$951,500. The groups split the cost.

They did so confident that the Golden Leaf Foundation, which is financed by hundreds of millions of dollars secured through North Carolina's share of the national tobacco settlement, would approve providing up to a \$1 million grant to the city to buy equipment and machinery for Caterpillar. The company agreed to make lease payments on the equipment and machinery for two years. Those payments will be used to reimburse the Forsyth County Development Corp. and the Millennium Fund.

Dan Gerlach, the president of the foundation, said its requirement is that "grantees agree to use the proceeds from the lease or sale of the agreement for future economic development activities that meet charitable, educational, scientific or tax-exempt public purposes."

"These funds from Golden Leaf are what really sealed the deal," said Derwick Paige, a deputy city manager. "Otherwise, Caterpillar would have had to pay for a portion of the land here, while that was not necessary with the other two sites."

That the Caterpillar project came along was a break for Johnson.

Local real-estate officials said it's likely the site's value took a short-term hit during the months between Dell announcing its plant-closing decision in October 2009 and Caterpillar surfacing last spring.

According to a Forsyth County property card, the land value for the 99.63-acre site was listed at slightly more than \$4.25 million when it was sold to Caterpillar.

Garrett Scott, the president of Johnson's industrial division, said that the company's profit was less than \$3.4 million because it bore the cost of rezoning the land, extending utilities to the site, as well as the upkeep and tax costs for more than three years.

"I hated selling it because we're not land flippers, but land developers," Scott said. "It's a very well-located property in the heart of the Triad with proximity to the FedEx hub.

"We sold it after negotiating with Cat to be a good partner with the local communities and officials. We believe firmly that it furthers our relationships up there and good things will continue to happen there."

Jeanette Dixon, a senior staff attorney for the N.C. Institute for Constitutional Law, said that Johnson didn't really take a speculative risk with the Caterpillar site.

"When government is involved in incentive deals where it is paying for and providing the land site, it's almost acting as a co-signer for the loan," Dixon said.

"Both the sellers and buyers know they have a blank check in those instances. The buyer is certainly likely to negotiate harder if they have their own money involved in the deal."

Dixon said that having the three other groups involved in the Caterpillar land deal "doesn't sit well with me. It's not public enough."

CAT plans work start

Dave Plyler, the chairman of the county commissioners, disagrees with any talk that local officials gave Caterpillar a blank check. "The incentive package followed all legal requirements," he said. "In my view, a team effort involving state, local and Golden Leaf resulted.

"A piece of dirt is worth what you can get for it."

**Load-Date:** November 8, 2010

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End of Document

# EXHIBIT 077

# Cat® dealers embrace sustainability

Caterpillar has been focusing on sustainability for years. Cat dealers are also embracing sustainability in their facilities.

By Tara Ninmann

Cat dealers realize that sustainable facilities and methods save money, reduce environmental impact, improve employee satisfaction and impact customers in the same positive manner. As independently owned businesses, Cat dealers choose specific construction details and make the capital investments decisions for their facilities. However, when requested, Caterpillar Dealer Facility Planning will provide a Cat dealer with recommendations for their facility plans.

Caterpillar Dealer Facility Planning consultants have been consulting with Cat dealers for more than 60 years and have received certification in Leadership in Energy and Environmental Design (LEED) and Green Associate. Facility consultations include information and recommendations regarding sustainable construction methods. This provides an excellent opportunity to enter into collaborative discussions with Cat dealers to heighten the passion and commitment for sustainability.

## A single process or a comprehensive plan – it all counts

Cat dealers realize that sustainability and sustainable facility construction are important. Employing sustainable construction techniques have economic and environmental benefits. Another benefit is that customers view both Caterpillar and Cat dealers as leaders and participants in the sustainability evolution. It is becoming the construction standard.

As Cat dealers plan to develop new facilities, expand or re-arrange their existing facilities, they are including sustainable ideas and finding the entire building construction industry, from architects to contractors to suppliers, are evolving to sustainable methodology. It is becoming increasingly easier to construct sustainably.



There are many levels of sustainable design and construction, from validated certification of almost every construction process to improving a single process that impacts sustainability.

Here are a few examples of sustainable facility or operational aspects used today by Cat dealers.

- Cat dealers perform **EQUIPMENT CLEANING** at their facilities. The ability to recycle and reuse



wash water minimizes the use of clean "new" water, removes sediments and contaminants and reduces the amount of waste water sent to

municipalities or into the environment. Many dealers follow this process today and Caterpillar Dealer Facility Planning provides basic drawings and recommendations for a mud-settling pit. More sophisticated, second-stage recycling equipment is also used. One dealer reduces sediments to small, compressed, dried cakes. Others have sophisticated recycling systems, including water storage tanks or landscaped retention ponds, which also serve as miniature eco-systems for plants and wildlife.

- **HARVESTING RAINWATER** from rooftops or paved areas is particularly important in certain regions. Potable water can be both an expensive and sometimes scarce commodity. Non-potable water is used in many applications both inside and outside buildings which can reduce the need for potable water and the demand on municipal utilities. Dealers also utilize both above- and below-ground water storage.
- Many dealers are taking a closer look at facility **ENERGY CONSUMPTION** and ways to reduce



direct utility costs and carbon emissions. The resulting economic benefits are relatively easy to



determine and many dealers have reduced their facility energy consumption via sustainable means. Dealers have utilized a number of methods to reduce energy consumption,

such as using sensors to shut off lights or ventilation when they are not required, use of energy efficient lights and appliances, natural lighting, location/positioning of buildings, insulation, roofing materials, coatings and colors, glazing, geothermal systems and solar panels to name a few.

- Dealers often **RECYCLE OR REUSE OIL**. Filtration carts are used to filter oil to meet cleanliness specifications provided by Caterpillar. The result is a clean and efficient lubricant that maximizes component life, permits reuse and reduces waste oil. For oil that is not suitable for filtering and reuse, dealers employ clean-burning,

» Designing, or re-designing, a facility or layout that allows an increase in the use of natural lighting has also been used by Cat dealers as a successful strategy to reduce energy consumption.

high-efficiency heaters or boilers for facility heating. Both sustainable processes reduce the amount of new oil and heating fuel required, as well as limit the transportation, handling and disposal required.

- Several dealers have adopted **POLICIES OR VISION STATEMENTS** that support and embrace sustainability within their organization to drive and encourage sustainable behavior and actions. This helps to embed sustainable values within the organization, and helps earn respect and admiration from customers, employees and the community.
- Many dealers strive to embrace **FACILITY LAYOUTS** that maximize efficiencies, capabilities and capacities. Effective layouts can ensure resources are not duplicated. Proper flow minimizes movements and backtracking and maximizes productivity, which minimizes waste and all the associated extra energy consumed. And, the reduction of waste is very compatible with lean manufacturing principles.

In summary, the worldwide interest and demand to become more sustainable and responsible is resulting in rapidly changing building construction methodologies. Awareness is increasing and helpful resources are now more readily available. Cat dealers are much more aware of sustainable building methods and practices and most are engaged at some level in sustainable activities and businesses. By sharing experiences and ideas, Caterpillar and Cat dealers can leverage successes and jointly improve sustainability. 📌

## Cashman Equipment's LEED Gold certified headquarters

Cat dealer Cashman Equipment's corporate headquarters in Henderson, Nevada, is the largest Leadership in Energy and Environmental Design (LEED) Gold certified industrial complex in the state. The 53-acre campus includes seven buildings totaling 308,000 square feet. More than 12 acres of the campus are dedicated to vegetated, open space. The facilities use 45% less energy due to the geothermal heating and cooling system and 30% less water due to efficient irrigation, retention ponds and low-flow fixtures.

For more information on Cashman's headquarters and sustainable activities, visit: [www.cashmanequipment.com/Headquarters.htm](http://www.cashmanequipment.com/Headquarters.htm)





# EXHIBIT 078

## **EXCHANGE: Cat plant makes 10,000th mining truck**

The Associated Press State & Local Wire

January 7, 2011 Friday 7:19 PM GMT

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**Section:** STATE AND REGIONAL

**Length:** 622 words

**Byline:** By TONY REID

**Dateline:** DECATUR Ill.

### **Body**

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The massive mining trucks heading out of Caterpillar Inc.'s Decatur plant zipped past a major milestone Thursday: The factory celebrated the 10,000th vehicle to roll off the production line.

And Caterpillar executives said there is a lot more where they came from. The company is busy spending \$500 million to overhaul the Decatur factory and other Illinois production facilities with the aim of upgrading and expanding the capacity of its off-highway truck assembly lines as order books continue to swell. The Decatur work force has expanded and now stands at more than 4,000.

"We've got the right people, the right trucks and I say, 'Right on, Decatur,'" said Ed McCord, worldwide product manager for mining trucks and shovels. "And for probably the last 10 years, we've built more trucks than all of our competitors combined."

McCord addressed an audience of more than 100 workers and managers in the plant's cavernous "Building D" shipping area. Looming behind them was the hulking yellow chassis and engine of a 250-ton capacity 793F truck model, serial number SSP00264, the 10,000th vehicle to leave Decatur since large mining truck production began in 1984. The trucks are so big, final assembly has to wait until they reach the job site.

Caterpillar has worked hard to ramp up production and cut down the wait times for customers, mainly mining companies. Those customers have been buying the off-road behemoths - including the 400-ton capacity 797, the world's biggest - at ever faster rates, following a strong economic rebound overseas, where Caterpillar sells most of the machines. Caterpillar's third-quarter 2010 profit numbers had jumped 96 percent over the same time in 2009, and it expects full-year sales and revenues of close to \$42 billion.

"It had taken us until 2007, or about eight to nine years, to produce the first 250 of the 797s," said McCord. "But it only took us about three years to do the next 250."

David Bozeman, Caterpillar vice president responsible for the integrated manufacturing operations division, said significant milestones in production were going by at ever-faster rates.

"Here's an interesting fact that just kind of blew me away," he said. "The first 5,000 of these machines (the 793F) you all produce took us about 20 years to build. The next 5,000, which we're here celebrating today, took us 6.2 years to build. The point I'm making is that this industry is a great industry, and this industry is moving. Decatur is a cornerstone when it comes to machines built for mining, and to have this type of growth is just absolutely amazing."

But Caterpillar said more speed doesn't mean less quality and durability, and has the numbers to back up its claims. The first big off-highway truck produced in Decatur in 1984, a 785 model, is running today. And the first 789 model (1989) and the first 793 model (1991) also are still earning their living, with the 793 having logged 118,000 work hours. The first 797 monster truck continues to rumble around, too.

JENNY REILLY

EXCHANGE: Cat plant makes 10,000th mining truck

Joel Speasl, a planning supervisor at the Decatur plant whose 37-year career has encompassed all of the truck production, had a simple explanation for the vehicles' longevity. "All the quality, superb engineering and great product support we put into them," said Speasl, 56, who lives near Mattoon. "We're very proud of them."

The 10,000th 793F has been bought by Australian mining customer, BHP Billiton. The question now, however, is when the world's biggest mining company will get to use its latest fleet acquisition: Reports out of Australia speak of devastating flooding covering an area bigger than the state of Texas, knocking out 35 percent of coal mining production.

Information from: Herald & Review, <http://www.herald-review.com>

**Load-Date:** January 8, 2011

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End of Document

# EXHIBIT 079

## *Big machinery with global focus rebounds briskly*

The Washington Post

January 16, 2011 Sunday, Every Edition

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**Distribution:** Every Zone

**Section:** Pg. G03

**Length:** 992 words

**Byline:** James K. Glassman

### **Body**

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Still reeling from a terrible recession, the U.S. jobless rate is at a painfully high 9.8 percent, with housing starts near a record low and commercial construction languishing. But shares of a Peoria, Ill.-based maker of heavy equipment - the stuff used to build roads and apartment buildings and to mine copper - recently registered their highest closing ever. What gives?

The spectacular recovery of *Caterpillar* offers four important lessons for investors:

1 First, share prices are based not on the here and now but on expectations of future profit.

1 Second, although the U.S. is the largest market in the world, it no longer drives the global economy.

1 Third, in recessions, the strong get stronger.

1 Fourth, if you love a stock that's on the mat, you should ignore the doom-sayers and buy it cheap.

*Caterpillar*, the world's largest manufacturer of construction equipment as well as diesel and natural-gas engines, has always been a great buy-and-hold stock for investors with the courage of their convictions. The ups and downs of the economy drastically affect *Caterpillar*'s earnings. The stock has a history of sharp declines, then strong recoveries, with an overall upward march. At the start of 1990, the stock, adjusted for splits, was trading at about \$7 a share. Within 10 years, it was over \$20, and in 2008, it peaked at \$86, giving long-term shareholders what Peter Lynch, the former manager of Fidelity Magellan Fund, would call a 12-bagger.

*Caterpillar* reported record sales of \$51 billion in 2008. The next year, those sales skidded to \$32 billion. By March 2009, the stock had dropped to \$22 - a decline of about three-fourths from its high. Still, even in the depths of the financial crisis, there were signs that *Cat* would come back strong. The company remained in the black, and it generated impressive cash flow (earnings plus depreciation and other noncash charges). The balance sheet was solid, with cash rising in 2009. And *Cat* continued to raise its dividend, as it has each year since 1993.

In the spring and summer of 2009, it was becoming clear to investors that the setback was temporary and that *Caterpillar*'s layoffs were making it a more productive firm. Investors began to focus on the profits that the company would likely earn in the future, and they began to buy the stock with gusto. In early December, the stock closed at an all-time high of \$89.

JENNY REILLY

## Big machinery with global focus rebounds briskly

With revenue and earnings recovering sharply, Cat announced in November its plans to buy Bucyrus International, a large mining-equipment manufacturer, for \$7.6 billion. The purchase will enable Caterpillar to expand its mining offerings and will provide more balance for the company's product line, with diversification away from the tractors, graders and bulldozers that have been its staples. Cat is paying a hefty premium for Bucyrus - \$92 a share, or about one-third more than the market price before the deal was announced. And speaking of spectacular comebacks, in March 2009, Bucyrus traded for fewer than 11 bucks a share.

Evidence of the severity of the recession is that Cat and Bucyrus are hardly outliers; the stocks of other makers of industrial equipment were also crushed. Cummins, the engine manufacturer, fell by more than half from early August to early October of 2008. Deere, the world's largest maker of farm equipment, did even worse. Both have rallied strongly and are back near all-time highs.

It's safe to say that these companies would not have recovered so briskly had they been relying solely, or even predominantly, on the U.S. market. While more than half of Caterpillar's 93,000-plus employees are in the United States, two-thirds of its sales come from abroad. As 2010 was ending, demand was strongest in Latin America and Asia, and in November Cat announced the opening of a \$300 million large-engine plant in Tianjin, China, as well as a bond issue in Hong Kong in Chinese currency.

In an enthusiastic analysis in the Value Line Investment Survey, David Reimer notes that at the peak of the last business cycle, Caterpillar suffered from constrained capacity. "This time around," he writes, "the company is being more proactive." It's expanding manufacturing not only in China, but also in India (mining trucks) and Brazil (backhoe loaders). And, in addition to Bucyrus, Cat recently bought Electro-Motive Diesel, a producer of diesel-electric locomotive engines.

Cat's confidence in the global economy is reassuring, and its extensive capital investments will be rewarded if the economies of China and India grow about 9 percent in 2011, as expected. But I worry that Caterpillar's stock price - like that of Deere and Cummins - depends on the opposite of a perfect storm. Let's call it perfect sunshine.

The stocks of Cat and the others have benefited from growth in emerging markets, prospective growth in developed markets, and the cost cutting and productivity boosting that accompany recessions. But has perfect sunshine been so thoroughly built into Cat's stock that the thinnest cloud would lead to a serious decline?

Figure it this way: Caterpillar was expected to have earned about \$4 a share in 2010. At \$89, the price-earnings ratio is 23. If 2011 brings earnings of \$5.72 (the average of analysts' estimates), then the P/E would be 16 (Cat has never earned more than \$5.32 per share in a single year). For a cyclical company, that's not too expensive, but it's certainly not cheap.

On the other hand, Cat's sector may be in a sweet spot. It's helped by swift advances in technology for machines such as earthmovers and construction equipment, by huge demand for minerals, and by a desire for ever more environmentally friendly power generation. Even at a lofty price, Caterpillar is a solid choice for investors who are happy to collect a 2 percent dividend yield at a time when five-year Treasuries are yielding 1.6 percent and who plan to buy more shares when Cat's price takes an inevitable dip.

- Kiplinger's Personal Finance

**Load-Date:** January 16, 2011

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# EXHIBIT 080

# Cat's 1st Vocational Truck

The CT660 is the first model in a full line of Class 8 vocational trucks for any application requiring a heavy-duty truck

**A**mong the most significant new products ever launched by Caterpillar is the Cat CT660, the first model in a full line of Class 8 vocational trucks designed to work in any application requiring a heavy-duty truck.

"This is an exciting historic milestone for Caterpillar," said Steve Gosselin, vice president of customer services support division. "The CT660 is a natural expansion of the Cat product line and a perfect complement to other Cat equipment on the jobsite."

## Power-train and chassis

Engine options for the CT660 include the Cat CT11, CT13 and CT15 — with

displacements of 11.1, 12.5 and 15.2 liters — provide horsepower ratings from 330 to 550 and peak torque ratings from 1,450 to 1,850 lb-ft. The engines are designed specifically for vocational applications, yielding optimum horsepower/torque combinations, while providing customers the flexibility to match power and performance to specific applications and operating conditions.

The engines combine an advanced exhaust-gas-recirculation system with a high-pressure common-rail fuel system, precision intake-air management system and electronic controls to provide an optimum blend of high performance, low emissions and superior fuel economy. The Compact

Grapite engine block reduces weight by as much as 500 pounds compared with conventional all-iron designs. Reduced engine weight enables users to increase payloads for added efficiency and profit.

The combination of dual, sequential turbochargers and a precise fuel injection system allows CT Series engines to develop peak torque at lower speeds, a characteristic that reduces shifting and also allows for shifting at significantly lower speeds. The new engines are also designed for fast routine service by providing easy access to components from the valve cover to filters.

A notable transmission option for the CT660 is the Cat CX31 automatic, a reliable, proven performer since 2004 in global



*The Cat CT660, the first model in a full line of Class 8 vocational trucks, features an aluminum-alloy cab that weighs approximately 250 pounds less than a conventional steel cab.*



vocational applications. The CX31, with six forward speeds and one reverse, is built to complement the torque output of Cat CT Series engines. The transmission features heavy-duty clutches and gear sets that allow full-power shifts, increasing efficiency and productivity, while reducing drive train shock loads.

An electronic control module, mounted directly on the transmission to simplify wiring and to boost reliability, regulates shift points based on throttle demand and vehicle speed. With adaptive shift-control logic, the CX31 can sense driver operating style to balance fuel economy and performance, while assuring easy operation for improved productivity and safety. Power-take-off options for the CX31 include two side locations and a high-output rear location, which delivers constant live power under all operating conditions.

An aluminum lock-up torque converter in the CX31 allows the CT660 to make quick starts from a dead stop, even with heavy loads. In addition, the CT660 can be specified with other transmission options, including the manual and UltraShift Plus vocational transmissions built by Eaton.

The CT660 chassis, fabricated of durable, heat-treated alloy steel, provides the full strength of a Class 8 heavy-duty foundation required for accommodating vocational bodies. Inner rail reinforcements are available for both the one- or two-frame liner options. The chassis features a set-back axle and is available in either 116-inch or 122-inch bumper-to-back-of-cab lengths. Both chassis lengths feature an extra-tight turning radius for enhanced maneuvering and driving performance.

### Exterior features

The CT660 aluminum-alloy cab provides longer life than conventional steel cabs and weighs approximately 250 pounds less. Less weight means larger payloads and potentially higher profits. In addition, an aerodynamically sloped hood increases visibility for the driver and decreases wind drag to improve fuel efficiency. The modular hood design allows customers to replace only damaged sections, resulting in lower repair costs and less downtime. An all-metal grille surround also uses modular design, as does the three-piece, stainless steel bumper.

Large power mirrors, heated to handle inclement weather, are cowl mounted for greater stability and fewer adjustments. For safety, turn signals are integrated into the mirrors. Halogen headlight bulbs are easy to access, inexpensive to replace, and are protected with impact resistant covers.

Among a long list of safety features built into the CT660 are one- or optional two-piece windshields that are curved and sloped to offer an uncompromised view of the road. Generous door openings, skid-resistant steps, three-point grab irons and ergonomic non-slip door handles combine to make the CT660 exceptionally accommodating to enter and exit.

### Interior comfort and convenience

The spacious cab is thoughtfully designed to help reduce driver fatigue, enhance safety and increase productivity. Premium interior features include an air-suspension driver's seat, with adjustable lumbar support, that reclines and adjusts to fit any driver comfortably. A premium sound insulation kit, built into the doors, damps outside noise and keeps the interior remarkably quiet. An effective heating/

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ventilating/air-conditioning system is designed to keep the cab interior comfortable in any climate, using unique round vents that are positioned for optimum air flow and allow quick defrosting of windshield and side windows.

The CT660 dash and center stack feature easy-to-read gauges that are designed for easy viewing through the steering wheel, and the speedometer and tachometer are combined in one gauge, allowing space for optional gauges required for specific vocational applications. The cab-interior materials and surfaces, including the integrated floor mat and one-piece rubber seat skirt, are designed for easy cleanup and long life. And drivers will never want for adequate storage space.

The center stack also houses an interface for Product Link, a proprietary Cat telematics system that collects data from on-board systems and transmits the information via satellite and cellular networks to a secure Internet site. The system allows owners and fleet managers to remotely track critical



*The CT660 dash and center stack feature easy-to-read gauges that are designed for easy viewing through the steering wheel.*

information for more efficient asset management. Product Link is a standard factory installed feature with a complimentary three-year service subscription.

The order board for the CT660 opened in early April with factory shipments beginning in July 2011.

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# EXHIBIT 081

## *Caterpillar milestone: El Paso company CF Jordan buys 250,000th backhoe loader*

El Paso Times (Texas)

December 24, 2011 Saturday

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**Section:** BUSINESS

**Length:** 238 words

**Byline:** By Paula Monarez Diaz \ El Paso Times

### **Body**

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An El Paso company has helped Caterpillar reach a landmark -- selling its 250,000th backhoe loader.

It was sold by Wagner Equipment Co. to CF Jordan, an El Paso construction company.

John Goodrich, executive vice president of CF Jordan, flew to Leicester, England, where the loader is produced, to receive the 420E IT for his company.

At the event, celebrated at the Leicester Visitor Centre with a number of employees and local dignitaries, the 250,000th machine made a dramatic appearance. It was adorned with stars-and-stripes engine side panels, silver buckets and muffler, before unfurling a Texas flag in front of the audience.

The machine's keys, a commemorative plaque and gifts were then handed to Goodrich and Bruce Wagner, backhoe loader general manager and dealer principal of Wagner Equipment Co.

The product, introduced 26 years ago, was the first Cat volume product below 100 HP and was seen at the time as a game-changer, allowing Caterpillar to access different customer segments.

Small contractors and owner-operators were not Caterpillar's usual customers before 1985.

The backhoe loader design also needed different components than those commonly "on the shelf" within Caterpillar. For example, other Cat machines used larger engines, transmissions and cylinders.

Initially, these smaller components were bought from external suppliers. Most of the critical components for the backhoe loader are now produced in-house.

**Load-Date:** December 24, 2011

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End of Document

JENNY REILLY

# EXHIBIT 082



PERSONAL JOURNAL



# The Children Who Face Lifesaving Heart Surgery, Twice



Arrested  
Development:  
Blame  
The Brain

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OPINION

REVIEW & OUTLOOK

Chinese Politics on Trial

The conviction of Madam Gu Kaiyi Monday and her suspended death sentence shows that China's Communist Party still knows how to stage a show trial. Domestically it was portrayed as a proof that nobody is above the law, and even the international media played its appointed role by gleefully trying to parse the details that have "leaked" from the closed-door proceedings.

What Madam Gu's conviction tells us about modern China.

For more important is what the stage-managed affair tried to show: The Party used the trial to divert attention away from the crises in Chinese politics that could be exposed by the downfall of Ms. Gu's husband, former Chongqing party boss Bo Xilai. All we can say with certainty about this case is that British businessman Neil Heywood was murdered in Chongqing—probably by Mr. Bo's thugs, and the wife took the rap. She played her part dutifully, disputing none of the "facts" presented by the state, which allowed the Communist Party to avoid the presentation of a grim testimony. To reverse a more detailed explanation of Bo's family's abuse of power and amassing of wealth would have been required.

Ms. Gu's reward for this cooperation was considerable. She was spared execution, the usual punishment for premeditated murder, and with further reductions in sentence and financial parole she could serve fewer than 10 years in prison. Prosecution compared with the defense to portray her as unblinded by threats against her son, a story contradicted by facts already in the public domain. Although his public career is over, Bo will probably also get leniency from the Party's internal disciplinary process. Former Jiangsu Party boss and Politburo member Chen Chang was convicted of corruption in 2009 and released on medical parole in 2010. A real trial would have raised uncomfortable questions, such as: Mr. Gu was the mastermind of this murder, was she or is he presently confident that he could go away with it? Changing as her husband was running Chongqing as his own personal fiefdom. Mr. Bo orchestrated an "anti-corruption" campaign under which he and his cronies took over many of Chongqing's businesses, legal

and illegal. Some of the roughly 700 convicted in this region of trials are trying to overturn the verdicts and restore confiscated property. The city's former police chief Wang Lian is to go on trial soon for his role in Heywood's murder and cover-up. A more important question is why the Party tolerates the crimes of its no longer. Along the way he amassed considerable support within the security apparatus and military. It should be frightening to all Chinese that he almost managed to force his way into the top echelon of power, the Politburo Standing Committee. His "king red songs" campaign of nostalgia for the ideological conformity of the Mao era suggests that he might one day have created a nationwide cult of personality to consolidate power.

Yet Mr. Bo's tactics differ from that of other Party leaders only in degree. Being expected local leaders to break a few heads as needed to maintain social stability. The Party trusts demands for checks and balances that would restrict the ability of officials and their families to enrich themselves. Mr. Bo's crimes had to become an international embarrassment, as they did after police chief Wang Jiaogang's suicide in a U.S. consulate, before the central authorities acted.

Some of China's top leaders also looked to Mr. Bo's "Chongqing model" for solutions to their own problems. This is why the current apparatus like current supreme litigator Ji Linzuo and his anointed successor Ai Jingping has the advantage of avoiding power struggles. But in an era of social media and Internet connections, they are unable to inspire public support and force consensus for new reforms. As the challenges facing China grow more severe, the Party's crisis of confidence is likely to follow a demagogue like Mr. Bo will grow. The Heywood murder may turn out to be one of those odd points of history when the Party's crisis of confidence is deepened. It has allowed the Party old guard to remove a challenger and avert a power struggle, and Ms. Gu's trial allowed them to distract the world from the Party's problems. The end of this episode is how precarious the Party's rule remains.

Doctors Say the Wait for Medical Care Will Increase

ling practice time. One of my patients is a 50-year-old male who has been waiting 10 to 15 minutes for an appointment. He is a patient of mine because he has been waiting 10 to 15 minutes for an appointment. He is a patient of mine because he has been waiting 10 to 15 minutes for an appointment.

Several commentators on your piece point to the lower administrative cost of Midwestern/Midwest. There are a lot of people who are not employed. There is a lot of people who are not employed. There is a lot of people who are not employed.

I am living proof of the veracity of John Goodman's prediction. For the last 10 years, I have been working with the system, but now my practice has gone into a tailspin. I have lost all my employees. There is a lot of people who are not employed.

With its capacity offer the opportunity there are emergency rooms of the hospital.

number of emergency visits. The American Medical Association has over the years provided a variety of doctors who are not employed. There is a lot of people who are not employed.

By restricting the size and number of medical schools, the American Medical Association has over the years provided a variety of doctors who are not employed. There is a lot of people who are not employed.

The Truth About Cat and Jobs

If your employer manages to get along without you for more than three months, should you continue to make extra demands? On Friday, union writers at Caterpillar's Joliet Illinois factory concluded that the answer is no. They voted to accept a new six-year contract that limits increases and restricts negotiations from a defined-benefit pension system to a 401(k) retirement plan. Workers received \$230,000 bonuses for signing the new agreement.

Tradition in the U.S. seems to hold that organized labor pursues an adversarial relationship with management. And it's true that traditional employees of the Joliet plant have been on strike since May 1. But of the Caterpillar workers in the local branch of the International Association of Machinists and Aerospace Workers, more than 100 had already decided they'd rather cooperate.

These workers were crossing the picket line to work. Combined with managers taking on additional tasks plus some temporary workers, they allowed the plant to continue repairing its hydraulic systems on time. We've tried to say for some measures the factory's performance improved during the strike. Satisfied employees, intrinsically efficient, are what they were filling in on the factory floor.

This is not simply a story about workers negotiating which side had the leverage. Friday's vote is also a vote on the longstanding question within organized labor: Whether American companies must remain competitive in a global

economy. For Caterpillar, that means paying workers for labor, not the above-market rates that used to be routine in many of the American manufacturers. These contracts helped to wean the steel industry away from socialist General Motors and Chrysler into bankruptcy. The results included fewer jobs in the U.S.

In part to avoid the same fate, Caterpillar has expanded its non-union work force in places like Arkansas and Texas. But whether members of a union or not, cat workers are now given opportunities, not guarantees. As with union workers across the country, the inevitable fact is that wages will rise if the economy grows faster and the employer's profits increase. The traditional path to higher standards of living for all workers, blue- or white-collar.

Labor costs are only one part of the equation when deciding where to locate a plant. But companies had better keep the lid on that part if they're trying to manufacture goods in a jurisdiction like Illinois, where government imposes a load of extra costs in the guise of high tax rates, high workers' compensation costs and heavy regulation are not the ingredients for job growth in the Land of Lincoln.

Labor strike's headlines, while labor settlements are typically headline on the back pages. In this case, the good news is that management and labor are likely to reach an agreement and major exporters worked out a plan to stay competitive.

Solar Lobby Says It Gets No Breaks on Federal Land

Regarding your editorial "The Solar-Powered Desert" (Aug. 14): Solar is the latest industry to be subjected to contract renegotiations. The Interior lands tend to be used for mining and other energy sources. No special treatment has been provided or reviewed. More lands are off-limits to solar projects than are available. For perspective, there are 74 million acres owned by the federal government and 60 million acres of oil and gas prospects. Also, there are no short-term solar incentives.

The solar industry estimates that 100,000 acres of federal land are available for solar projects. The U.S. is moving in the right direction by permitting new solar power plants and transmission lines in the West.

James Bacon, Chief Executive Officer, Solar Energy Industries Assn., Washington

Both environmentalists and two-environmenters are extremely distrustful when President Obama faces the Interior Department issue construction permits for large solar installations on public lands.

The environmental baron and two-environmenters are extremely distrustful when President Obama faces the Interior Department issue construction permits for large solar installations on public lands.

This action by the Administration is best described as a lack of vision and logic. It is not clear why this kind of action is another way to industries that are not having the water coming from us to wash 10 million acres of solar panels.

It is necessary to frequently wash solar panels to prevent accumulated dirt and dust from impairing their efficiency. Where is the water coming from to wash 10 million acres of solar panels?

Paul P. Howerston Jr., Charlotte, N.C.

Todd Akin's Sinking Ship

Republicans of all sorts are saying that Missouri Republican Todd Akin should withdraw as the GOP's Senate candidate, and it's easy to see why. Having uttered one of the most offensive and ill-considered comments in recent years, Mr. Akin could cost his party a seat. It is favored in this November and thus possible control of the Senate.

The Missouri Republican tries to lose a Senate seat.

Mr. Akin, who is currently a House member from suburban St. Louis, was asked in a radio interview Sunday about his opposition to abortion even in the case of rape. He was kept to the usual pro-life answer, which is that, however terrible the circumstances of conception, he believes it is wrong to punish the unborn child. Voters may disagree with his position, but they might at least respect the moral conviction.

Mr. Akin chose to go another route. He instructed the on-duty doctor to abort a woman's body could prevent pregnancy in the case of "legitimate rape," whatever that might be. However, the female body has ways to try to shut that kind of thing down. That's a certainly a novel reproductive concept, and a favor naturally erupted on Monday as his comments became widely known. Mr. Akin took to the radio show of fellow conservative Mike Huckabee to apologize and say that "rape is never legitimate. It is an evil act that's committed by violent predators. I used the wrong words and I'm sorry." Mr. Akin added, however, that he will not withdraw as a candidate. "I'm not a quitter,"

he said. "My belief is we're going to take this thing forward, and by the grace of God, we're going to win this thing." He also mentioned his hero John Paul Jones, whose views on abortion and rape were unknown to Americans.

Three-way primary elections are a tough but winnable race against vulnerable Democratic incumbent Claire McCaskill. The race will be that much tougher given that her voters are likely to reject the women voters he will need to prevail.

National Republicans, including GOP Senate Select Committee members of Massachusetts and Sen. John Cornyn of Wisconsin, said that Mr. Akin should drop out. The Senate GOP campaign committee let it be known that if Mr. Akin stays in the race, it may be advertising marks on his behalf, and conservative groups Americans Crossroads and Crossroads GPS are reportedly going to pull their advertising for the candidate. Mitt Romney also made a point to criticize the remarks. Mr. Akin was scheduled to give a 5 p.m. today, another GOP candidate can still get on the ballot. Mr. Akin and his most loyal supporters may consider this party reaction as given that he is only one comment away from being abandoned. But Senate control could well be decided by a single vote, and on that hangs the future of Obamacare and the rest of the Obama administration. As John Paul Jones once put it: "It is not a quitter who sinks his own ship."

The Right Bast for the White House

Regarding William McGowan's article (Aug. 16): McGowan's "Main Street, Main Street" (Aug. 14) Perhaps the most outrageous example of job creation through government intervention occurred when Hong Kong newspaper accused the government of using a tax credit to subsidize an artificial economic stimulus and displaying a colonial "Pork Barrel" approach. Financial Secretary Christopher's reply was socially insensitive. "It is precisely because Paga does not have the best that I believe government should not be persuaded to fund any subsidies." He also mentioned that he would be abroad or absent for a few days but he may or may not be able to do so. It may be as well as to do so that it is what planning is.

William McGowan quotes the former Hong Kong financial secretary's explanation, as a reason for Hong Kong's economic success. "The fact that I did was to try to prevent some of the things that might undo it." One of the most important jobs to do is to remove obstacles to productivity. Progress in the future should be made by the fact that Hong Kong is a success which he knows that means.

One wonders what a modern-day John James Cowper-Downe could do if posted to, say, Greece, and given full rights to produce wealth, in order to remove the barriers.

Great Art Piece but Wobbly Theology. Peter Flanagan clearly knows a lot about Renaissance art, demonstrated by his recent, well-researched book, "The Masterpieces of Michelangelo's 'The Creation of Adam'." However, when it comes to the theology of the piece, he is a bit off. He says that "the figure of God is a man in a landscape which he knows that means."

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May the Lord Protect Us From the Economy

It seems to me to be a bit of a stretch to label a construction boom as an "on" when studies of these data are just beginning. I'd like to see the American Economic Review's "The American Economic Review" page one, Aug. 14. I don't see any mention of the "the 'dual' aspect of the war effort as 'economic'." James G. Thompson, Editor, J.E.

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# The Truth About Cat and Jobs

**I**f your employer manages to get along without you for more than three months, should you continue to make contract demands? On Friday, union workers at Caterpillar's Joliet, Illinois factory concluded that the answer is no. They voted to accept a new six-year contract that limits wage increases and transitions workers from a defined-benefit pension system to a 401(k) retirement plan. Workers received \$3,100 bonuses for signing the new agreement.

Tradition in the U.S. seems to hold that organized labor pursues an adversarial relationship with management. And it's true that unionized employees at the Joliet plant had been on strike since May 1. But of the 780 Caterpillar workers in the local branch of the International Association of Machinists and Aerospace Workers, more than 100 had already decided they'd rather cooperate.

These workers were crossing the picket line to work. Combined with managers taking on additional tasks plus some temporary workers, they allowed the plant to continue shipping its hydraulic systems on time. We're told that by some measures the factory's performance improved during the strike. Salaried engineers introduced efficiencies while they were filling in on the factory floor.

But this is not simply a story about workers recognizing which side had the leverage. Friday's vote is also a sign of an increasing recognition within organized labor that American companies must remain competitive in a global

economy. For Caterpillar, that means paying market rates for labor, not the above-market rates that used to be routine in union contracts at American manufacturers. Those contracts helped to wreck the U.S. steel industry and drive General Motors and Chrysler into bankruptcy. The results included fewer jobs in the U.S.

## Caterpillar and its Illinois union try to stay competitive.

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In part to avoid the same fate, Caterpillar has expanded its non-union work force in places like Arkansas and Texas. But whether members of a union or not, Cat workers are now given opportunities, not guarantees. As with union workers across the country, the inevitable fact is that wages will rise if the economy grows faster and the employer's profits increase. This is the only path to higher standards of living for all workers, blue- or white-collar.

Labor costs are only one part of the equation when deciding where to locate a plant. But companies had better keep the lid on that part if they're trying to manufacture goods in a jurisdiction like Illinois, where government imposes some of the highest costs in the galaxy. High tax rates, high workers' compensation costs and heavy regulation are not the ingredients for job growth in the Land of Lincoln.

Labor strife gets headlines, while labor settlements are typically brushed to the back pages. In this case, the good news is that management and labor at an important American company and major exporter have worked out a plan to stay competitive.

# EXHIBIT 083

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document 1 of 1

## Cat's hybrid system slashes fuel usage

**Gulf Construction; Manama** (Sep 1, 2012): n/a.

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### Abstract

Caterpillar says it has recently piloted a hybrid system that is expected to reduce fuel consumption by more than 95 per cent, while also resulting in reduced emissions and owning and operating costs. The system consists of a Cat generator set, photovoltaic (PV) solar panels and small wind turbines integrated into a complete solution.

### Full Text

CATERPILLAR says it has recently piloted a hybrid system that is expected to reduce fuel consumption by more than 95 per cent, while also resulting in reduced emissions and owning and operating costs.

The system consists of a Cat generator set, photovoltaic (PV) solar panels and small wind turbines integrated into a complete solution.

Commenting on the breakthrough, a company spokesman says: "Telecommunications operators are rapidly moving to employ generator hybrid power solutions that blend energy storage, solar PV panels and small wind turbines into a solution that could save hundreds of millions of litres of diesel fuel annually and avoid millions of tons of carbon dioxide (CO2) emissions."

He says the Caterpillar hybrid power solution has the potential to increase operating efficiencies, as well as meet or exceed stringent environmental requirements.

Hybrids are particularly well suited for applications in remote areas, where an electric utility service does not exist or would be too costly to extend. In comparison with the costs of grid extension or the high costs of fuel delivery to remote locations, hybrids can offer several benefits to off-grid customers, such as:

- \* Decreased fuel consumption by 30 to 100 per cent;
- \* Extended maintenance and replacement intervals;
- \* Payback periods of three years or less in many instances; and
- \* Configurability to provide the optimal solution for quickest payback, or minimum (or zero) fuel consumption.

"Global customer interest in hybrid power solutions has grown significantly in the last few years, not only in telecommunications, but also in other segments such as off-grid village power and military applications," says the spokesman.

"It is expected that hybrid solutions will continue to grow into many applications where Cat generator sets are used today, from telecommunications to mine sites," he concludes.

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# EXHIBIT 084

*Spy haul \ ?Skyfall' is just the latest Bond movie to feature a host of brand placements.  
But they helped make this 007 film possible.*

Chicago Tribune

November 11, 2012 Sunday, Final Edition

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**Section:** BUSINESS ; ZONE C; Pg. 1

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## **Body**

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On the big screen, a hero's mettle is established by showing how much punishment the star can withstand and how daunting the obstacles are while ultimately getting the job done.

Early in the latest James Bond movie, "Skyfall," an assassin seeks to escape on a train speeding through the Turkish countryside. His tireless pursuer is pelted with bullets, swats away bugs and, when the bad guy disconnects the trailing car, extends an arm to literally hold on to the rest of the train so the chase can continue.

And the pursuer is, in fact, tireless because it is a modified Caterpillar 320D L excavator that Daniel Craig's Bond has commandeered. The bullets are bullets, but the bugs are Volkswagen Beetles, some swept off the train, others crushed. The logo-covered excavator's arm not only holds onto the rest of the train but provides Bond a perch from which to leap into the carriage, fixing the cuffs in his Tom Ford suit as he goes after the villain.

"For (the filmmakers), it wasn't an excavator, it wasn't what they would in the U.K. call a digger -- it was for them a 'hero machine' because it was something that actually saves Bond," said Robert Woodley, the marketing executive for Peoria-based Caterpillar Inc., from his office in Geneva.

Woodley arranged and oversaw Cat's "Skyfall" star turn. "It's not just having the brand out there. It's seeing what light it's going to be viewed in."

"Skyfall" is practically "Skymall," what with all the brands and products mentioned and showcased.

The practice is neither new nor isolated. Yet even by the license-to-shill standards of increasingly commercialized James Bond movies, this one has an awful lot of brand exposure. All that's missing are the NASCAR-style logo patches for Bond, no slouch behind the wheel.

Especially now that the fictional covert operator is the focal point of an extremely overt ad campaign for beer, albeit Heineken.

Never mind the other products basking in the superspy's aura, such as Sony cellphones and Vaio laptop computers, Macallan single-malt Scotch, Honda cycles, Bollinger Champagne, Globe-Trotter suitcases, Crockett & Jones footwear, Walther guns, Aston Martin cars, Swarovski jewelry, Omega watches, OPI nail polish, Land Rovers and Range Rovers and all the rest.

Some pay for the privilege, some make other arrangements. Some, like the new James Bond fragrance hawked by Procter & Gamble, aren't in the film. But all told, sponsorship and other ancillary deals for "Skyfall" are said to have brought in \$45 million, about a third of what it cost to produce the film, one of the best in the Bond series.

"We have relationships with a number of companies so that we can make this movie," Craig told Moviefone on the "Skyfall" set this spring. "The simple fact is that, without them, we couldn't do it. It's unfortunate, but that's how it is."

JENNY REILLY

Spy haul \ 'Skyfall' is just the latest Bond movie to feature a host of brand placements. But they helped make this 007 film possible.

The 007 tradition of brand integration, brand cameos, product placement or whatever you want to call it dates back to the original Ian Fleming stories. Some would say it's in the name of verisimilitude. But it's said Bond, originally a reader exclusively of The Times of London, also began reading the rival Daily Express when that paper began serializing Fleming's work.

Through a half-century of 007 films, the practice has grown as producers realized the potential economic windfall and marketers recognized the unique opportunity of association with the 007 franchise -- as well as other entertainment.

"The challenge with product placement is it has to fit," said Timothy Calkins, a marketing professor at Northwestern University's Kellogg School of Management. "When it works, there's a natural connection between the brand and the story and when it doesn't work, there's an inconsistency, and both parties are worse for the deal."

Today's sophisticated media consumer expects to see brands in TV shows, movies and even video games, according to Tom Weeks, senior vice president at LiquidThread (formerly known as Starcom Entertainment), the branded entertainment and content development operation within Chicago's Starcom MediaVest Group. But proper context -- proper casting -- is a must.

"Brands are stars, too," Weeks said. "They've got their own Twitter accounts. They've got their own Facebook pages. And they're invited into content as part of the experience. But it has to be done right, in a way that's not obtrusive and doesn't interrupt the digestion of that content."

Some Bond aficionados scoff at the Heineken tie-in, preferring to think of their man as a martini and Dom Perignon man. But there was Red Stripe beer in 1962's "Dr. No." And besides the familiar green-bottled Heineken (whose logo also is emblazoned on an unlikely wooden crate toppled in an early chase scene) and a lightly sipped martini, there is a memorable scene built around 50-year-aged Macallan.

"When I was at Kraft, there were times when a film would come out and our brands would be in the film and we'd be delighted ... or not," he said. "I never saw a time when one of our brands was used in a way that made us cringe, but it could happen."

Case in point: the VW Beetles, out-of-stock models, crushed in "Skyfall." "While we always look for opportunities for exposure in the form of product placement, we were not involved with this placement," Corey Proffitt, who handles product communications for Volkswagen of America, told the Tribune by email.

Caterpillar, which first tied up with 007 in 1999's "The World is Not Enough," hopes the "Skyfall" connection boosts brand awareness, particularly in emerging markets like China, which seems a manageable goal.

A theme of "Skyfall" is that today's world is changing faster than ever, which is as true of advertising as it is of espionage. That's why you're only going to see more brand cameos, a la the Bond films.

"The traditional tools of advertising are fading and marketers are looking for new things to do," Calkins said. "Product placement becomes one of those things that can engage people where other methods have no effect."

Talk about daunting obstacles to overcome while ultimately getting the job done.

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## Graphic

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Photo: Daniel Craig's suits, shoes and even his gun are among the deals with brands that are said to have helped bring in \$45 million, about a third of the cost of "Skyfall."



Spy haul \ 'Skyfall' is just the latest Bond movie to feature a host of brand placements. But they helped make this 007 film possible.

Graphics: A SAMPLE OF 007'S PROMOTIONAL PARTNERS

HEAVY MACHINERY: Caterpillar 320D L excavator

APPAREL: Tom Ford

FRAGRANCE: James Bond 007, by Procter& Gamble

CAR: Aston Martin DB5

SMARTPHONE: Sony Xperia TL

WATCH: Omega Seamaster Planet Ocean 600M

AIR TRAVEL: Virgin\ \ JEWELRY: Swarovski

CHAMPAGNE: Bollinger

BEER: Heineken

SODA: Coca-Cola Zero\

OTHER NOTABLE ITEMS

A remote-controlled BMW makes an appearance in "The World Is Not Enough."

RED STRIPE: Before he turned to martinis, Bond sipped the Jamaican beer in "Dr. No." \ A villain passes a KFC in "Goldfinger," though it is not clear if this was intentional.\

SOURCES: Sony, MGM, the companies

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- See microfilm for complete graphic.

Photo(s) Graphic(s)

**Load-Date:** November 11, 2012

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# EXHIBIT 085

# Trains

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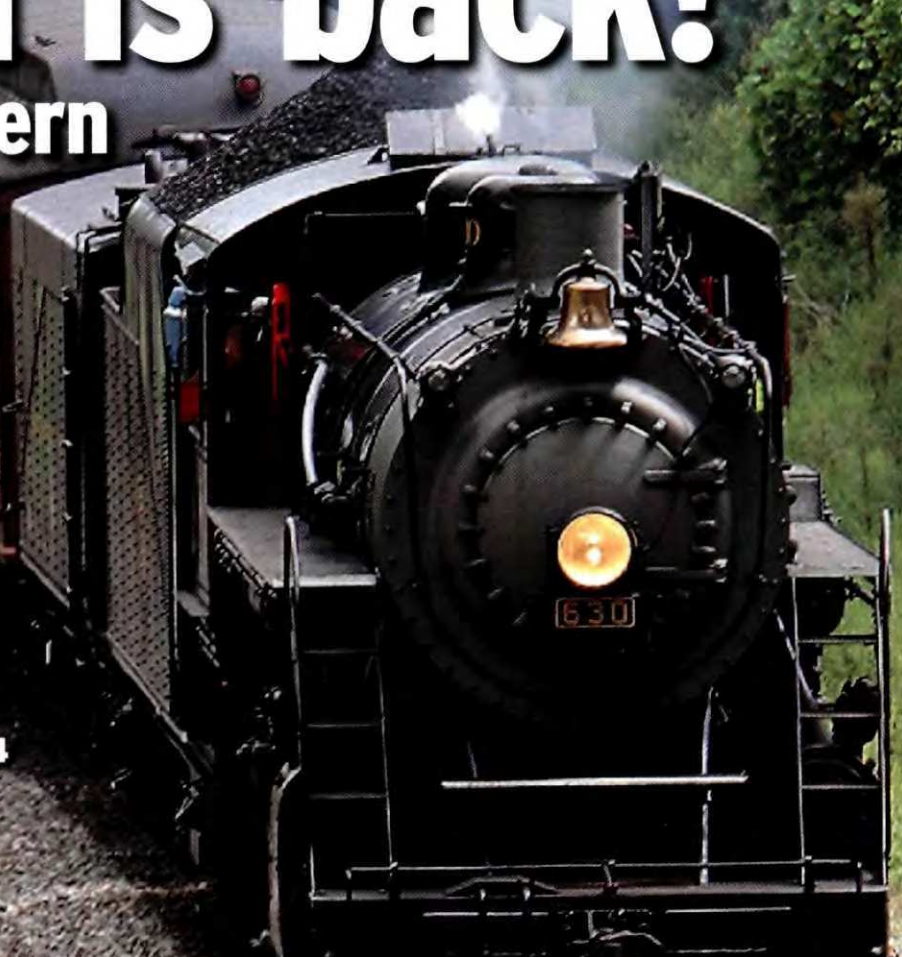
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Southern 2-8-0  
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excursion in Tennessee



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>> See Southern Railway No. 630 and Nickel Plate Road No. 765



### More photos

>> View more railroad photos along California's Salton Sea. Photo by Elrond Lawrence



### Caterpillar video

>> Check out SD70ACE No. 1201 inside the Cat plant



>> Subscribers can access all the latest news and updates to stories daily on TRAINS News Wire

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CAT-painted EMD SD70ACe No. 1201 makes a fine sight leading eastbound Norfolk Southern train 055 at West Waddy, Ky., on Oct. 26, 2012. E.M. Bell



**LETTING  
THE**



EMD No. 1201 rolls under the signal bridge at Tunnel 25 in Oakdale, Tenn., on Oct. 26, 2012. Chris Starnes

# Cat OUT OF THE BAG

An SD70ACe in yellow highlights EMD's role in the Caterpillar family

by Chris Guss and Jim Wrinn

**W**hat happens in Vegas *doesn't* always stay there. Case in point: Electro-Motive Diesel's SD70ACe, No. 1201, that Caterpillar-yellow unit that rode a giant, multi-wheeled truck into the Las Vegas Convention Center in September 2012. The unit was the hit of the MINExpo show, which takes place every four years and drew more than 50,000 visitors last year.

The unit had been built at EMD's now-closed London, Ont., factory and painted there after EMD and Caterpillar officials decided that a Caterpillar yellow, white, and foil-covered locomotive at the show would demonstrate the breadth of the Cat family, which makes much of the world's mining equipment and acquired EMD through its Progress Rail subsidiary in 2010. EMD had moved the unit under a tarp to the Las Ve-

gas show, so No. 1201 was unseen outside of the trade show until Oct. 20, when it arrived in downtown Peoria, Ill., for the grand opening of Caterpillar's new visitors center. TRAINS was among the invited guests to inspect the unit inside the East Peoria, Ill., factory the day before its visitors center appearance. The next morning, we were in awe of the unit, gliding through the fog with three flatcars of Cat equipment,

imitating a Tom Fawell EMD publicity painting of the 1960s and 1970s.

But, the unit wasn't done yet. The following week, EMD and Norfolk Southern teamed up to put the unit on a Caterpillar equipment move from East Peoria to Savannah, Ga. The unit's dazzling paint scheme complemented the trainload of heavy equipment behind its drawbar, making it hard to believe that under the glossy paint and shiny emblem, this is a standard freight unit that you can find any day of the week on mainline railroads, from one end of the country to the other.

First produced in 2003, the SD70ACe was the next evolutionary step after the SD70MAC, which began production in 1993. The popular SD70MAC sold 1,105 copies to five railroads, but changes to keep the model competitive and up to date resulted in a new model designation, akin to EMD's transition from the SD40 to the SD40-2 in 1972. The "e" in the model designation signifies "enhanced," which is what EMD did to the proven SD70MAC. These changes also brought the model in line with new federal emission requirements implemented in 2005 and called Tier 2.

While several external alterations were made, the majority of the refinements were internal. Major changes included consolidating electronic controls into a new high-voltage locker behind the cab, which is accessed through a door on the engineer's side of the locomotive. The cabinet houses electrical components once scattered from



the rear of the unit to the cab and makes it easier to access the equipment.

Siemens traction motors, found under SD70MACs, were dropped in favor of A.C. traction motors from Mitsubishi Electric Corp., also known as MELCO. EMD also transitioned to an air-start system on the SD70ACe, which required a third air reser-

voir dedicated to starting the prime mover. EMD moved one of the two main reservoirs inside the carbody just ahead of the dynamic brake intake, and placed the other reservoir and the air-start reservoir on the left side between the fuel tank and walkway.

The SD70ACe's cab design closely resembles the SD90MAC Phase II cab that

- 1 Builder's decal shows the unit's basic information
- 2 Digital fuel gauge and shutoff
- 3 Inside the engine
- 4 Engineer control stand includes brake handles, at left, digital display





Running solo on Norfolk Southern's Caterpillar equipment train 055 at Bartelso, Ill., No. 1201 works its way east on Oct. 25, 2012. Mark Mautner

was first introduced in 1999. While the design change was more striking, with its angular lines, the reason for the change was to reduce manufacturing costs. Australian ore-hauler BHP was the first customer to receive an isolated cab SD70ACe in 2006.

EMD also moved the dynamic brake to the rear of the long hood, making way for

the new high-voltage locker behind the cab. To meet Tier 2 standards, the flared radiators were enlarged to the full width of the locomotive, adding critical space inside for additional radiators.

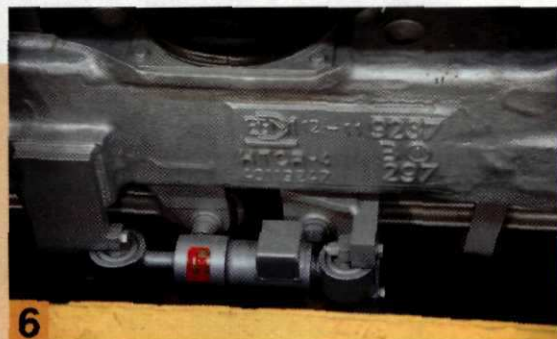
Internally, the heart remains the highly successful 710-series prime mover, which was first introduced in 1984. Having almost

reached age 30, the engine has proved to be EMD's workhorse, adaptable to horsepower increases and other changes. The 16-cylinder version 710's output has been increased several times, and today it makes 4,300 hp, an increase of 500 hp from the start.

The 710 engine will become the longest-used prime mover in EMD's North Ameri-



5



6

5 Manual handbrake wheel supplements automated version  
6 Cushioning struts and truck casting with EMD molded into the frame  
7 Twin headlights, nose door (behind EMD emblem) and sand-fill hatches distinguish the 1201's nose

Seven photos, TRAINS: Jim Wrinn



7



>> **Exclusive video**  
See a video of SD70ACe No. 1201  
inside the Cat plant in East Peoria, Ill., at  
[www.TrainsMag.com](http://www.TrainsMag.com)



Looking like a Tom Fawell EMD publicity image of 40 years ago, No. 1201, with three flatcars of Cat equipment and a caboose, bursts out of the fog in Peoria, Ill., on Oct. 20, 2012.

can line as of 2014, surpassing the 567 prime mover's 28-year run (1938-1966) and the 645's 21-year run, (1965-1986). The 710's future looks bright, with a Tier 4 version under development for the 2015 pollution-control deadline.

SD70ACe production and testing began in 2003 with the construction of four demonstrators, Nos. GM70-73. These four locomotives were tested extensively and were joined by 20 preproduction SD70ACes in 2004 for CSX. These locomotives provided a test bed prior to the 2005 start of regular production, with

Union Pacific receiving 115 SD70ACes in early 2005. Since then, every Class I railroad in North America has rostered the model, with the exception of Canadian Pacific and Canadian National, although the latter has 30 SD70ACes on order.

To date, more than 1,200 SD70ACes are

in service across the continent. UP has been the largest customer, ordering more than 500 copies. BNSF Railway registers the second largest fleet at just under 400 units. Traditionally, BNSF and UP used A.C. traction units almost exclusively on coal, grain, and other bulk trains. While BNSF still holds true to this philosophy, UP modified its approach by placing SD70ACes into high-speed service along its California-Chicago intermodal corridor, long a stronghold of D.C.-powered units.

Built alongside the SD70ACe is its D.C.-traction counterpart, the SD70M-2. While not as popular as its A.C. brother, EMD has produced more than 300 copies for four customers who still find D.C. traction the better option. Both the SD70ACe and SD70M-2 share a common carbody to save manufacturing cost, but the lack of the A.C. inverter cabinet louvers on the left side is a key spotting feature on the M-2.

The future for the SD70ACe looks strong, with several variations under development. The first is axle control, which uses one inverter per axle, giving each traction motor its own inverter. An inverter is a device that controls the amount of power



going to the traction motors. EMD has traditionally used one inverter per truck, with three traction motors sharing a common inverter. Under current design, if an inverter fails, the truck it controls is lost for traction, and the unit loses approximately 40 percent of its horsepower. Axle control increases the amount of power available if an inverter fails, since it is only responsible for one traction motor. CN is scheduled to receive the first such units in late 2013.

The second development is a four-traction-motor version called an SD70ACe-P4. The concept is similar to General Electric's ES44C4, with its four A.C. traction motors. This should give the locomotive a price that is competitive with the SD70M-2, while keeping the performance equal to an SD70M-2 with six traction motors.

On the P4, the No. 3 and No. 4 axles (the two nearest the fuel tank) idle in a B1+1B truck configuration. Demonstrator No. 1207, in blue and silver, is the first SD70ACe-P4 in EMD's fleet. The unit was delivered to the Transportation Technology Center in Pueblo, Colo., in August 2012 and will be converted from its as-built SD70ACe configuration. BNSF expects to receive 10 P4 locomotives in 2013.

As for EMD No. 1201, this goodwill ambassador for Caterpillar, Progress Rail, and EMD, spent time roaming NS last fall. It detoured via a Texas utility company



On the loading dock inside the Caterpillar plant in East Peoria, Ill., on Oct. 19, 2012, No. 1201 peers into a hall filled with Cat equipment being built. Two photos, TRAINS: Jim Wrinn

plant in December, and was set to move to Pueblo for testing in early 2013.

After that, the future is unclear. The unit could stay in EMD's fleet, or a buyer could come along and purchase this unique unit in the colors of one of the most recognizable brands in the world. Any bets? After all, nobody in Vegas a few years ago would have gambled that EMD would become part of the Cat family, but now they've seen that EMD, the 90-year-old maker of more than 62,000 locomotives worldwide, can in fact change its stripes as locomotive building continues to change. **I**

- 1 On-board video camera
- 2 Isolated cab
- 3 A.C. traction inverters
- 4 20-cubic-foot sandboxes, each end
- 5 Internal air intake
- 6 EMD TA17-CA9 alternator
- 7 4,900-gallon fuel tank
- 8 16-710G3C-T3 engine, 4,300 hp
- 9 Emergency fuel cutoff
- 10 Twin 52-inch radiator fans
- 11 Dynamic brakes, 105,000-pound retarding force
- 12 Six A3432 traction motors
- 13 43-inch wheels
- 14 420 gallons lube oil



# EXHIBIT 086

# Cellphone 'transaction failure' pushed buttons

For Howard Wood, a functioning cellphone isn't a luxury. It's vital for his job. The Downers Grove resident works in a 100,000-square-foot warehouse, so the cellphone allows him to be accessible to his co-workers.

When he signed up for service from Virgin Mobile, he did so because it not only provided coverage at the warehouse, but also was reasonably priced at \$36.42 per month.

Initially, everything went smoothly. Then in February his wife, Lynn Wood, noticed a peculiar charge on the couple's credit card.

Virgin Mobile double-charged for the month.

"I notified my credit card carrier upon receipt of the credit card bill, and they followed up with Virgin Mobile and sent me a letter advising I would receive a credit on my next credit card statement for the error," Howard Wood said.

Because he was set up for automatic payments through the credit card,



**JON YATES**  
What's Your Problem?

Virgin Mobile issued a \$36.42 credit to the card. But on March 20, Wood went to make a call and found his service cut off.

He called Virgin Mobile from a landline and spent more than an hour talking to customer service representatives, he said.

"After being transferred three times... the customer service person profusely apologized for the inconvenience and (told) that there was a transaction failure relating to (Virgin Mobile's) bank," Howard Wood said.

"At that point I give up and ended the call," he said.

For the next three days, Wood continued working without a functioning cellphone.

On March 23, he sent Virgin Mobile a complaint letter and forwarded a copy to What's Your Problem?

Lynn Wood said Virgin followed through on the refund, but it meant little. "There is a credit," she said. "But now we don't have a phone. They did something to our account."

She said neither she nor her husband has been able to get an explanation from Virgin about why the cellphone was shut off.

"We just want service, that's all we want," Lynn Wood said. "And we want it as the billing is not screwed up because we can't go on like this, with the double-billing. It's terrible."

The problem solver called Lorenza Pina, a spokeswoman for Virgin Mobile USA. Pina emailed Friday to say Howard Wood's cellphone service



**HOWARD WOOD**, of Downers Grove, was double-charged on his bill for an extra month by Virgin Mobile. A company spokeswoman said a glitch led to his cellphone service being cut off.

had been restored.

"Thank you for bringing this matter to our attention. Our customer service team has reinstated the wireless account and is diligently working on resolving the credit card issue. We sincerely apologize for any inconvenience this may have caused the customer," Pina wrote.

"As part of our Higher Calling program we would like to offer the customer a \$35.00 Up credit that will be applied to their next month of service for their

trouble," Pina said.

Lynn Wood confirmed the service was turned back on and said Virgin Mobile promised to get the billing resolved so it doesn't happen again. She said Virgin's accounting on the matter was a bit confusing.

"We'll see what happens next month," she said. "If there's a problem, we'll call you again."

facebook.com/thisishelp.com  
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## Have a problem?

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## Tesla's IQ profit will be its first

Tribune news service

Electric car manufacturer Tesla Motors Inc. said it expects to report a first-quarter profit on a net and diluted basis after stronger-than-expected sales of its Model S sedan, sending shares soaring.

Tesla shares rose nearly 16 percent to \$419, up \$6.04, after surging as much as 23 percent for an intraday high of \$46.68. Tesla's profitability is a milestone for a company that has been at the center of a debate over the future of electric cars.

The Palo Alto, Calif.-based company said more Model S sedans than it had previously projected, as co-founder and CEO Elon Musk, 41, led the defense against a New York Times story in February that questioned the car's driving range.

"The progress on sales and profitability signals clearly reduces risk around (Tesla's) cash flows, which have been a primary area of investor concern," Elaine Yoss, an analyst at Jefferies Group, wrote Monday in a report.

Tesla sold at least 250 more Model S sedans than the 4,500 units it had fore-



Tesla sold at least 250 more Model S sedans than the 4,500 units it had forecast in February.

## Volkswagen plans to add workers

Volkswagen will boost its global head count to 600,000 by 2018, from 550,000, as part of an effort to become the world's biggest automaker, works council chief Bernd Osterloh told a German newspaper.

"Volkswagen is growing and is therefore continuing to hire in production," the daily Handelsblatt cited Osterloh in an excerpt of an interview to be published Tuesday.

Volkswagen, which delivered about 11 million vehicles last year, has said it hopes to replace Toyota Motor Corp. as the top-selling automaker in 2018.

Musk called the report "false" and the public edition for the newspaper said its reporter didn't use good judgment and "left himself open to valid criticism."

Tesla said that its revised profitability forecast is separate from the "redirection" announcement that Musk alluded to in a Twitter post last week.

Tesla said last month that it will repay by December 2017 the \$465 million in Energy Department loans that it received to develop and build electric cars.

The company's fortunes are diverging from fellow loan recipient and electric car producer Fisker Automotive Inc., which last week lost a potential automotive partner in China's Dongfeng Motor Group Co. and furloughed employees.

Some Caterpillar employees from China and India have been waiting more than eight years for a green card that would give them permanent residency.

Orders, Oberhelman said, are not allowed to stay in the U.S. and he says them to competitors.

Oberhelman said he wants to see an increase in the number of H-1B visas granted every year. The visas, which are capped annually at 65,000, allow companies to hire foreign workers in specialized fields.

The Tribune Washington Bureau contributed.

acincivins@tribune.com

On Monday, key senators trying to reach an

agreement were divided on how close they are to reaching consensus.

Oberhelman said he has trouble filling positions, from engineering spots to lower-skilled positions. To fill the gap, he has tried to hire foreign students who have had internships at Peoria-based Caterpillar.

"The process is tedious," he said.

Oberhelman said he wants to see an increase in the number of H-1B visas granted every year. The visas, which are capped annually at 65,000, allow companies to hire foreign workers in specialized fields.

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## Sequester bruising will be sporadic

Continued from Page 1

very dependent on federal employees."

Federal spending amounted to only 4.4 percent of Pennsylvania's economy, and Connecticut, at 5.8 percent, was above the national average.

States such as Illinois (3.2 percent) and Florida (3.6 percent) also depended little on U.S. contracts and salaries. On the high side, besides the Washington, D.C., area, were Hawaii, Alaska, New Mexico and Kentucky.

Because Jessica is a disabled Army veteran, the company he founded in 2009 qualified for special federal contracts. The company's revenue grew to nearly \$30 million last year from about \$6 million four years ago, and it added 94 employees last year.

As layoffs loom, he said he sees the dependence he and the state have had on federal contracts as a "vulnerability."

He won't know for sure how much business his firm will lose until federal agencies announce their decisions.

In the meantime, he's holding back.

"We're very judicious on the savings we lay," he said, "and we're basically just not spending money on things we could see that aren't an inherent need to our operations."

In Palmdale, Calif., Velma Seary, owner of a maker of military aircraft parts, has seen two contracts evaporate as defense firms pulled back.

Southern California's aerospace industry is expected to be hit hard by the sequester. Still, the state generally should be able to weather the cuts without major economic damage, experts said.

"We're still a \$2 billion economy that's going to sustain a \$6 billion or so reduction in spending. That's very, very small," said Stephen Levy, director of the Center for Continuing Study of the California Economy.

Decades ago, California was much more dependent on Washington.

The biggest loss of aerospace jobs came in the recession of the early 1990s, which hit the state much harder and longer than it did in the rest of the nation.

In 1990, Levy estimated, California had about 250,000 civilians working on military bases and about 450,000 people in aerospace and private military-related jobs. Now, there are about 64,000 and 162,000, respectively.

"We're not the defense economy that we were for many years," Levy said.

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# EXHIBIT 087

## Large Vintage Tractor Sale Hauls In More Than \$800,000

Engineering News-Record

April 22, 2013

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**Section:** News; Pg. 2; Vol. 270; No. 11

**Length:** 267 words

**Byline:** Tudor Van Hampton

### **Body**

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?Bidders from around the world had the rare chance to pick through a large auction of vintage heavy equipment, including dozens of crawler tractors, graders and other *machines*, on April 10 in Trout Run, Pa.

«The turnout was huge,» says Bob Logue, son of the late George E. Logue Sr., a contractor who spent much of his life piecing together the collection.

Sales at the two-hour auction, which generated about \$850,000, surpassed expectations. «It was twice what we thought it would be,» says Logue. More than 40% of the sales went to online bidders, notes Scott Edwards, territory manager for Ritchie Bros., which conducted the auction for the Logue family. Buyers hailed from the U.S., Canada, the Netherlands and Australia, among other countries.

Among the most popular items was a 1935 *Caterpillar* Seventy—one of the last gasoline tractors to be made by *Caterpillar*—which fetched \$49,950. Seconds later, a 1932 *Caterpillar* Diesel Sixty-Five tractor—one of the first diesels produced by *Cat*—sold for \$55,950. Both prices include a 2.5% buyer's premium, which was capped at \$950 per lot. Many *machines* for sale were in working condition.

A contractor, inventor and *machine*-shop owner, George Logue died last October at 85 years old, prompting his family to sell the *machines*. The hoard was well known among historians and featured in books about earthmoving.

Logue says the auction, which took place on the family farm where his father stored the *machines*, makes room for other earthly chores. «I'm ready for it all to be moved out, and I want to plant corn in this field,» he says.

By Tudor Van Hampton

### **Graphic**

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photograph, Vintage Iron This 1932 *Caterpillar* tractor, which sold for \$55,950, helped usher in the diesel era., Photo courtesy of Ritchie Bros. Auctioneers

JENNY REILLY

Large Vintage Tractor Sale Hauls In More Than \$800,000

**Load-Date:** April 29, 2013

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# EXHIBIT 088



## *Playing with Caterpillars machines, not insects*

The Associated Press State & Local Wire

April 30, 2013 Tuesday 3:23 PM GMT

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**Section:** TRAVEL NEWS

**Length:** 812 words

**Byline:** By FRITZ FAERBER, Associated Press

**Dateline:** PEORIA Ill.

### **Body**

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Here's a place where the word *caterpillar* does not refer to fuzzy little insects. The new *Caterpillar* Visitors Center is all about the roaring black-and-yellow *machines* that dig and lift at massive construction and mining sites.

*Caterpillar* Inc., maker of the heavy *machinery* ranging from bulldozers and excavators to tunnel-boring *machines* and giant generators, is based in the central Illinois town of Peoria. The company opened a nearly 50,000-square-foot (4,645-square-foot) visitors center last fall, investing more than \$52 million dollars in the center and the Peoria Riverfront Museum nearby.

My wife was a little dubious about my plans for a family day trip to the *Caterpillar* center, but my 4-year-old-son and I couldn't wait. My parents tell me my first word was "book" and my second word was "truck." I've been a big fan of both over the past four-plus decades. Now, with a little boy of my own, I had a perfect excuse to satisfy my mania for powerful engines, giant wheels, sturdy shovels and other nifty *machines* that dig, pound, push, flatten and otherwise manipulate materials in ways that seem beyond the strength of mere mortals. And I'm not alone: The center attracted 50,000 visitors within just four months of opening.

First thing you experience when you enter the center is a movie in a theater that's built into the bed of a giant truck used for mining. At 24 feet (7 meters) tall, the 797 Mining Truck is the biggest in the industry. When loaded, this truck can carry well over a million pounds (over 450,000 kilograms). The tops of the wheels are higher than an NBA basketball hoop.

The theater fits 62 people comfortably, and shows a short movie about *Caterpillar*, its products and some of the jobs that have used *Cat* equipment. The seats vibrate to the sound of a revving diesel engine and the action-packed movie really makes you feel like you've ridden in one of these behemoths.

After the movie, it's time to hop into the cabs of an excavator, roller, bulldozer and a handful of other giant heavy vehicles. My son had to be pried out of a backhoe. I was doing the prying, since I wanted a chance at the controls.

The wide open main floor area teems with kids (and adults) grinning for photos while perched inside the giant buckets or scoops of the different vehicles. You don't get to drive them around, of course, or actually cause the equipment to move. But that doesn't stop fans from having the time of their lives while playing with the controls and letting their imaginations do the digging.

All the while, the giant mining truck towers above.

Alongside all the black-and-yellow *machines* are four computer simulators where you can see what it's like to drive an excavator or bulldozer, using the same controllers you would use in the real equipment. These simulators are used to train operators before they take out the pricey *machines*. I managed to damage the virtual pipeline I was trying to cover up.

JENNY REILLY

## Playing with Caterpillars machines, not insects

Off the main floor, there are extensive exhibits about the company's history, engineering innovations and environmental efforts. The displays are media-rich, with many monitors showing neat footage like molten steel being formed into engines.

One of the big surprises to me was Caterpillar's attention to environmental sustainability. Engines are designed to be rebuilt and interchangeable. The center has several displays showing how a worn-out engine can be born anew with new steel fused to old and rebuilt parts added on.

Kathryn Spitznagle, the Caterpillar Visitors Center's manager, says increasing its energy efficiency both in its equipment and in this new facility is a point of pride for the company. The Visitors Center was built with solar panels that supply up to 75 percent of its energy on a given day, mechanical and electrical systems that use 35 percent less energy than a similar-size building, and rain water retention and irrigation systems that reduce potable water usage by 85 percent. The innovations won the building an LEED gold certification, which is awarded by the U.S. Green Building Council to buildings that meet certain standards for energy and environmental design.

Last stop at the center is the gift shop, where you can buy Cat clothes, model equipment, toys and other gifts featuring the familiar yellow-and-black design though the company also offers items in pink and camo if you prefer.

If You Go...

**CATERPILLAR** VISITORS CENTER: 110 SW Washington St., Peoria, Ill., <http://www.caterpillar.com/visitors-center>. Monday-Saturday, 10 a.m.-5 p.m., with last ticket sale and entry at 3:30 p.m. The average visit is 90 minutes to two hours. Closed Sundays and holidays. Adults, \$7; children 12 and under accompanied by an adult, free (limit four children's admissions per one adult ticket; call 309-675-0606 to arrange school or group visits). Located about a three-hour drive from St. Louis, Chicago or Indianapolis.

**Load-Date:** May 1, 2013

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# EXHIBIT 089

## **PRODUCTS TO WATCH**

Engineering News-Record

February 24, 2014

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**Section:** Cover Story; Companies; Pg. 34; Vol. 272; No. 6

**Length:** 824 words

**Byline:** Jeffrey Rubenstone

### **Body**

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By Jeff Rubenstone

#### **CAT** Expands Wheel-Loader Line

**Caterpillar** is showcasing more than a dozen new **machines** at CONEXPO-CON/AGG 2014, including its 982M medium wheel loader (left). The **machine** is capable of loading highway trucks in only two passes, resulting in productivity gains over earlier models. The loader is suited for work in sand and gravel pits as well as excavation of earth banks. **Cat** also will be displaying the 972M XE wheel loader, which features a redesigned power train that the manufacturer claims can result in 25% lower overall fuel consumption than wheel loaders with traditional torque converters. **Caterpillar** Inc.; [www.cat.com](http://www.cat.com)

halo light improves visibility of road-crew workers at night

Available for the first time at CONEXPO, the Illumagear Halo Light (above and left) fits onto any standard hardhat and provides 360° of illumination and visibility in low-light conditions. The lamp consists of a ring of embedded LEDs that are powered by a rechargeable battery pack. Able to serve as both a headlamp and an active-visibility safety system, the Halo Light illuminates work near active roadways and can serve as a headlamp in other low-light situations. One-button operation switches between function modes, including full halo, headlamp-style task light and a pulsing flash. A belt clip is built into the battery pack. Illumagear; [www.illumagear.com](http://www.illumagear.com)

Telescopic Crawler Crane pushes limits

Link-Belt's 50-ton TCC-500 telescoping crawler crane boasts an adjustable boom length of 35 ft, 6 in., to 110 ft. Its four-section boom consists of one box section and three telescoping sections, each with diamond-shaped steel impressions to improve the crane's power-to-weight ratio. The crane has an integrated 25,000-lb counterweight and a transport weight under 100,000 lb. It is powered by a Tier 4 Final Cummins QSL engine rated at 215 hp, and its winches have 17,084 lb of line pull with a maximum line speed of 549 ft per minute. Link-Belt; [www.linkbelt.com](http://www.linkbelt.com)

Radial Tires Sport New Tread Designs

Yokohama's RL45 off-road radial tire is designed for articulated dump trucks and scrapers, with a version available for front-end loaders. Its non-directional block-pattern tread offers traction when moving backward or forward. Yokohama also will be

JENNY REILLY

## PRODUCTS TO WATCH

showing off a RT41 E-4 tire that features a new, cut-protective-underground (CPUG) tread compound, with extra durability for heavy equipment doing underground work. Yokohama Tire Corp.; [www.yokohamatire.com](http://www.yokohamatire.com)

## Manitowoc's Lattice-Boom Crawler Crane Rolls in

Manitowoc is targeting a global market with its MLC165 lattice-boom crawler crane, which is available with either a Tier 3 or Tier 4 Interim Cummins engine, rated at 300 hp and 320 hp, respectively. The 275-ft boom has a maximum lift capacity of 182 tons, with a maximum counterweight configuration of 78 tons. The crane can be used in both fixed-jib and luffing-jib configurations. It has a maximum boom length of 306 ft when using a fixed jib and an impressive 337-ft maximum boom length when using a luffing jib. The crane's mast can be employed to install and remove the counterweight pieces and the tracks using an optional self-erection system for faster set-up times. The company is planning to roll out two other larger crawler cranes, too. Manitowoc; [www.manitowoc.com](http://www.manitowoc.com)

## Linden Comansa's Luffing-Jib Crane

The American division of Spain-based Linden Comansa will be exhibiting some of its cranes at CONEXPO, including the LCL165 luffing-jib crane. The crane is available in 8-ton and 12-ton-capacity versions. The new 21LC660 flat-top crane has a jib length of 275 ft and is available in 18-ton, 36-ton, 48-ton and 64-ton versions. All the cranes feature the PowerLift system, which improves load charts by lowering speeds. Linden Comansa; [www.lindencomansaamerica.com](http://www.lindencomansaamerica.com)

## Deere offers Tier 4 Final Diesel Exhaust Fluid Maintenance kit

As new ***machines*** with Tier 4 Final engines using selective-catalytic reduction (SCR) need regular diesel exhaust fluid (DEF) changes, John Deere offers a complete DEF maintenance package, with 20-gallon and 60-gallon portable dispensing units designed to fit into pickup-truck beds or fuel trailers for easy transport. Deere's DEF and related equipment can be used on all Deere engine's employing SCR, as well as other manufacturers' SCR-equipped engines. John Deere Construction & Forestry Division; [www.deere.com](http://www.deere.com)

## Soilmec brings Tier 4 engines to large-diameter drill rigs

The SR-45 Advance hydraulic drill rig is suited for drilling large-diameter cased or uncased bore piles, continuous-flight auger piles, cased auger piles, displacement piles and Turbojet piles. The drill rig is powered by a Tier 4 ***Caterpillar*** engine and features redesigned rotaries for increased torque, compared to earlier models of the drill rig. The SR-45 features bottom-feeding system technology for drilling in areas that are seismically active or have unstable ground conditions. Soilmec S.p.A; [www.soilmec.com](http://www.soilmec.com)

**Load-Date:** March 3, 2014

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# EXHIBIT 090

## *Caterpillar Brings Telematics Solutions to CONEXPO*

Engineering News-Record

March 3, 2014, ENR Digital Edition

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Section: ; Pg. 1

Length: 668 words

### **Body**

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By Jeff Rubenstone

Cat is taking advantage of its four booths and 60,000 sq ft of exhibition space at CONEXPO/CON-AGG 2014 to show off not just 22 new machines but also the fruits of its ongoing partnership with Trimble. The company's entire booth space in the North Hall will be dedicated to Cat Connect, their telematics and fleet management platform. Cat Connect incorporates Cat's ProductLink support service, detailed equipment telematics data, as well as even machine control systems. The entire platform is managed via the VisionLink web interface, which can offer real-time information on equipment status, location, health and fuel economy. Some Cat Connect services are already available, but the equipment manufacturer is planning to phase in new features going forward.

Sensors for measuring equipment performance, location and activity will be built-in standard on some new equipment. Trimble sensors will also be available for retrofitting older machines from Caterpillar and other manufacturers. According to Caterpillar, this aftermarket sensor technology will be able to get some performance data from any Cat machine built since 1997, when the company started using electronically controlled engines. While Cat Connect may work across a mixed fleet of different equipment manufacturers, the sensor technology and machine controls are all on Trimble's proprietary platform. GPS units and machine controls from Topcon and other companies will not be compatible with Cat Connect. The Cat-Trimble partnership has had its ups and downs, according to John Carpenter, Caterpillar's global construction industries technology and solutions manager, and former head of Caterpillar's forest products division. "At first it was a matter of egos. Both Cat and Trimble are very proud of what they do. But things have really come along, and we are seeing the results of this team," Carpenter told ENR. One of the major concerns about adding these sort of features is how they might affect resale value, particularly in a global marketplace. Many of these machines may end up in markets where having a full suite of Trimble products is not likely. But Carpenter sees benefits for Cat Connect at the global level. "We talk to people in Abu Dhabi, Africa, other markets, and the reason they want this data on fuel usage is not really for efficiency. It's to combat fuel theft, which is a real problem in some places," he said. "And as for the sensors and machine controls, you can turn a mediocre operator into a pretty good one with the 3D controls and display, and that's great for when there isn't training in place." Caterpillar's CONEXPO lineup of new machines includes the new CT681 vocational truck, the axle-forward variant of its existing CT660. "We've had some interest in the axle-forward design, and are now able to serve those customers," says Caterpillar sales rep Charles Pepper. "Sales have been OK for the vocational trucks. I represent mainly the Southwest sales and we're seeing an uptick in demand there," says Pepper. Tier 4 Final is a big trend at CONEXPO this year, and Cat has chosen one of its more fuel-efficient machines as a poster child for the transition. The 336F H hydraulic-hybrid excavator uses the same energy-recovery system as the earlier hybrid model introduced in 2012. Technology from the hybrid is also turning up in other machines, as the rest of the Cat F-Series hydraulic excavator line will now use the Adaptive Control System (ACS) hydraulic

JENNY REILLY

## Caterpillar Brings Telematics Solutions to CONEXPO

valve first seen on the hybrid model. But this feature is the only element of the hybrid that Cat currently plans to make standard, according to Caterpillar product application specialist Brian Stellbrink. "Aside from a few other improvements in the hydraulics system, the ACS is the only technology from the hybrid model in the F-Series at this time," he says. Cat Connect is also featured on the 336F H excavator, with built-in Cat Grade Control Depth and Slope, and optional Cat AccuGrade GPS and Universal Total Station systems.

## Graphic

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photograph, The Cat 160M3 motor grader features advanced controls from Trimble that are part of the Cat Connect platform., Photo by Jeff Rubenstone for ENR

photograph, The CT681 vocational truck is the forward-axle version of Cat's earlier CT660., Photo by Jeff Rubenstone for ENR

**Load-Date:** March 10, 2014

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# EXHIBIT 091

## Business briefing

Tribune Staff reports and news services

### NATION

#### GM reveals 5 recall-related probes

General Motors revealed Thursday that it is the subject of five government probes related to its massive recalls, including previously unreported investigations by the Securities and Exchange Commission and a state prosecutor.



General Motors also reported first-quarter profit fell 88 percent.

GM disclosed the probes in a regulatory filing after reporting earlier in the day that first-quarter profit tumbled 88 percent.

The five government investigations are being conducted by the U.S. Attorney's Office for the Southern District of New York, the SEC, the National Highway Traffic Safety Administration, a state attorney general and Congress.

GM did not specify which state attorney general is involved.

Net income in the first quarter fell to \$108 million, or 6 cents a share, from \$473 million, or 38 cents a share, in the year-earlier period. The most recent quarter included recall costs of \$1.3 billion, or 48 cents a share.

Revenue in the first quarter rose 14 percent from the same period a year earlier, to \$374 billion, but below the \$384.8 billion analysts expected.

#### Four tech firms settle no-hire case

Four major tech companies, including Apple and Google, have agreed to settle a lawsuit accusing them of conspiring to hold down salaries in Silicon Valley, just weeks before a high-profile trial had been scheduled to begin.

The settlement was disclosed Thursday in a court filing, which did not spell out terms. The case has been closely watched due to the potentially high damages award and a nearly disclosure of emails in which Apple's late co-founder Steve Jobs, former Google-CEO Eric Schmidt and some of their Silicon Valley rivals hatched plans to avoid poaching each other's prized engineers.

Tech workers filed a class-action lawsuit against Apple, Google, Intel and Adobe Systems in 2012, alleging they conspired to restrain fees, including new workers' employees in order to avert a salary war.

In one email exchange after a Google recruiter solicited an Apple employee, Schmidt told Jobs that the recruiter would be fired, court documents show. Jobs then forwarded Schmidt's note to a top Apple human resources executive with a smiley face.

There was no comment from the companies. An attorney for the plaintiffs in a statement called the deal "an excellent resolution."



KPMG partner Scott London, left, is shown in an FBI photo taking money from friend Brian Shaw.

#### Insider trader gets 14 months

Former KPMG senior partner Scott London, who had provided tips to a friend about the accounting firm's clients, was sentenced Thursday to 14 months in prison on an insider trading charge.

London, 51, pleaded guilty to securities fraud for having tipped Bryan Shaw, a jeweler and golfing partner, about at least 18 acquisitions or earnings announcements by KPMG clients, including Herbalife and Schlumberger.

Prosecutors said Shaw made about \$127 million of illegal profit by trading on the information, and paid London more than \$60,000 in cash plus gifts such as a \$12,000 Rolex watch and tickets to a Bruce Springsteen concert.

"It seemed like a fair sentence," said London's lawyer, Harold Reskin.

#### Ladies' Home Journal closing

Meredith is shutting down regular publication of Ladies' Home Journal and will use the 130-year-old magazine's brand only online and for stand-alone special issues.

While the audience for female magazine readers remains healthy, Meredith has other publications such as Parents and Family Circle that suit readers' needs, Meredith Chief Executive Officer Steve Lacy said.

Published since 1883, Ladies' Home Journal covered news and cultural shifts from a female perspective. Its first photo cover appeared in 1898, with a picture of first lady Ida McKinley. Over the years, the magazine featured artists such as Man Ray and writers such as John Steinbeck.

#### THE BOTTOM LINE

**4.33%** The average rate for a 30-year, fixed mortgage this week, up from 4.27 percent a week ago. The average for a 15-year, fixed loan rose to 3.59 percent from 3.53 percent, Freddie Mac said Thursday. Helped by stimulus measures from the Federal Reserve, the 30-year rate dropped below 15 percent in late 2012, but as the recovery set in, the average rate rose back above 4.5 percent by the middle of last year. It has spent most of 2014 below that level, making mortgage borrowing quite a bargain by historical standards.



Caterpillar posted higher first-quarter earnings but said China's economic shift could crimp global and U.S. economy.

## Cat tops experts' forecasts, raises year's profit outlook

By ALEXANDRA GARCINO  
Tribune reporter

Caterpillar Inc. on Thursday increased its full-year profit outlook by 25 cents a share, to \$6.10 a share, excluding restructuring costs, and reported first-quarter earnings that beat analyst expectations.

Net income in the quarter rose about 5 percent to \$922 million, or \$1.44 per share. Revenue was "almost dead flat" at \$1.24 billion.

Analysts had expected first-quarter earnings of \$1.23 a share on revenue of \$1.14 billion, according to Bloomberg.

Sales in the company's Resource Industries segment, which is mainly mining, declined 27 percent to \$2.1 billion. Caterpillar said sales of mining trucks, the segment's bread-and-butter, are expected to be down this year by about 80 percent from the peak in 2012.

The company said it now expects total sales in the segment to be down this year by 20 percent from 2013, double the decline in its previous estimate.

Iraad Halverson, Caterpillar's chief financial officer, said the company's new estimate is based on current order rates. "We do expect 2014 to return to a decent level once they start ordering again," Halverson said. "The timing of exactly when they are going to do that, we don't know, but it's going to have to occur."

As mining equipment sales have declined, the Peoria-based heavy-equipment-maker has shut small-sized plants and laid off workers. At the end of the first quarter, the company had nearly 132,000 employees worldwide, down 9,250 employees from the year-earlier period.

The company said its most positive story for the

quarter was in its construction segment, which saw a 20 percent increase in sales to more than \$3 billion. The company said it expects full-year sales in the segment to increase by 10 percent from 2013.

Caterpillar maintained its sales outlook for the year at \$36 billion, plus or minus 5 percent. It expects 2014 restructuring costs to be about \$400 million to \$500 million, mostly from its Belgium facility restructuring.

The restructuring costs are expected to affect profit by about 55 cents per share, lowering the outlook to \$5.55 per share.

The company said there are a range of "macro-economic and geopolitical uncertainties" that could slow growth in global gross domestic product and affect sales of its products. Doug Oberhelman, Caterpillar's chairman and chief execu-

tive, cited China as an example. During his visit to that country a few weeks ago, he said it was evident that construction was facing challenges, as Chinese leaders shift to a longer-term, more sustainable growth model while maintaining social stability.

"This is an enormous task that carries risks for the world economy," he said.

Oberhelman said the company is also concerned about the chaos in Ukraine and Russia, because fading business confidence could dampen trade globally.

"The global economy remains fragile, and as such, one or two setbacks could create substantial downside risk for the global economic recovery," he said.

Caterpillar's stock rose nearly 3 percent to close Thursday at \$105.25 a share.

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## Health advocates: FDA's e-cigs rule not strict enough

By LALITA CLOZEL  
Tribune Washington Bureau

The Food and Drug Administration's move to regulate e-cigarettes drew criticism Thursday from some public health advocates who said the regulations do not go far enough to protect young consumers.

The proposed rule would for the first time allow the government to limit the manufacture and sale of e-cigarettes, as well as cigars and pipe tobacco. Cigarette friendly flavors such as watermelon and peppermint, or herbal television commercials.

But the new rules would not ban online sales, restrict youth-friendly flavors such as watermelon and peppermint, or forbid television commercials.

Some at the FDA, said Sen. Dick Durbin, D-Ill., who called the rules a

"political compromise." Earlier this month, Durbin and several House Democrats released a report accusing makers of e-cigarettes of targeting children through marketing strategies that would be illegal if used to promote traditional cigarettes.

FDA officials say the proposed rule would lay the groundwork for future regulations, pending further scientific studies.

"This rule would represent a significant step in the agency's ability to regulate tobacco products," said Mitchell Zeller, director of the agency's Center for Tobacco Products.

Large e-cigarette companies generally support the FDA proposals and insisted that e-cigarettes are a safer alternative to traditional tobacco products.



A proposed Food and Drug Administration rule would require e-cigarette warning labels and ban labels for flavors.

"To pre-empt the FDA... without success to back that up is misguided," said Miguel Martin, president of Logic, the second-largest e-cigarette company in the U.S.

The Smoke Free Alternatives Trade Association, a group of mostly smaller companies, said the rule would stifle small producers by requiring an expensive registration process.

"Treating these products like tobacco products hinders the industry over to Big Tobacco," said the group's executive director, Cynthia Cabrera.

Supporters of e-cigs-  
linda@tribune.com

reties say they can help people quit smoking. They say that inhaling nicotine from the devices does not involve the health risks posed by smoke from burning tobacco, which contains tar and other chemicals that cause cancer. Nicotine is addictive, but whether it uses causes long-term health problems is uncertain.

"The longer there is inaction, the more the public might interpret this to mean that these in fact are safe," said Marie-Jeanne, the American Heart Association's president.

The case eventually could be resolved in federal court.

## Union-vote day arrives for NU football players

By ALEXANDRA GARCINO  
Tribune reporter

Northwestern University football players are to vote Friday morning on whether they want to be represented by a union.

Northwestern, a private university, said reporters would be allowed into Webb-Ryan Arena, where the voting will take place, citing the players' wishes to avoid media attention.

Peter Sung Orl, regional director of the National Labor Relations Board, ruled in March that Northwestern's football players on athletic scholarships are university employees, setting the stage for the election.

In total, 70 players are eligible to vote but are required to do so.

In order for the College Athletes Players Association to bargain on behalf of the football players, the majority of the players voting would have to vote in the union.

During football practices this month, players were confronted with questions about unionization. Some referred questions to Kain Collier, a former Northwestern quarterback and the face of the union campaign.

Others publicly criticized the effort. Quarterback Trevor Siemian said he no longer believes a union is the right avenue and that he should have gathered more information before signing a union card in January.

"This all began with the best of intentions," Siemian said during a practice.

He added that the players should have taken their concerns to coach Pat Fitzgerald and/or athletic director Jim Phillips.

Fitzgerald has encouraged the players to vote against the union.

This month, the school opposed Orl's ruling to the NLRB in Washington. In its appeal, known as a request for review, Northwestern argued that the mischaracterized, slanted and ignored relevant facts, such as the evidence of Northwestern's primary commitment to the education of its students-athletes.

The union contended that Orl's decision was meticulously and carefully reasoned.

It added that the school's accusations were unfounded and that many of

the supposed errors and omissions the university attributed to Orl do not qualify for review under NLRB rules.

The NLRB granted Northwestern's request Thursday. Both parties will have the opportunity to file more documents in support of their positions. The board would then affirm, modify or reverse the ruling.

After Friday's election, ballots will remain secret until the board makes a final decision on the appeal. The case eventually could be resolved in federal court.

Tribune reporter Teddy Greenstein contributed.

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# EXHIBIT 092

# Cat excavator is powerful performer

**Publication info:** Gulf Construction ; Manama (Dec 1, 2014): n/a.

[ProQuest document link](#)

## ABSTRACT

Caterpillar says its new Cat 329D2 excavator has been designed to offer a powerful performance, with low fuel consumption and superior reliability, delivering high productivity, versatility and low operating costs. Premium features on the machine include cross-sensing hydraulics for greater efficiency, robust major structures for long-term durability, an ergonomic cab for increased productivity, and simplified routine maintenance for reduced owning and operating costs.

## FULL TEXT

CATERPILLAR says its new Cat 329D2 excavator has been designed to offer a powerful performance, with low fuel consumption and superior reliability, delivering high productivity, versatility and low operating costs.

Premium features on the machine include cross-sensing hydraulics for greater efficiency, robust major structures for long-term durability, an ergonomic cab for increased productivity, and simplified routine maintenance for reduced owning and operating costs.

The 329D2 has a maximum operating weight of 30,115 kg and a net power rating of 151 kW. Its Cat C7.1 engine meets exhaust emissions equivalent to US EPA Tier 2, EU Stage II, and China Tier 2 regulations and is equipped with a three-stage fuel-filtration system for optimum protection of fuel-delivery components.

A spokesman for the leading construction and mining equipment manufacturer says the design of the Cat C7.1 engine has been field proven with a worldwide reputation for powerful, reliable performance.

"An advanced fuel-filtration system makes the engine less sensitive to low quality fuel, and the radial-sealed air filter features a double-layered filter core for maximum filtration capability. An automatic engine-speed control system reduces rpm (revolutions per minute) during no-load/light-load conditions for added fuel savings, and the 'high horsepower' mode delivers maximum power for demanding tasks," he explains.

The 329D2 has a powerful pilot-operated hydraulic system with two main pumps that have a cross-sensing system to utilise 100 per cent of engine power for maximum hydraulic efficiency.

Regeneration valves in the boom-down and stick-in circuits speed cycles reduce hydraulic flow requirements, conserve fuel and reduce operating costs; while cylinder snubbers cushion shock in the boom and stick circuits to protect hydraulic components and increase operator comfort.

Depending on the region, the excavator comes with a standard undercarriage (329D2), or a long undercarriage (329D2 L). Both undercarriage configurations feature heavy-duty components, with lubricated/sealed track rollers and grease-lubricated/sealed track chains. A 5.9-tonne counterweight package is designed to enhance heavy-lifting performance with the long undercarriage; counterweights are bolted directly to the main frame for added rigidity.

The 329D2/D2 L can be fitted with one of four front-linkage configurations to accommodate the application. The standard 6.15-m reach boom handles most digging and lifting applications, and the heavy-duty 6.15-m reach boom is reinforced and intended for use in severe applications. Both booms have two stick options - the 3.2-m and 2.65-m reach sticks. A mass-excavation 5.55-m boom with its 2.5-m stick delivers superior digging forces and permits the use of a larger bucket. In addition, a Super Long Reach front linkage features a 10.2-m boom and 7.85-m stick.

All booms and sticks use box-section construction with high tensile strength steel to provide optimum digging forces.

Cat buckets for the 329D2 are designed to match machine capabilities, ensuring high production and reduced fuel consumption. Buckets include: general-duty for low-impact, moderately abrasive materials; heavy-duty for mixed materials and cohesive soils; severe-duty for highly abrasive materials; and extreme-duty for exceptionally abrasive conditions.

In the non-ROPS (roll over protection system) cab, operators can adjust the right and left joystick consoles. A high-resolution LCD (liquid crystal display) monitor, 40 per cent larger than on previous models, is programmable in 42 languages and alerts the operator to abnormal temperatures and pressures. The monitor also serves as the display for an available rear-view camera system. Large glass areas enhance all-around visibility, and automatic bi-level air-conditioning and fully adjustable mechanical or suspension seats provide optimum operator comfort, says the spokesman.

Service doors on the upper structure provide easy, ground-level access to the main pumps, pilot filter, water-separator/fuel-filter, radiator, oil coolers, charge-air cooler and fuel cooler.

For added customer value, the 329D2 can incorporate Cat Connect technologies, including Product Link, which provides essential machine operation information through the VisionLink software.

#### Brooms

Among other innovations, Caterpillar has also unveiled three newly designed Cat C-Series brooms - the BP115C and BP118C pickup models, and the BA118C angle model - that incorporate features that significantly enhance their performance and serviceability.

"For use with Cat skid-steer loaders, compact track loaders, multi-terrain loaders, and compact wheel loaders, the new brooms convert the carrier unit into a versatile, effective cleaning machine for removing dirt, rock, assorted debris, and snow from large exterior and interior surfaces," says the spokesman.

The new BP115C and BP118C pickup models have sweeping widths of 60 and 72 inches, respectively. A new gutter brush features heavy-duty mounts and pivot joints, and the new bristle-height-adjustment lever is redesigned for easier use.

The quick-change main brush is now retained with a single pin (versus four bolts) making replacement easier. Among other features, the new motor bracket is handle-shaped, visibility to the drive is enhanced, and the core connection is closer to the broom wall to facilitate installation.

The bucket for the new pickup models is reinforced for greater durability, and the adjustable volumiser feature allows greater retention of debris in the hopper for fewer emptying stops.

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# EXHIBIT 093

## Caterpillar Is Quick on the Uptake

Engineering News-Record

April 6, 2015, ENR Digital Edition

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**Section:** ; Pg. 1

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### **Body**

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By Tudor Van Hampton

Caterpillar Inc.'s recent announcement that it is investing in Chicago-based technology startup Uptake is a strong signal of the construction industry's current appetite for data analytics.

Contractors, rental companies and others who use heavy equipment have for years had the ability to collect data from their fleets. But much of that data is based on history—things that have already happened on a construction project. A new digital age is on the horizon that will allow equipment users to get out in front of their projects and more accurately forecast costs, failures and operational inefficiencies before problems occur.

Cat recognizes the potential of this technology to help it and its dealers service its clients better. "Customers use our current technology for fleet monitoring and to track fuel efficiency, idle times, location and more," said Cat Chairman and CEO Doug Oberhelman, in a statement March 5 regarding the company's minority stake in Uptake. "Our existing solutions are effective, but it's time we take it to the next level."

Telematics systems available on most heavy machines, trucks and tools are now beaming out what Cat describes as "quintillion bytes" of information every day. With the diverse brands of equipment that fleets are now integrating into their data streams, one can see quickly how fleet managers can become overwhelmed. How are construction managers expected to make sense of all that information while managing a project? This is where the analytics tech, such as Uptake's, comes into play.

"We want to empower our customers with the insight necessary to shift from a reactive 'repair after failure' mode to a proactive 'repair before failure' stance," Oberhelman said.

Few specifics are available about Uptake's platform, but the company promises to bring a new dimension of business intelligence and benchmarking that will soon be available to construction companies, similar to what Uptake is already doing with Cat's locomotive business.

"Our platform takes massive data provided by sensors, combines it with data science to understand signals and patterns and deploys insights in real time that save money, optimize performance and prevent unplanned downtime," said Brad Keywell, co-founder and CEO of Uptake.

In the end, Cat and its dealers expect to use these real-time dashboards to gain deeper knowledge about how their machines are being used. At the same time, construction engineers think they will be able to spend less time managing machines and focus more of their attention on solving construction problems.

JENNY REILLY



## Graphic

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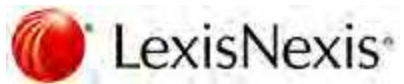
photograph, Courtesy Caterpillar Inc.

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# EXHIBIT 094



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## **CAT builds student professionals at competition**

The Bradley Scout: Bradley University

October 16, 2015 Friday

University Wire

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**Section:** NEWS; Pg. 1

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### **Body**

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Caterpillar Young Professionals is aiming to give Bradley engineering and business students a semester's worth of educational experience in a month by analyzing actual Caterpillar business cases with the fourth annual Caterpillar Case Competition.

Jason Garrett, associate dean of the Foster College of Business, helps students get involved in the competition.

Bradley students go through a very competitive application process in order to get accepted to participate in the competition, according to Garrett.

Those who get accepted in the program go through four training sessions that take place on Wednesdays in October. These sessions lead up to the competition Nov. 6 and 7. Students participate in something very similar to an all-nighter at the competition, Garrett said.

Each session has students tackling a different topic. Defining and measuring will be the topic Oct. 21, whereas analyzing, improving and controlling is the topic being covered Oct. 28. A panel discussion will take place Nov. 4 covering non-disclosure agreements and tips to help students in the competition.

Managers at Caterpillar submit applications over the summer for the cases to be looked at in the competition. At the official competition, students work with Caterpillar Young Professionals at the Caterpillar facility. Students don't see anything on the case until the morning of Nov. 6, Garrett said. Students will present their findings Nov. 7 to Caterpillar executives in their boardroom.

Garrett stressed how important this opportunity is for Bradley students. He said the competition is a great resume builder and allows the students to act as leaders. Students learn to work with professionals and can apply the knowledge they have been learning in the classroom directly to the cases they are working on.

Senior industrial engineering major Conner Garrison is currently participating in this year's case competition. He spoke about the challenges he's faced throughout the competition and how it has been beneficial to his major.

"Working with professionals has been my biggest experience from the case competition thus far," Garrison said. "It's very important to get used to 'talking the talk' in the professional world. Understanding verbiage and diction is huge before I go out in my professional career. It puts me a step ahead of others fresh out of college."

Garrison said he's not particularly nervous about the big competition because he's doing it for fun. However, he said anyone who is interested should give this competition a shot.

## CAT builds student professionals at competition

"Go out and challenge yourself," Garrison said. "It'll be something out of your comfort zone that you'll remember the rest of your life. Also, you can talk about it in a job interview. It's a challenge, but you build your network and it's a good time."

Garrett calls the Caterpillar Case Competition "one of the premier events for College of Business and College of Engineering."

**Load-Date:** September 27, 2018

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# EXHIBIT 095

# Cat's new HQ goal: Change culture

Move out of Peoria is new CEO's signal of shift to internet tech, global reach



ROBERT REED

To change a corporate culture, change the location of the corporate headquarters.

In a nutshell, that seems to be the goal of James Umpleby, Caterpillar's newly named CEO, who is leading the heavy construction and equipment maker's headquarters relocation from its longtime home in Peoria to an underutilized plant in the Chicago area.

In moving its headquarters, Cat is signaling a departure from a staid past and positioning itself to operate a leaner, global manufacturing business in new ways.

For example, expect a greater focus on incorporating more



BOB KORNBLUTH

Caterpillar's leadership is repositioning the heavy equipment maker as a leaner, global business.

digital and internet-based technologies into its heavy equipment and construction product mix, along with a growing focus on China and emerging international sales

markets. On that score, moving closer to O'Hare International Airport will make it easier and less time-consuming for Cat leadership to convene around the

globe. Cat will rent office space, but not construct a new headquarters, and eventually bring along about 300 jobs.

Cat is the latest in a string of Illinois corporate giants, in-

**A NEW HOME FOR CATERPILLAR:** The company will scrap plans for new offices in Peoria and relocate to Chicago area. Page 1

cluding ADM, United Airlines and McDonald's, that decided to relocate from downtown or the suburbs into the city. McDonald's arrives in 2018.

Such moves are expected to make these old-line companies more attractive to an increasingly urban-based and culturally diverse workforce that's digitally savvy and eager to do business on a worldwide scale.

No matter where its headquarters ultimately lands, Cat is hoping for the same outcomes.

"The new location is also an opportunity to add to our talented team while improving the productivity of our senior leaders," Umpleby said in a statement announcing the relocation.

While Umpleby, an employee has worked at Cat for more than 35 years, he did not come up primarily through the main work company's Peoria-based headquarters or its mainstay

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## Medical visits to U.S. may drop off

Restrictions likely to discourage travel, hospital officials say

By LISA SCHENKLER  
 Chicago Tribune

President Donald Trump's recent ban on travelers from certain countries could cut a chill on international medical visits to hospitals in Chicago and elsewhere, Rush University warned Tuesday.

Patients are coming to the United States generally for the most complex, necessary care that they can't get at home, and delaying that care could ultimately be a matter of life or death," said Teris Johnson, a professor at Rush, the academic arm of Rush University Medical Center, who helps track medical travel data for a national consortium of hospitals and health systems.

About 50,000 patients come to the U.S. between July 2014 and July 2015 for treatment at 23 hospitals and health systems in the U.S. that were tracked by a center at Rush. That doesn't include international patients treated at other U.S. hospitals.

The top five countries that patients came from included Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Mexico, she said. Those countries aren't part of Trump's recent executive order banning travel from seven predominantly Muslim countries.

Representatives of Rush, Lurie Children's Hospital and University of Chicago Medicine said this week

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NANCY STONE/CHICAGO TRIBUNE

The grand courtyard of Restoration Hardware's Gold Coast gallery is home to the Three Arts Club Cafe. At the top of its wall against Crate and Barrel.

## Restoration Hardware claims Crate and Barrel stole secrets

Lawsuit says competitor pinched info on operating in-store cafes

By ALLY MAROTTI  
 Chicago Tribune

Restoration Hardware is trying to pull the rug out from under Crate and Barrel, as the two big-name home-furnishing stores butt heads in court over trade secrets and in-store cafes.

At the center of it is the trendy Three Arts Club Cafe operated by Restoration Hardware inside its RH Chicago Gold Coast gallery.



Diemio

and pastry shop, wine bar and garden courtyard cafe called Three Arts Club Cafe.

New Restoration Hardware is trying to stop Crate and Barrel from opening a food and beverage operation in any of its stores for a year.

Crate and Barrel "secretly sought to steal a page from the successful RH playbook," using inside information such as how to set coffee and wine in the same store in which customers buy accessories and eat, says the suit.

Also named as defendants were Crate and Barrel CEO Douglas Diemio and another top executive, Andrew Alshuler, both former Restoration Hardware executives who are accused of stealing trade secrets and breaching contracts with their former employer.

The gallery, planning took years and was risky, court documents say. For much of that time, Diemio, though based in California, was involved in the company's new business initiatives. The lawsuit says he signed an agreement when he left Restoration Hardware.

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## Fed unlikely to hike rates amid unknowns in Trump agenda

Policymakers expected to signal they want more time to monitor economic growth

By MARTIN CHAMPAGNE  
 Associated Press

WASHINGTON — The Federal Reserve is all but sure to lower interest rates, alone when it ends a policy meeting Wednesday at a time of steady gains for the U.S. economy but also heightened uncertainty surrounding the new Trump administration.

The Fed will likely signal that it wants further time to monitor the progress of the economy and that it still revisions a gradual pace of rate increases ahead. "I don't look for the fed to do anything this week," said Sung Won Sohn, an economics professor at the Martin Smith School of Business at California State University. "They are starting to get their ducks in a

row for further rate hikes, but it will be too soon to pull the trigger." The Fed's two-day meeting will end with a policy statement that will be graded for any signals of its outlook or intentions. At the moment, most economists foresee no rate increase even as the Fed's next meeting in March, especially given the unknown about how President Donald Trump's ambitions agenda will fare or whether his drive to cancel or rewrite trade deals will

slow the economy or unsettle investors. It's always possible that the central bank could surprise Fed watchers Wednesday by sending a signal that a rate hike is coming soon. The statement will not be accompanied by updates to the Fed's economic forecasts or by a news conference with Chair Janet Yellen, both of which occur four times a year. Last month, the Fed modestly raised its benchmark short-term rate for

the first time since December 2015, when it had raised it after keeping the rate at a record low near zero for seven years. The Fed had driven down its key rate to help revive the banking system and energize the economy after the 2008 financial crisis and the Great Recession. When it raised rates last month, the Fed indicated that it expected to do so three more times in 2017. Yet confusion and a lack of details over what Trump's stimulus program will look

like, whether he will succeed in getting it through Congress and what impact it might have on the economy have muddled the outlook. And while Trump's tax and spending plans are raising hopes for faster growth, his proposals to impose tariffs on such economies as China and Mexico to correct trade imbalances could slow the economy if U.S. trading partners retaliate and collectively impede the flow of imports and exports.

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# BLUE SKY

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**INSIDE JOB** What it's really like to work at Chicago startups and tech companies? Blue Sky's Inside Job lets people on the ground tell us in their own words.

## Fast-paced company helps lawyers find facts

**ZEHRA MEZEL, 33, SENIOR SOFTWARE ENGINEER AT K-CURA**

Our software helps people discover truth. The product is called iRelativity. Anytime there is litigation, people can use this software to upload all the data relevant to the case and search for keywords.

Previously, without this, you had to go through all the documents as a lawyer and find the information. Now you just scan all your documents, and everything is all there, and it's very easy to search and process.

The team I work for is called Data Grid. My day-to-day role is making sure we design and implement test plans to make sure of the quality of the product we develop.

We sit in a very techy, open space. Previously, each team had their own space, but then, we thought opening the space up would help us interact better as teams. Now you can just stand up and see others at their desks. So it's worked out a lot better.

They have this new machine interference (on the coil), so you can be loud, but you won't disturb others.

I'm originally from India, from Bangalore. I speak Urdu and a regional language called Kannada. Bangalore has grown a lot. When I was studying, it was still developing... Now there's chaos. I just got back from India. I'm like, "What is this city?"



Zehra Mezel joined K-Cura after looking up "top companies to work for in Chicago," eager to work in the latest technology.

I did my engineering (undergraduate study) there, but I came to the U.S. to do my master's degree. My dad has always been an inspirational figure for me. He used to live in the U.S. in the '60s, and he used to work in Peoria as an engineer. I really wanted to be like my dad.

My dad sent me to Peoria because his roommate was still living in Peoria. I was like, "How do you spell Peoria? What is this?"

was not a big fan. One positive thing in Peoria: There was nothing else to do, so I was so focused on my education. There were no distractions.

When I graduated from Bradley University, I got a job for a big manufacturing company. I would write software for commercial engines — marine engines, locomotives, machines and generator sets.

I was learning how work culture works, and I

wanted to do something more fast-paced, latest-technology kind of stuff. Something more challenging. I actually looked up "top companies to work for in Chicago," and K-Cura came up on the list. I read through what K-Cura does, and it exactly fit where I wanted to be: smaller organization, fast-paced, dynamic company.

I came here, interviewed and got the job. That was more than three years ago. I

loved the whole culture. It's very laid-back and chill.

Nobody forces you to do anything. People just have that normal tendency to do things. There are a lot of smart people here, constantly learning. We have about 600 employees. We are about 10 on my team. Everybody is knowledgeable enough to switch roles.

My husband, he lives in Los Angeles. Our visas and jobs are keeping us apart. I don't have much family

living in the country, so I'm kind of depending on people I'm spending most of my time with; they are like family to me here.

After 4:30 p.m. on Fridays, you get to have a happy hour with your team. You get to talk to directors. We meet to practice some demos for the product. We have something called K-Olympics, so we have games, like you can bring your family and kids along and just socialize with people.

We have something called K-Disco every two weeks where you can volunteer to share any kind of information. Maybe you messed up, and you don't want any of us to mess up that way. Or say I went to a conference, and I learned something and want to share it with others.

One other thing we have is KWOW — it stands for Women of the Workplace — to have all the women working here get together and talk about a meaningful topic. One of the topics was women engineers.

It's very open communication here. I brought it up to my manager that I wanted to train to become a manager, and he put me on a training program. It's not like everything is stagnant. I'm doing my work that I'm supposed to be doing, but I'm also growing.

As told to freelance reporter Erin Chan Ding. Stories are edited for length and clarity.

[bluesky@tribpub.com](#)

Blue Sky is Chicago's gathering place for news, analysis and events related to innovation and entrepreneurship. Contact the Blue Sky staff at the address at left or follow Andrea Harris at [aharris@tribpub.com](#).

## Suit alleges competitor stole secrets

**Restoration, from Page 1**

were forbidding him from using the company's proprietary information and recruiting employees for at least a year.

The lawsuit alleges that Northbrook-based Crate and Barrel hired Diemert in July 2015 for his know-how to launch a similar program for it. The company set its sights on Abheims, former director of food and beverage at Restoration Hardware, to allegedly gain access to information developed after Diemert left, according to the suit. She was savvy to Restoration Hardware's plans to open other food and beverage locations, the suit states.

The lawsuit alleges that despite his agreement, Diemert tried to recruit Restoration Hardware employees, at times using his personal Gmail account to conceal his activities. He allegedly mocked the agreement, saying in one email, "That damn non-solicitation" according to the lawsuit.

Abheims was allegedly one of those employees. Diemert started recruiting her by February 2016, the

lawsuit says, and she soon after allegedly began downloading confidential information, like financial reports from the food and beverage operations in Chicago. For months, "she hid her allegiance to Crate from RH, continuing in her RH position," the suit states.

"Within just a few weeks of her departure from RH, Abheims was already implementing a food and beverage business plan for Crate that leveraged her knowledge of proprietary RH information," the lawsuit states.

Restoration Hardware is asking the court to order Diemert and Abheims to erase all proprietary information they have, and prohibit Crate and Barrel from opening a food and beverage service in any of its locations for a year. It also wants the court to prevent Crate and Barrel from employing Abheims in a position where her proprietary knowledge would be valuable for a year.

"We make this matter very seriously, are confident the facts support our position and look forward to vigorously pursuing these claims," Restoration Hard-



Restoration Hardware's Gold Coast store, above, showcases competing furnishings to those of Crate and Barrel.

ware said in an emailed statement.

Crate and Barrel, Diemert and Abheims didn't respond to requests for comment.

In today's retail world of virtually unlimited options — online and in-store — adding a cafe is one way of keeping customers in your store, said Anne Urzavac, senior partner at Chicago-

based retail consulting firm McMillan Doolittle.

"It still is a fight for market share and growth," she said. "If I stay and have a light lunch or snack or something to drink while I'm thinking about what I might want to buy, the chances are I'm going to stay put."

Restoration Hardware

reported about \$2.1 billion in net revenues for the fiscal year that ended in January 2016, according to the suit. The lawsuit says that as of October 2016, it had 65 retail stores, known as galleries.

Gordon Seigel and his wife, Carrie, launched Crate and Barrel in Chicago's Old Town neigh-

borhood in 1992 after returning from their honeymoon with European bowls and furniture. Now its family of brands, including CB2 and children's furniture store The Land of Nod, are owned by Hamburg, Germany-based Otis Group.

[@restorationhardware.com](#)  
Twitter: @RHChicago

## Cat's move to Chicago signals change of culture

**Rest, from Page 1**

heavy equipment and construction track.

Instead, he spent much of his career at 360 Turbines, a Pro Design subsidiary that produces industrial gas turbines. Umpleby was officially named CFO in January.

By maintaining close ties to Cat's core business and still employing thousands in Peoria, Umpleby

will add more outsiders to his executive team and the company at large.

With all due respect to Peoria, it's going to be easier to lure corporate talent to the Chicago area. Yes, the area has its problems but it is also home to many world-class cultural amenities and social attractions that help make people want to work and play here.

"Many of Caterpillar's senior leaders have spent

many years at the firm and have been treated throughout the business," Keith Schoemaker, Morningstar analyst, wrote in a recent report. "Increasingly, however, the company has sought to hire people from outside of the heavy equipment industry."

Schoemaker said in an email to me Tuesday that Cat's new headquarters won't have a significant impact on the company's

share price.

Many institutional shareholders, however, should cheer Cat's decision to locate in Chicago. To build a new Peoria headquarters, which was supported by previous CEO Doug Oberhelman, and instead lease office space — Cat stock is hovering near \$95 per share and has enjoyed a bump in the past year, especially as President

Donald Trump talked of boosting infrastructure spending that could spur Cat sales.

The stock is now under pressure, and last week the company reported \$38.5 billion in sales for 2016, down from \$47 billion the previous year.

In certain ways, Cat is in the midst of a major restructuring effort and has eliminated half of the 10,000 jobs it plans to cut by 2018.

Still, industry analysts suggest the company has too many workers and excess plant capacity. Unless the company's fortunes improve, it will be forced to cut even deeper, they say.

By relocating to the Chicago area, Cat's CEO is telling everyone that it's time to break with tradition and make way for big changes.

[www.cat.com](#)



# EXHIBIT 096

## GOP shows its health care answer

Members of both parties critical of House Republicans' bill to replace Obamacare

BY NOAM N. LEVY  
AND LISA MASCARO  
Washington Bureau

WASHINGTON — House Republicans released a long-awaited Obamacare replacement bill Monday that would dismantle the health care law's extensive system for expanding health insurance coverage to millions of Americans.

The legislation, the first such bill that House Republican leaders have produced, would eliminate hundreds of billions of dollars of federal aid that has allowed states to expand their Medicaid programs to millions of previously uninsured poor people.

And the bill — titled the American Health Care Act — would restructure a system of tax sub-

sidies that have helped millions of their working Americans who don't get coverage through an employer to buy health plans.

In all, the plan would likely take away health coverage from several million Americans and raise costs for many more, especially low-income people and the middle-aged, but it would immediately end the requirement that all Americans have insurance, which has been highly unpopular, especially with Republicans, reduce federal authority over the health

care system and provide a large tax cut to upper income families. The plan's impact on the federal deficit is unclear because House Republicans did not release a cost estimate for the proposal.

The bill, the first step in what could be a long and unwholesome legislative effort to fulfill a key Republican campaign promise, includes several provisions that appeal to conservatives. In addition to doing away with taxes created by the Affordable Care Act and the

mandate that Americans have health insurance or pay a penalty, it would ban federal funding for Planned Parenthood and any other medical institutions that provide abortion services, another longtime GOP promise. While it would continue to provide aid to help people buy health plans, it would prohibit Americans from using those subsidies to buy health insurance that covers abortions.

Turn to **Health care, Page B3**

*"There will be women in the group who do not agree with other ways of thinking, sometimes vehemently so — that's part of being a woman."* — Liz Rafferty, co-chairwoman of the Women's March on Chicago



JOHN J. BIANCHI/CHICAGO TRIBUNE

Diane LaBaker pumps her fist during a meeting of the Women's March on Chicago group last week.

## WOMEN'S MOVEMENT PLANS NEXT STEPS

Key challenge is including people with differing views

BY GRACE WONG AND MADRA ELTAGOURI | Chicago Tribune

Tacked away behind rows of brightly colored comic books and board games, more than a dozen people gathered Saturday afternoon in the back room of G-Mart Comics in Logan Square, scribbling messages onto the backs of postcards with iconic images from the Women's March.

All were addressed to President Donald Trump.

Part of "The Lies of Trump" campaign, volunteers will mail the postcards March 15 in an effort to inundate the White House with grievances.

Since January's Women's March, the movement has settled into a quiet but frenetic — a period of planning and strategizing in living rooms and town halls. It's during these planning periods, experts say, that movements lose steam or create change. At the same time, organizers are faced with the challenge of including diverse viewpoints to avoid alienating potential followers.

Some women have felt left out because of rhetoric from the initial march. Women who are against abortion but want to fight for women's rights have found participants' attitudes toward their beliefs troubling.

"It'd be nice for them to expand their base," said Mary Hollen, 31, of Elmwood Park, who felt



MICHAEL SHERROD/CHICAGO TRIBUNE

A woman finishes writing a postcard for "The Lies of Trump" campaign during a meeting Saturday at G-Mart Comics in Logan Square.

Turn to **Women, Page B2**

## New entry ban, more criticism

Top Democrat calls for action after president signs revised order

BY NOSH BIRMAN,  
MICHAEL A. MIRMOLAND  
BRIAN BENNETT  
Washington Bureau

WASHINGTON — President Donald Trump suspended residents from six Muslim-majority countries from entering the United States and blocked refugees from around the world, including an executive order issued four weeks ago that stoked chaos at airports, international condemnation and a rebuke in the federal courts.

Monday's directive marked the latest iteration of Trump's long-stated argument that the immigration system is failing to protect the nation from the threat of terrorism and that previous leaders had been too timid to put American interests ahead of global opinion.

The new order, while temporary, lays the foundation for further restrictions on travel and asylum as Trump opens another front in his effort to tighten the nation's borders.

"Like every nation, the United States has a right to control who enters our country and to keep out those who would do us harm," Attorney General Jeff



MICHAEL REYNOLDS/PH

Attorney General Jeff Sessions says the U.S. "has a right to control who enters our country."

White House staff defends Trump's wiretap accusation

White House aides defend President Trump's claim that Barack Obama had tapped Trump's telephones, despite the FBI director's rejection of the claim. **Nation & World, Page 9**

Sessions said during an announcement of the Department of Homeland Security alongside Secretary of State Rex Tillerson and Homeland Security Secretary John Kelly.

Opponents argued that even if Trump is not hunting al Muslims, his narrower measure still

Turn to **Travel ban, Page B2**

## CPD eases use-of-force limits in proposed policy

Police officers, reform advocates criticized 1st draft of changes

BY DAN HERRIN,  
Chicago Tribune

Pulling back on proposed rule changes that upset some rank-and-file officers, police Superintendent Eddie Johnson has proposed a new use-of-force policy that is less restrictive than the one he floated five months ago.

A draft policy released in October drew complaints from both officers and police reform advocates. Some officers said the draft policy was too restrictive for cops making split-second

decisions under pressure; while reform advocates said it didn't spell out clearly enough when police should and should not use force.

In a shift in tone and policy, the new draft proposal released Monday opens by proclaiming the department's commitment to officer safety while eliminating a provision saying cops must use only the least amount of force needed. The draft also softens the department's stance on officers using their new de-escalation training to defuse tense encounters, saying cops only have to try those tactics "unless it is safe and feasible."

Turn to **Force, Page B3**

*"This isn't about politics, this isn't about posturing. This is about taking care of the kids."*

Chance the Rapper donates \$1M to CPS, knocks Rauner's plans

BY JUAN PEREZ JR.  
AND MONIQUE GARCIA  
Chicago Tribune

Hours after Gov. Bruce Rauner offered two options to provide \$215 million to Chicago Public Schools, Chance the Rapper cut the district a \$1 million check that the Grammy-winning musician described as a "ball in action" for the city's

business and philanthropic community.

Chance was critical of the Republican governor's efforts to fix the city's schools during a news conference Monday in West Chatham on the South Side, not far from the musician's old neighborhood.

"Gov. Rauner just won't commit to give Chicago's kids a chance without excuses or ultimatums," Chance told students and reporters at Westcott Elementary School. "Gov. Rauner,

Turn to **Kids, Page B6**



CHANCE THE RAPPER/CHICAGO TRIBUNE

Chance the Rapper visits Westcott Elementary School on Monday to announce his \$1 million gift.

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# Chicago Tribune

A detailed black and white illustration of the Chicago skyline, featuring prominent skyscrapers like the Willis Tower and the Trump Tower, set against a background of trees and water.

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## TRIB NATION

### EVENTS

**How the Newroom Works: Tour the Printing Plant.** Visit the inside of the Tribune's Freedom Center for a two-hour tour of the printing process, printshops and enormous paper rolls, and get a taste of life at the Tribune's history 300 March 24, Chicago Tribune Freedom Center, 777 W. Chicago Ave., Chicago. Free parking lot opens 20 minutes before start of tour. \$25. Tickets and details go to [TribNation.com](http://TribNation.com). Additional Freedom Center tour dates for 2015 are: April 21, May 19, June 16, July 6, August 11 and October 6. Tickets for these tours will go on sale one month before the event date.

### CHICAGO TRIBUNE E-BOOKS

**"Innovation and Technology: Inside Chicago's Business Incubators."** This collection of articles encapsulates the cutting-edge developments in the tech world that are affecting large corporations, small businesses, startups and consumers. Complete with three sections on Innovation in Chicago, profiles on innovators and technology in the news, the book is a detailed look at the larger concept of innovation, and the individuals and local businesses responsible for it.

**"Good Eating's Dessert Recipes: Cakes, Pies, Cobblers, Tartes and More."** Compiled from the west and front of kitchen-tested recipes that originally appeared in the Tribune, this book is a one-stop recipe shop for all your favorite desserts. Ranging from cakes and cookies to pies and cobblers, as well as soufflés, mousses, puddings, tarts and frozen delicacies, the e-book is a sweet and satisfying guide to all the dishes a dessert aficionado could ever want.

All Chicago Tribune e-books are available inside the Tribune's app. Download the app in the iTunes or Google Play stores.

## ACCURACY AND ETHICS

MARGARET HOLY, standards editor

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**Corrections and clarifications:** Publishing information quickly and accurately is a central part of the Chicago Tribune's news responsibility.

■ A Page 1 story Sunday on controversial law enforcement sting operations mistated why Leslie Mayfield is in the Metropolitan Correctional Center. Mayfield is being held without bond pending retrial.

■ In an early edition of Sunday's Business section, a chart on Robert Heron's company's 2014 revenue of \$200 million was incorrect. The company earned \$400 million in 2014, part of its financial performance included taking a \$7 billion underwriting loss on its auto insurance business.

■ A Business section story Thursday about a regulatory warning on student loans erroneously reported on the amount Americans have in student loan debt. It is \$1.3 trillion. The Tribune regrets this error.

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MICHAEL HAMM/GITTY-APF

President Donald Trump arrives in West Palm Beach, Fla., on Friday before having a series of tweets over the weekend.

# Investigate Trump's wiretapping claim — AND HILLARY'S ALIEN BABY!



REX W. HUPPKE

It may turn out the Weekly World News was right all along.

You remember that black and white tabloid, don't you? You'd see it in grocery store checkout lines, easily outpacing other reputable news sources like the National Enquirer and The Globe with its outlandish headlines: "Civil War Babies Found Alive at Gettysburg," "I Married Myself," "12 U.S. Senators are Space Aliens."

And now we have this, not from the now-online-only Weekly World News, but from the president of the United States: "How low has President Obama gone to tap my phones during the very sacred election process. This is Nixon/Watergate bad for sick boys!"

That the "Baby Born with Tattoos of Solar System" of presidential assassinations. It was, like your average Weekly World News headline, offered with no evidence.

The basis for Trump's weekend accusation that then-President Barack Obama tapped his phones seems to be an article on the website Breitbart, a conservative and slightly more substantive version of a grocery store tabloid. That article cited conservative radio host Mark Levin — who strikes me as someone who would read the Weekly World News and say, "You know, they may be onto something" — as primary source.

As the Weekly World News might say "Madlin Former President Wiretapped Trump From Secret Alien Madras!"

The bucket of bankers that Trump cracked open over the weekend — and which, according to the New York Times and Washington Post, led FBI Director James Comey to take the remarkable step of asking the Justice Department to issue a statement refuting a sitting president's runarounds — did have one happy outcome. It led to this paragraph in a story on

the ABC News website, the most staggeringly crazy and entirely accurate paragraph ever written.

"Because the sitting president offered no evidence to back up his claim, it wasn't clear whether the tweet — which was followed by four others taking on his predecessor, including one misspelling the word 'tap' — was based on classified knowledge he received in his capacity as president, or on an article posted yesterday to the conservative Breitbart website."

Let that one roll around in your head a few times. No evidence. Misspelled "tap." Not clear if it was based on classified information that the president was sharing on Twitter or on a crackpot website report.

Yeez! (And I don't use that term lightly.)

We are in uncharted territory. This is "Farmer Shoots 23-1b Grasshopper" level stuff.

Or, as any devoted Trump supporter or Russian Twitter bot would say: Is it?

There have been media reports of warrants from the secret FISA (Foreign Intelligence Surveillance Act) Court being issued to monitor certain contacts between the Trump campaign and Russia. If those reports are correct — and James Clapper, former national intelligence director under Obama, flatly denied it Sunday — it's possible that phones in Trump Tower or elsewhere were under surveillance.

But if that was the case, there would have been substantial evidence of a threat to national security, as FISA warrants don't come easily. So just an FBI lie to see the person who married his first, meet the Civil War babies found alive and eyeball the corpse of a 23-pound grasshopper, I'd also like to see the evidence that Obama tapped Trump's phones.

A statement from the White House in the wake of Trump's Weekly World News-style tweet storm called for a congressional investigation.

I completely agree. Let a congressional intelligence committee see the evidence to support the president's claims. Let the public see all the facts and, if there was surveillance, let us see why. Shine a light on those FISA warrants, if they exist.

If Obama did something wrong or illegal, as Trump claims, we have a right to know and he should be held accountable.

And while we're at it, let's see the evidence that Obama's birth certificate was fake — a claim Trump made repeatedly — and that 1 billion to 5 million people voted illegally in the November election, as Trump has also claimed.

Let's see the evidence that Sen. Ted Cruz's father was with Lee Harvey Oswald shortly before Oswald assassinated President John F. Kennedy. Trump cited that information during the campaign, referring to reporting in another super-sensitive tabloid, the National Enquirer.

Let's see Trump's tax returns, which would clear up many of the suspicions regarding the president's connections to Russia. (Those suspicions have been reported on in dodgy newspapers like The New York Times, but not in any of the more reputable grocery store tabloids.)

And let's finally, after many years, get Congress to look into two bombshell Weekly World News reports regarding Hillary Clinton: "Hillary Clinton Adopts Alien Baby" and "Bill Catches Hillary with Space Alien!"

Where is this alien baby now? It could be threatening our national security as we speak.

And does Clinton still have her "NY love nest" where she spent "romantic nights" with the alien bill caught her embracing? She served as secretary of state and could have become president. It's in the national interest to know if these intergalactic dalliances compromised American interests.

If so, that would be bad (or sick). Congress must investigate.

Because at the moment, there's at least evidence of a Clinton/alien connection as there is of Obama-Russia wiretaps.

Or, as President Trump prefers, "tapps."

Learn to Rex Huppke and WGN radio host Amy Guth each week on the "Guth and Huppke on Politics" podcast at [chicagotribune.com/guthhuppke/podcast](http://chicagotribune.com/guthhuppke/podcast).

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# Chicago Tribune BUSINESS



ROBERT REED

## Charities eager for Cat's arrival

When Caterpillar opens its new Chicago-area corporate headquarters later this year, it will bring along millions of dollars dedicated to charitable contributions — a treasure-trove many local nonprofits and community groups are eager to tap.

That's the expectation of experts and consultants, who know how the world of philanthropic giving and fundraising ticks. Indeed, they're being anticipatory: Cat's arrival since its January relocation announcement.

How eager or adept Cat will be at becoming a new hometown hero is unclear, but here's hoping it wants to step in, because there's no shortage of worthwhile civic causes and charities to back. But ready to provide details, Cat says it intends to be actively involved in local philanthropy.

I don't expect last week's surprise and embarrassing raid by three federal agencies on Cat's Peoria headquarters to derail the company's charitable efforts or, for that matter, their nonprofit and civic groups from connecting with the manufacturer. The agencies, including the Internal Revenue Service, went digging at the HQ and other facilities for information about an ongoing tax strategy case involving a Switzerland-based subsidiary of Cat, and the company says it's cooperating with authorities.

Over the recent turn of events, Cat will stick to its philanthropic plans, predicted Rita McLemmon, a Chicago-based nonprofit and fundraising consultant.

Right now, it's unclear how Cat's giving plans for the Chicago region are going to shape up.

That's understandable. On top of dealing with fallout from the unexpected federal raid, Cat is in the throes of deciding on a Chicago-area location to set up shop. It expects to lease office space that eventually will house up to 300 people, including CEO Jim Umpleby and his senior decision makers.

Started in 1952, the Caterpillar Foundation has contributed more than \$600 million to charitable causes, according to the company. Throughout, its focus has been on global efforts that focus on education, the environment, poverty and basic human needs.

As such, it has led long-running campaigns with many of charity's biggest brands, including the American Red Cross, United Way, Feeding America, Global Poverty Project and Water.org.

It also supports selected programs that connect with Chicago-area causes and needs. Working with the Greater Chicago Food Depository is one.

## New visa change could hurt Ill. areas in need of doctors

Foreign physicians planning to work in underserved places may face delay

By LISA SCHENCKER  
Chicago Tribune

Just days before President Donald Trump signed a new travel ban Monday, his administration made a separate visa change that could frustrate many working at employer's plant, including those of

foreign doctors hoping to serve Illinois' neediest areas.

On Friday, U.S. Citizenship and Immigration Services announced it would temporarily suspend expedited visa processing for all petitions for H-1B visas — visas that allow highly skilled people from other countries to work in

the U.S. These visas are how foreign doctors who train at hospitals in the U.S. are able to stay and work in the U.S.

Most doctors who come to the U.S. from other countries for their residencies — periods in which medical school graduates train in hospitals — are required to work in underserved areas, such as rural places or high-need parts of Chicago, for a period of time after their residencies if they want to

stay in the U.S.

The change announced Friday means doctors from most countries — other than those named in the new travel ban — will still be able to get the visas, but they might not be able to get them quickly enough to start working right after their residencies end this summer.

Those of the most needy areas

Visit to Doctors, Page 4



The 'Star Wars' franchise has generated millions in licensed-toy sales over its nearly 40 years, and new films.

## HIT MOVIES MEAN MORE TOYS IN PLAY

2017 shaping up as blockbuster for merchandise sales

By KIM BROADIN  
AND PULLY MOWEN  
Chicago Tribune

Three giant yellow minions were bobbing to and fro at the New York Toy Fair last month, posing for photos with kids in a showy promotion tied to the next iteration of Despicable Me. Minion dolls and plush toys set on display next to singing minions and mystery minion party. Children cheerily begged, refused-controlled minions into one another on the floor.

It's the biggest line of Despicable Me toys yet, hitting stores alongside the third installment of the animated series starring Steve Carell as the criminal voice of a former supervillain turned good guy. Elsewhere in the room, Universal Pictures showed off the rest of its toy lineups, such as its "Fast &



Lego saw sales of all products get a boost from 20% to 30% in 'The Lego Movie' but not those featured in the hit film.

Furious" cars and action figures, "The Mummy" figurines and colorful "Trolls" with Mariah Carey.

A typical year sees seven or eight movies with toy tie-ins. This year there are about 25, an unprecedented number for the \$30 billion toy industry. Among

them: three Marvel Studios films, two "Legos" movies, two DC Comics films, "Cars 3," another "Pirates of the Caribbean," one more "Transformers," a new "Star Wars" and the live-action retelling of "Beauty and the Beast."

"This is the industry leading

the charge," said Jim Silver, a toy industry veteran who runs the website *Time to Play*. "Making movies that are family oriented — that kids want to play out at home — (is) becoming a major revenue stream."

Once, Walt Disney Co. was the champion of fashioning playthings from films, squeezing dollars out of such lucrative franchises as Disney Princesses, Marvel and now "Star Wars." Its Pixar movies have long done well with toys. Now Warner Bros., Universal, Fox and others are jumping on board — with some help from the master.

Executives, trained in Disney's merchandising arts can be found at the upper reaches of those other studios. In 2014, Universal brought on ex-Disney global VP head Vince Klaus to oversee its consumer products and games.

Last year, Warner Bros. put former Disney executive Pat Laffan in charge of its consumer products operations and

Visit to Toys, Page 4

## Ill theft, consumer debt complaints atop list

Student issues tied to for-profit schools and loan payments on the rise in '16, attorney general says

By ROBERT CHANNICK  
Chicago Tribune

Consumer debt and identity theft were again topped the annual survey of consumer fraud complaints in Illinois, but education-related complaints are gaining ground.

The Illinois attorney general's office received nearly 1,700 complaints last year about for-profit colleges and student loan debt, moving the education category up one notch to No. 6 on the top 10 list

of consumer fraud reports.

"Most of the complainants — regarding education really flow from two areas," Attorney General Lisa Madigan said at a news conference Monday. "One (is) predatory for-profit schools, and the other one is students and former students who are contending with their student loan debt."

Fraud associated with the beleaguered for-profit college industry landed education on the top 10 list for the first time in 2015.

Last year, Downers Grove-

based DeVry University agreed to pay \$100 million to settle a Federal Trade Commission lawsuit alleging the for-profit college misled students about job prospects. In September, IIT Technical Institute ceased operations after the U.S. Department of Education cut off access to federal financial aid for new students over accreditation criteria.

Madigan filed a lawsuit in January in Cook County alleging student loan servicer Navient failed to properly assist borrowers struggling with loans. Navient denies those allegations.

The attorney general's office received 23,735 complaints last

year, with nearly 2,800 relating to consumer debt, including issues such as abusive collection practices and predatory payday loans. Identity theft remained a close second, with about 2,000 complaints last year.

Rounding out the top 10 list were phone scams and investment, construction and remodeling, telemarketers, education, car sales, internet sales, car repairs and new car sales.

With the federal crackdown on illegal immigration, a growing area of underreported consumer fraud in Illinois relates to so-called notario who offer immigration consulting services but

often lack the legal expertise necessary to help their clients.

"It is absolutely on the rise right now," Madigan said.

She said immigrants who fall victim to such scams are reluctant to report it for fear of being deported. "We do not ask for people's legal status; we do not ask for Social Security numbers when they file complaints," she said. "If there's fraud taking place, we want to know."

The FTC released its own top 10 consumer complaint list last week, with debt collection complaints coming in at the top.

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ROBERT REED

# Charities eager for Cat's arrival

When Caterpillar opens its new Chicago-area corporate headquarters later this year, it will bring along millions of dollars dedicated to charitable contributions—a treasure-trove many local nonprofits and community groups are eager to tap.

That's the expectation of experts and consultants, who know how the world of philanthropic giving and fundraising ticks. Indeed, they've been anticipating Cat's arrival since its January relocation announcement.

How eager or adept Cat will be at becoming a new hometown hero is unclear, but here's hoping it wants to step up, because there's no shortage of worthwhile civic causes and charities to back. Not ready to provide details, Cat says it intends to be actively involved in local philanthropy:

I don't expect last week's surprise and embarrassing raid by three federal agencies on Cat's Peoria headquarters to derail the company's charitable efforts or, for that matter, deter nonprofits and civic groups from connecting with the manufacturer. The agencies, including the Internal Revenue Service, went digging at the HQ and other facilities for information about an ongoing tax strategy case involving a Switzerland-based subsidiary of Cat, and the company says it's cooperating with authorities.

"Despite the recent turn of events, Cat will stick to its philanthropic plans," predicted Rita McLennon, a Chicago-based nonprofit and fundraising consultant.

Right now, it's unclear how Cat's giving policies for the Chicago region are going to shape up.

That's understandable.

On top of dealing with fallout from the unexpected federal raid, Cat is in the throes of deciding on a Chicago-area location to set up shop. It expects to lease office space that eventually will house up to 300 people, including CEO Jim Umpleby and his senior decision-makers.

Started in 1952, the Caterpillar Foundation has contributed more than \$685 million to charitable causes, according to the company. Throughout, its focus has been on global efforts that focus on education, the environment, poverty and basic human needs.

As such, it has backed ongoing campaigns with many of charity's biggest brands, including the American Red Cross, United Way, Feeding America, Global Poverty Project and Water.org.

It also supports selected programs that connect with Chicago-area causes and needs. Feeding America, for example, works with the Greater Chicago Food Depos-

# Citadel seeks college talent, dangles big prize

With data competition, Ken Griffin's firm, other hedge funds try new approaches to lure technologists amid fierce demand

By NISHANT KUMAR AND RAYLA FORZANOSKI  
Illustration: David

On the warmest February day on record in Cambridge, Mass., about 60 students at the Massachusetts Institute of Technology opt to stay inside a dimly lit lobby, crunching data and churning out pages of analysis, rather than enjoy the sunny summer-like Friday afternoon.

Not, it isn't midterms time. The students—hunkered from 400 applicants—are competing in a dash that is being hosted by the \$26 billion hedge fund Citadel. Ken Griffin's firm is upping the ante in the industry's chase for data scientists and engineers, hosting 18 competitions at universities across the U.S., Britain and Ireland this year. The prize in the

final data championship: \$100,000.

"We need strong, analytical thinkers who can work through big, complex data sets," Justin Fincher, head of talent strategy at Chicago-based Citadel, said in an interview during the MIT dash. "If you limit yourself to one region or one school, you won't get as good a look at the entirety of the talent market, and that's what we're trying to do."

Hedge funds, which have long used fat paychecks to lure employees, are improving with new approaches to recruit technologists and fund demand for them across the country. Traditional hedge funds like Tudor Investment Corp. have been chasing quants at their lackluster performance and pressure on, for example, them less oncoming places to work.

Even the most technologically advanced hedge funds like Two Sigma, whose Compass Cayman Fund has surpassed rivals for the past four years, try to attract. They are up against sexy tech giants like Google, with its self-driving cars, and Facebook, which claims billions of users.

"The trouble is to find the people who are capable of 'innovating,'" Luke Ellis, chief executive officer at Man Group, said at the Milken Institute's London summit in December. "They are not particularly driven by money; they have a lot of financially interesting offers and so you have to find other ways of trying to attract them."

The hunt for talent in quantitative research, big data and analytics has never been more intense, according to John Hindey, a partner at recruitment firm Heidrick & Struggles. The traditional hedge fund fast-track culture, which is antithetical to the experi-

mental ways of science, can make recruiting even harder, as hedge funds are wrapping themselves in academic robes and pitching their firms as research centers where teamwork is prized, complex problems are solved and papers are published.

Omer Ighil, head of human capital at London-based Windon Capital Management, likes the quantitative hedge fund led by the nuclear research center in Switzerland.

"It's a bit like CERN where scientists worked together to discover the Higgs particle," Ighil said about Windon, the \$1.5 billion quantitative firm. "The reason that it was successful is because thousands of people came together and each person did their thing to a very, very high standard. Similarly, we think of Windon as a collective project."

Two Sigma, which was co-founded by David Siegel, a Ph.D. in computer science from MIT, has many trap-

pinge of a university. The \$4.1 billion computer-driven firm, which produces scientific papers and encourages staff to teach classes, will soon actually move onto campus. In September, Two Sigma will take over "The Bridge," a space on the new Cornell Tech campus on Roosevelt Island in New York, where engineers and entrepreneurs will work.

The hedge fund staff will collaborate with Cornell students and professors on machine learning and data science projects, creating a pipeline of academic talent to the firm. Job candidates will put on virtual reality glasses to watch a video that explains how the hedge fund sees the world around it.

Two Sigma is following Man Group, which started the Oxford-Man research center on the university's campus in 2007 and rebranded it in August to focus on artificial intelligence, creating a hunting ground

for recruits. "By having our employees able to sit in the same room, share the same coffee with the academics, we find that there's a fantastic synergy," Ellis said. "It's very important for being able to recruit people, it's very good for getting new and innovative ideas, which we have been able to turn into the real-world, practical, money-generating ideas." Igor Tulchinsky, the founder of WorldQuant, is pitching a perk that breaks the tradition of hedge fund secrecy. The \$5 billion firm is hiring at least 15 teams of quant managers for its Accelerator platform, offering them the right to keep their intellectual property. The \$5 billion firm is offering more than 20 offices in 15 countries, including emerging markets like Russia and Taiwan, to lure engineers. Ramana is still looking for talent at the MIT. Tulchinsky said at the Milken conference, "an opportunity is not."



Los Angeles-based BCBG, long a Hollywood favorite, is closing stores after filing for Chapter 11 bankruptcy Feb. 26.

## Fashion, fixtures on sale as bankrupt BCBG drops shops

Locations in Chicago, Slakie, Rosemont among 118 shuttering in reorganization

By ROBERT CHANNICK  
Chicago Tribune

Bargain hunters can do a one-stop fashion and home makeover during store-closing sales at bankrupt retailer BCBG.

The glitzy fashion house is heavily discounting everything from strappy sandals and cocktail dresses to some fixtures and furniture at eight Chicago-area locations, which are

closing as part of its court-approved reorganization strategy.

Founded in 1988, the Los Angeles-based chain, long a favorite among Hollywood celebrities, filed for Chapter 11 bankruptcy Feb. 26, listing liabilities of more than \$500 million.

The chain is closing 118 locations nationwide under the BCBGMaxAzria, BCBGGeneration, BCBGLinea and Lieve Lager

brands.

More than 300 stores will remain open during the reorganization.

"As part of our effort to reorganize BCBG, we made the difficult decision to reduce the total number of our retail stores," Marty Staff, interim acting CEO of BCBG, said in a news release.

Closing Chicago-area BCBG store locations include Northbrook Court, Old Orchard in Skokie, Fashion District in Rosemont and Oak Street in Chicago.

More than a dozen BCBG locations will remain open inside department stores in the Chicago area, along with one stand-alone store in Oak Ridge, according to a BCBG spokesman.

The BCBG store-closing sales are being conducted by a joint venture of Northbrook-based Hiley Merchandising Resources and Boston-based Gordon Brothers.

Chicago Tribune photo by Robert Channick.

## SoyNut Butter faces suit after E. coli outbreak

12 infected so far; Glenview-based firm issued recall

By LARA TRAFFER  
Chicago Tribune

Two California parents are suing Glenview-based SoyNut Butter Co. for liability and negligence, among other charges, after their 6-year-old son allegedly infected and hospitalized with E. coli after consuming J.M. Healdy SoyNut Butter.

Mindy and Erin Simmons, of Santa Clara County, Calif., filed the lawsuit Monday morning in Chicago's 1st District Court in Chicago. Just two days prior, SoyNut Butter expanded its voluntary recall of products as federal officials continue to investigate the company's J.M. Healdy-branded soy nut butter as the likely source of an E. coli outbreak that has infected 12 people so far—11 of them children—in five states.

No illnesses related to the outbreak have been reported in Illinois, infections have been reported in Arizona, California, Maryland, New Jersey and Oregon.

Four of the people infected have developed hemolytic uremic syndrome, a type of kidney failure, according to the Centers for Disease Control and Prevention.

"The Simmonses' son, identified in the lawsuit only as T.S., was admitted to Good Samaritan Hospital in San Jose, Calif., on Jan. 10, but his condition continued to deteriorate and he was transferred to Tackle Park

and Stanford Children's Hospital, according to the lawsuit. There, he was diagnosed with E. coli infection and treated with dialysis and blood transfusions for life-threatening hemolytic uremic syndrome before being discharged Feb. 23, the suit said.

A spokesman for SoyNut Butter couldn't be immediately reached Monday for comment. The product, marketed toward children and routinely served in schools and day care facilities, was removed from the company's website online to serve "over 2 million children a month."

"My hope is this recall will cause more people to look at their practices," Ed Marker, the Simmonses' attorney, said Monday.

SoyNut Butter expanded its voluntary recall Sunday of J.M. Healdy Original Creamy SoyNut Butter products to include 15-ounce plastic jars with "best by" dates of July 5, 2010, and July 25, 2010.

Meanwhile, the CDC website advises consumers to not eat any J.M. Healdy-branded SoyNut Butter products or brands that has been contaminated with the soy nut butter.

E. coli symptoms include abdominal cramps, nausea, vomiting and fever.

## Area charities eager to pitch to Caterpillar

From Page 1

ties, civic groups and nonprofits will vary.

Let the networking begin! Expect nonprofits that share Cat's active programming issues and concerns, but never get funding from the company or even thought of it as a backer, to be among the first to make an approach. Other nonprofits, even if they have no connection with Cat's traditional giving plans, are sure to follow.

In addition, all types of charities and events will find they have a new multi-national corporation on their prospect lists.

That means pitching Cat to sponsor or support everything from gala to marathons. At the very least, the company is going to be asked to exhibit some home-town pride by purchasing tables at the various

non-civic dinners and lunches.

Moreover, Cat's CEO and top managers will be wooed by charities and nonprofits that will want them as board members or advisers. Cat employees also will be approached to volunteer in various charitable causes and special events.

"There's a buzz" about



Employees are busy at the Greater Chicago Food Depository on 27th St. The Caterpillar Foundation has been a supporter of Feeding America, which works with the depository.

Caterpillar's entry into charitable and service sectors circles said Diane Eganovic, vice president at the Alfred Greig, a Chicago-based consultant to nonprofits.

Cat's arrival is reminiscent of Boeing's 2003 headquarters move to Chicago from Seattle. At the time, Boeing's entry raised hopes it would become a big pur-

veyor of the area's charitable and philanthropic scene.

Since arriving, Boeing has made its mark. It has contributed about \$1 million annually to local educational, artistic and minority neighborhood-based causes, according to the company.

What will be Cat's top interests? Already, it's on a worthy

path with its longtime support of education, ending poverty and improving the environment. Every one of those fronts would use more help in resolving problems.

But there's more to be done, including combating violence, providing job skills and opportunities, protecting against domestic violence, assuring mentoring, housing and more.

That's why Cat's reason for relocating isn't to run a charitable organization.

It's in a tough, rough business of making and marketing heavy equipment. This relocation is an unprecedented effort to re-energize its corporate culture and reverse years of slow sales.

Will Caterpillar will immediately transform it into one of the area's elites—a leading corporate citizen within a business community that prides itself on environmental responsibility?

Once it gets there, there will be no shortage of charitable ideas and civic causes for Cat to consider. It's up to Cat to decide how far it will go.

Chicago Tribune photo by Robert Channick.



# Area charities eager to pitch to Caterpillar

Reed, from Page 1

tory, which services area food banks, shelters and soup kitchens.

Last year, Cat's foundation gave out \$36.8 million worldwide, including almost \$7 million in Illinois, according to the company. It is also a huge supporter of causes, events and venues in Peoria.

"As we relocate our global headquarters to the region, we look forward to building on that foundation of community involvement," Bridget M. Young, spokeswoman for the foundation, said in an email to me. "We invest in the communities where we live and work, and the Chicago area is no different."

While getting Cat to provide financial support is the ultimate goal, the quest or "ask" from local chari-

ties, civic groups and nonprofits will vary.

Or to put it another way: Let the networking begin!

Expect nonprofits that share Cat's core programming issues and concerns, but never got funding from the company or even thought of it as a backer, to be among the first to make an approach. Other nonprofits, even if they have no common ground with Cat's traditional giving plans, are sure to follow.

In addition, all types of charities and events will find they have a new multinational corporation on their prospect lists.

That means pitching Cat to sponsor or support everything from galas to marathons. At the very least, the company is going to be asked to exhibit some hometown pride by purchasing tables at the vari-



JOSE M. OSORIO/CHICAGO TRIBUNE

Comestibles are stored at the Greater Chicago Food Depository in 2015. The Caterpillar Foundation has been a supporter of Feeding America, which works with the depository.

ous civic dinners and lunches.

Moreover, Cat's CEO and top managers will be wooed by charities and nonprofits that will want them as board members or advisers. Cat employees also will be approached to volunteer in various charitable causes and special events.

"There's a buzz" about

Caterpillar's entry within charitable and service sector circles, said Diane Knoepke, vice president at the Alford Group, a Chicago-based consultant to nonprofits.

Cat's arrival is reminiscent of Boeing's 2001 headquarters move to Chicago from Seattle. At the time, Boeing's entry raised hopes it would become a big part

of the area's charitable and philanthropic scene.

Since arriving, Boeing has made its mark. It's contributed about \$4 million annually to local educational, artistic and minority neighborhood-based causes, according to the company.

What will be Cat's top interests?

Already, it's on a worthy

path with its longtime support of education, ending poverty and improving the environment. Every one of those fronts could use more help in resolving problems.

But there's more to be done, including combating violence, providing job skills and opportunities, protecting against domestic violence and mentoring young people.

I realize Cat's reason for relocating isn't to run a charitable organization.

It's in a tough, rough business of making and marketing heavy equipment. This relocation is an unprecedented effort to re-energize its corporate culture and reverse years of slow sales.

Still, Cat's arrival will immediately transform it into one of the area's elite—a leading corporate citizen within a business community that prides itself on community engagement.

Once it gets here, there will be no shortage of charitable ideas and civic causes for Cat to consider. It's up to Cat to decide how far it will go.

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# EXHIBIT 097



ADVERTISEMENT

## Column: In picking Deerfield, Cat shows suburbs can still draw top corporations



Caterpillar is moving its headquarters from Peoria to Deerfield. (Erin Hooley / Chicago Tribune)



By **Robert Reed**  
Chicago Tribune

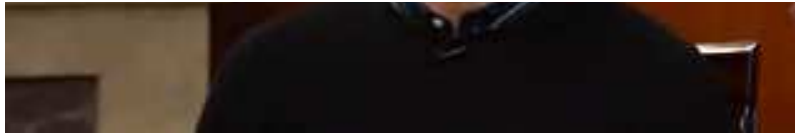
APRIL 21, 2017, 10:05 AM

**T**here's a reality check lurking within Caterpillar's decision to relocate its global headquarters in Peoria to north suburban [Deerfield](#).

Since January, when Cat said it was moving its HQ to the Chicago area, there had been an underlying expectation among some businesspeople that the big equipment manufacturer was bound for Chicago's Loop. The rationale: Cat would eagerly follow a trend recently pioneered by Google, McDonald's, [Motorola Solutions](#) and other brand names to relocate there and tap into the energy of a younger, more tech-savvy workforce that lives, works and plays in the nearby neighborhoods.

Advertisement





Yet Cat's decision Wednesday shows that corporate powerhouses looking to bust a local relocation move — and refresh their image — don't always want to be headquartered in Chicago's downtown, even if the company is eager to connect with millennial workers.

Cat's call is also a reminder that while established suburbs have lost some marquee companies to Chicago, they still compete for corporate tenants, provided they offer viable transportation options, ample office space and other amenities.

"How odd to be talking about a corporation relocating to the suburbs as being out of the mainstream," says Jerry Szatan, founder of Chicago-based Szatan & Associates, who works on company site selections. "That wouldn't have happened 10 years ago."

Cat never said it was heading downtown or coming to the city. Instead, the company's plan was to scope out the entire area, especially haunts near O'Hare International Airport.

Deerfield's proximity to the airport was instrumental in Cat's decision to ink a multiyear lease in a corporate office park. It's renting the former headquarters space of spirits-maker Beam Suntory, which is packing up its 450 employees and heading for the Merchandise Mart.

In its announcement, Cat noted its new HQ will be a "20-minute drive" from O'Hare.

Well, technically that's true.

But, Cat executives, clients and vendors who are eager to make a plane would be wise to build in some extra time as they navigate the northern suburbs' congested highways and byways during rush hours.

Nonetheless, it's better than a three-hour-plus jaunt between Peoria and the airport.

It may also be less taxing than a commute from downtown Chicago, where travel times to and from O'Hare can really pile up. This is especially true when there's crummy weather, construction or a road emergency, and somehow there always seems to be crummy weather, construction or a road emergency.

Cat's Deerfield office initially will have 100 employees and eventually 300 people.

While better O'Hare access is important to keeping the worldwide company humming, Cat's main reason for leaving Peoria for the Chicago region is to shake up its corporate culture.

The company, which industry analysts argue has too many older, expensive factories, is suffering from lackluster sales and earnings.

To boost growth, CEO Jim Umpleby is focusing on making Cat leaner, which means staff cuts, plant closings and pulling out the stops to improve corporate earnings. It recently decided to shutter part of its Aurora-area factory, ending 800 hourly jobs.

My guess is it will be easier to execute such calamitous plans from the confines of the Deerfield-based HQ instead of the company town of Peoria, where Cat still employs more than 10,000 workers.

While trimming staff in some areas, Cat is looking to bring more digital engineering and marketing talent to its fold.

A Cat HQ in downtown Chicago could have given the manufacturer increased access to that type of labor pool. The company appears confident its Digital & Analytics Hub in the Merchandise Mart, which opened in late 2016, will make those personnel connections.

Moreover, Cat notes that Deerfield's access to Chicago's Metra train line can transport people from the Loop who want to work or visit its new HQ.

Undoubtedly, Cat's decision to tap Deerfield is some rare good corporate relocation news for the suburbs.

Some former corporate havens are being rocked by outright defections, like McDonald's leaving Oak Brook for Chicago, while others are reeling from major tenants cutting back, which is pumping suburban office vacancy rates up to 20 percent.

Cat's decision also can be viewed as a message to Chicago, which is in the midst of a downtown office construction revival.

At a conference I attended this week, sponsored by the Civic Federation and the Federal Reserve Bank of Chicago, it was estimated that there are about 50 construction cranes dotting the city's skyline, each representing the emergence of a new skyscraper.

That's called a boom, folks.

In picking Deerfield, Caterpillar was following its own agenda. It had no intention of sending a broader message, such as the city should think twice about all the high-flying construction that's underway or developments in the pipeline.

Still, when a major player decides not to join in the fun, shouldn't you be concerned the party's going on too long?

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**This article is related to:** [Deerfield](#), [Motorola Solutions, Inc.](#)

# EXHIBIT 098



## 3D Controls Level the Playing Field at New Vikings Stadium

ENR Engineering News-Record

May 16, 2017

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**Section:** DEPARTMENTS

**Length:** 570 words

**Byline:** [rubenstonej@enr.com](mailto:rubenstonej@enr.com), (Jeff Rubenstone)

### **Body**

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Most commonly associated with ensuring proper grading and paving of airport runways and highway projects, 3D control systems often come with a hefty price tag. Faced with the considerable startup costs, many contractors will forgo 3D grade and paving controls unless they are called for in a contract. But a Minnesota-based paving subcontractor found it to be the right solution for the pavement mat beneath the field of the new Vikings Stadium in Minneapolis.

"This was the first time we had ever used a 3D paving system," says Shawn Bloch, GPS survey manager with Minneapolis-based Park Construction Co., which graded and paved the interior of Vikings Stadium. "It was also the first time it had ever been used in Minnesota, and I think the first time it's been used to pave the inside of a football stadium."

Working with 3D controls supplier Sitech, construction manager Mortenson Construction and Caterpillar dealer Ziegler CAT, Park Construction used a Trimble Accugrade PCS900 system to meet the stringent requirements the National Football League has set for new stadium construction. In the spring of 2016, crews set up total stations inside the stadium, and Park Construction's Caterpillar 160M motor grader and AP1055E paver were equipped with 3D paving and grade control units.

Bloch built a 3D model for each pavement lift as well as for the grading. "First we ran the gravel surface with the motor grader, then we did two lifts of asphalt with the paver to reach a certain elevation," he says. The machines were governed by the model, relying on the signal from the total station to determine elevations. Crews were taught to use the system in a three-hour session with Sitech.

The NFL's design standard called for an 1/8-in. tolerance for each 10-ft grid segment of the 270-ft by 420-ft asphalt paving area, with no crowns along the edge. But aside from a few low spots on the first lift, the job went smoother than expected, Bloch says. Grading the gravel took three and a half days, and the entire paving process was completed in only two days.

But the real payoff came after the job was done and the inspections began. "We only had two seams on the entire field," recalls Bloch. When workers for turf installation subcontractor Kiefer USA arrived, their initial reaction was disbelief. "The guy from Kiefer said he had never seen anything this nice, and he didn't know if he'd even have to use the 10-ft straight edge," says Bloch. "But the guy from Mortenson said, 'Go get it.' Then he grabbed it from the Kiefer truck himself and did it just to show how level it was." Bloch hopes to use 3D controls on other sports fields and facilities his firm bids on.

Unusual applications for 3D controls are often driven by the contractors' demands, according to Trimble paving segment manager Kevin Garcia. "One of the biggest recent changes for [3D controls] has nothing to do with the technology providers themselves, but in the way contractors and dealerships are perceiving it," he says. "As we move into the rental space, contractors with a specific project can see the need for it, and justify the rental cost."

Examples like Vikings Stadium will become more common as new users try the technology, says Garcia. But the main obstacle for adoption remains awareness. "If you can maximize material usage, you can reduce yields and eliminate rework. Do it right and it lasts longer than traditional methods," he says.

JENNY REILLY

3D Controls Level the Playing Field at New Vikings Stadium

**Load-Date:** July 13, 2017

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# EXHIBIT 099

## *Next business frontier: Outer space?; Technology companies aren't only ones seeing potential beyond Earth*

Chicago Tribune

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**Length:** 2000 words

**Byline:** By Ally Marotti, Chicago Tribune

### **Body**

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Picture people living in outer space, breathing inside helmets, going about their daily activities. What are they wearing? At a cosmic cocktail party, are they drinking Champagne? Lee Anderson needed to know.

The Chicago-based fashion designer keeps a sketch pad full of fashion astronauts, as she calls them, in which she explores the idea of what an average person would wear in an otherworldly atmosphere.

It's the intersection of fashion and space -- something the founder of outerwear design company Starkweather has thought about a lot. As the space industry develops, Anderson wants her company to link the creative and scientific sides.

Anderson's not the only entrepreneur looking toward the stars. From one- to two-person startups to Fortune 500 companies, firms throughout the Chicago area are eyeing outer space as their next market. The city may not end up with a rocket launching pad, for example, but Chicago has a role to play in the uncharted industry, some business leaders say, and companies are eager to start braving the final frontier.

Some have already begun.

Space program veterans Boeing and Caterpillar are continuing work to get their technology into the cosmos. There's a startup looking to elevate planes into orbit, another company that's aiming to build infrastructure in space and at least one local law firm that wants to represent companies like them.

To be sure, the capital-intensive industry is still niche, one expert said, and expectations continue to outpace reality. So far, it has been a playground for billionaires like tech entrepreneur Elon Musk, Amazon founder Jeff Bezos and Virgin Group's Richard Branson, who recently announced that Virgin Galactic plans to take tourists into space by the end of next year.

But overall, the economy of space isn't science fiction anymore.

The global space economy totaled \$329 billion in 2016, up from \$323 billion the year prior, according to a report from the Space Foundation, a Colorado-based advocacy organization. That includes NASA and military space spending, hardware manufacturing, telecommunications, broadcasting and other industries.

"There are people interested in space in all of the industries, like myself in fashion," said Anderson, who also founded FAAR, short for Fashion + Aerospace, an organization focused on education and building a network between the fashion and aerospace industries. "Even if just those people start to become aware of how they might get their foot in the door, we'll all be better off."

Some companies have led the way. Chicago-based Boeing, with the companies it has acquired, has partnered with NASA on human spaceflight missions for more than 50 years, helped build the International Space Station and does extensive work with satellites. Boeing also is building a new spacecraft to get NASA astronauts to and from the space station, among other projects.

JENNY REILLY

Next business frontier: Outer space?; Technology companies aren't only ones seeing potential beyond Earth

Boeing's network, space and security business, which includes commercial satellites and spacecraft, brought in \$7 billion in revenue in 2016, representing about 5 to 10 percent of the company's overall business, spokeswoman Kelly Kaplan said.

Caterpillar's diesel generators powered communications between the Apollo crew and NASA when Neil Armstrong spoke his historic words from the surface of the moon.

More recently, Deerfield-based Cat has engaged with the agency on development of automation and long-range, remote-controlled machines.

For Cat's customers on Earth, that technology can get operators out of dangerous or tiring situations, said Eric Reiners, automation and site technologies program manager. But NASA could one day use it to operate machines on the moon or Mars, he said.

Caterpillar doesn't break out revenue figures for its autonomous technology, but an executive said in June that there were about 75 autonomous trucks in operation.

"They want to be able to learn to live off the land," Reiners said. That could mean digging up water or excavating finely crushed rock on the planet's surface that could be used to create structures.

Of course, there are hurdles.

Space, as "Star Wars" has taught us, can be a bit of a bureaucratic nightmare. In real life, the bureaucracy to surmount is still here on Earth.

To launch a rocket, for example, one needs a license from the Federal Aviation Administration. Want to put a transmitter on a satellite? The Federal Communications Commission regulates that. But if a satellite is going to transmit over other countries, it could be the International Telecommunication Union's jurisdiction.

David Hurst sees a business opportunity in all that galactic red tape. His Chicago-based company, Orbital Transports, helps companies navigate the bureaucracy, put the mission together and actually get into space.

"You could think of us as a systems integrator or general contractor," he said, noting that Orbital Transports also can coordinate elements like space vehicles, people, services and facilities. He expects the first mission he's assisted will go into space in 2019. But all that is just the first step in Hurst's plan.

He wants Orbital Transports to eventually develop infrastructure in space -- cosmic equivalents to Earth's roads, trains and bridges -- to support continuing operations in the first 100 to 200 miles of space, called low-Earth orbit, and beyond.

That could mean mining ice from the lunar south pole or metals from asteroids near Earth, Hurst said, or delivering rocket fuel to spacecraft while they're in orbit.

"The entire goal is to really develop this infrastructure that will make it possible and in fact easier for people to travel and work and operate in space," he said.

Celestial operations, however, still sound like a bit of a moonshot to most people. Hurst knows this.

"I start describing things that are happening now and people look at me like, 'Isn't this science fiction?' " he said.

Though certain space operations remain a ways down the line, it's far from fiction.

There are new opportunities for companies to jump into the space economy, said Micah Walter-Range, director of research and analysis at the Space Foundation. Pharmaceutical companies, for example, are looking to do research in space, manufacturers are forming partnerships and logistics brands are aiming to provide support.

"We finally reached a point where because of technology changes and technology just becoming more accessible and widespread, it has brought down the costs tremendously," he said. "People are saying, 'What can we do with technology that is good enough and apply that?' "

Next business frontier: Outer space?; Technology companies aren't only ones seeing potential beyond Earth

Unsurprisingly, NASA helped point private companies toward space. With the space shuttle set to retire, it launched the Commercial Orbital Transportation Services program in the mid-2000s to find companies that could take over some operations in low-Earth orbit.

Through that program, Elon Musk's SpaceX and aerospace manufacturer Orbital ATK started providing commercial cargo launch services for the International Space Station. NASA has used commercial companies as contractors since it was founded in the 1950s, but these relationships are different.

SpaceX and Orbital ATK started as NASA's partners, and then NASA became the customer, according to the space agency's website. SpaceX's Dragon was the first commercial vehicle to fly cargo to the space station under a commercial contract with NASA in 2012, followed by Orbital ATK's Cygnus spacecraft in 2014.

Space travel has been expensive in the past, said Hurst, who is also president and treasurer of NewSpace Chicago, a community of professionals interested in space. But SpaceX has reduced the price, partly because it offers services for a fee and through the advent of reusable spacecraft.

"The goal is to build a launch vehicle and reuse it as many times as possible and that will drastically reduce the cost of going to space," Hurst said. "As that happens, we will see new opportunities and new applications and new companies being created to take advantage of that."

Blue Origin, Bezos' space company, also is working on reusable rockets.

The attention companies like SpaceX, Blue Origin and Virgin Galactic attract prompts others to take a look at their own earthbound products and consider cosmic applications, Chicago-based lawyer Charles L. Mudd Jr. said.

In August, Mudd's firm launched a practice area in space law to assist companies looking beyond Earth. Traditional areas of law such as intellectual property, contract negotiation and regulatory compliance could apply, Mudd said. There could be mergers and acquisitions down the line.

The practice area is in its infancy, and Mudd declined to comment on the number of clients employing the firm's space law services. But with a focus on startups and intellectual property law, among other areas, Mudd said he's positioning his firm to help companies grow the industry.

"It's consistent with our theme," he said. "I've always wanted the firm to be at the cutting edge of developing law."

To be sure, the commercial outer space industry is still "a very, very niche area," said Mohan Sawhney, a professor at Northwestern University's Kellogg School of Management. A company claiming to dabble in space could be doing so as a marketing stunt, he said.

It has taken the better part of two decades for companies backed by entrepreneurial billionaires to really get off the ground, Sawhney said. And it's not a coincidence that multiple billionaires are involved in the industry.

"It needs a lot of investment, and it needs a lot of patience and a lot of risk," he said.

New industries, especially those that require a great amount of infrastructure and capital, start small and take time to ramp up, Sawhney said. Expectations for those industries evolve much faster.

"Outer space and that whole business is still at an early stage where expectations are ahead of reality," he said.

But the intersection of hype and reality is getting closer, Sawhney said. Last year was the first time he saw some of his business graduate students aiming to work at space tech companies.

Vice President Mike Pence also has expressed support, recently promising to foster stronger partnerships between industry and government agencies to make space more accessible.

Most of these companies are in it for the long haul. They're taking steps now to get their operations into orbit later.

Next business frontier: Outer space?; Technology companies aren't only ones seeing potential beyond Earth

Longtime professional pilot and aviation entrepreneur Dave Koch launched a company called AirChicago that plans to operate charter executive jets out of Chicago-area airports like Chicago Executive Airport in Wheeling.

Koch plans to build the network worldwide and eventually start using hypersonic jets, aircraft in development that theoretically could get a customer from Chicago to Beijing in about two hours, he said.

"Those same airliners can get into low-Earth orbit," he said. "You just have to fly a little faster."

Koch aims to keep prices for tickets on those flights similar to first-class fares. From there, space opens up for routine use, he said.

Anderson's Starkweather is another example. The fashion company, which sells most of its products through trunk shows and custom orders, focuses on outerwear for urban environments. But Anderson and her New York-based partner's approach is one that could apply to space-wear design.

"You design for what you want it to look like, then you find the technology and functional components to make it possible," she said.

A long-term personal goal is designing spacesuits, Anderson said. Hence the sketch pad, full of far-flung musings.

There's the Blackhawks fan in space, foam finger and all; the cocktail party attendee with a straw leading from her Champagne flute up into her spherical helmet; and the fashionista in a gown, her bracelet shining through the protective sheer membrane that envelops her.

"It's kind of ridiculous to be making these drawings," Anderson said, sorting through the sketches. "(But) we have no idea what it's going to be like, so why not?"

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## Graphic

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Photo: Lee Anderson, founder of the Chicago company Starkweather, sketches ideas for fashions people might wear in otherworldly atmospheres. JOSE M. OSORIO/CHICAGO TRIBUNE

Photo: Using technology his company developed with NASA, Caterpillar engineer Kevin Carew uses a remote station to operate heavy machinery at a facility in Washington, Ill. ZBIGNIEW BZDAK/CHICAGO TRIBUNE

Photo(s)12061

**Load-Date:** October 15, 2017

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# EXHIBIT 100



# Column: When it comes to restructuring, GE can learn from Cat



As it embarks on one of the largest corporate transformations in modern history, General Electric may find it helpful to use locally based Caterpillar as a guiding light. (Gene J. Puskar / AP)



By **Robert Reed**  
Chicago Tribune

NOVEMBER 16, 2017, 5:00 AM

**A**s it embarks on one of the largest corporate transformations in modern history, [General Electric](#) may find it helpful to use locally based Caterpillar as a guiding light.

That's because when it comes to cost-cutting, boosting sales, making money and getting back in the good graces of Wall Street, Deerfield-based Caterpillar's two-year-plus reorganization is firing on all cylinders.

Advertisement





As a result, Cat is chalking up the type of results that GE hopes to achieve, provided its sweeping revamp launched this week is as successful.

GE is unloading a whopping \$20 billion in assets, including its locally based transportation division, and shrinking the unwieldy conglomerate into a more manageable and, it hopes, highly profitable industrial concern.

Boston-based GE is larger and more multi-dimensional than heavy equipment maker Cat, so direct comparisons aren't always apt. Nonetheless, GE's recently installed CEO [John Flannery](#) should be emboldened by Cat's rebound.

"CEO John Flannery reset expectations to reflect the harsh realities of what we believe will likely be a multiyear turnaround," wrote Barbara Noverini, senior equity analyst for Morningstar, in an update following GE's announcement.

Just like GE, Cat understands that desperate times call for desperate measures.

Between 2010 and 2016, the maker of heavy manufacturing equipment and construction vehicles suffered a 40 percent sales and revenue decline — an unprecedented tumble for the 92-year-old Cat.

The free-fall compelled the executive brass in late 2015 to initiate its mass restructuring that centered on a \$1.5 billion cost reduction plan. Cat also sought to use the revamp as a means of forging a different corporate culture, one that was more growth-oriented and better poised to take advantage of the homebuilding and infrastructure revival underway overseas and throughout North America.

So far, Cat's business comeback is on track.

Its workforce has declined by at least 16,000, some 30 facilities have been closed or consolidated; and it may exceed the \$1.5 billion in cost cuts, according to the company.

In the third quarter, Cat said it expects 2017 sales and revenue of \$44 billion, up from its earlier quarterly forecast of \$42 billion to \$44 billion. Cat also expects annual adjusted earnings of \$6.25 per share, up from the \$5 previously forecast.

While those who have lost their jobs are bearing the brunt of Cat's changes, the results and projections are exceeding Wall Street's expectations. Cat stock is trading around \$134 per share, compared to \$94 per share about a year ago.

Right now, GE can only dream of such a lofty improvement.

The company's stock is hovering at around \$18 per share, down from just over \$20 per share at the time of Flannery's Monday announcement, which included a steep 50 percent dividend cut. A year ago, GE was trading at \$30 per share.

Wall Street wags, who have been waiting a long time for a GE turnaround, are openly wondering if Flannery is cutting enough. Some question if the company's three remaining industry segments —aviation, health care and power—can become a big money-making operation.

Flannery has asked investors to be patient because his plan will take a few years.

Frustrated shareholders may be too rough on Flannery, a GE veteran with ample corporate reorganization experience, who seems ready to do what's necessary to revive the company.

After all, GE is spinning off some sacred properties, including the signature lighting division that inventor Thomas Edison developed to help start the company more than 125 years ago.

Caterpillar also turned a page on its history by deciding to relocate its longtime headquarters from Peoria to Deerfield, which will be completely operational by mid-2018.

Yes, large manufacturing revivals are difficult and tricky. But Cat is showing GE that there is a way to bring good things to life.

*[roreed@chicagotribune.com](mailto:roreed@chicagotribune.com)*

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**This article is related to:** [General Electric, John Flannery](#)

# EXHIBIT 101

## NewsRoom

3/19/18 JG-TC (Mattoon-Charleston, Ill.) (Pg. Unavail. Online)  
2018 WLNR 8663097

JG-TC (Mattoon-Charleston, IL)  
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March 19, 2018

Section: Business

ADM, Deere, CAT named Illinois' top businesses

The State Journal-Register

Three companies with deep agricultural roots were named the top businesses in Illinois history as part of the Illinois Top 200 online vote, a joint project of the Abraham Lincoln Presidential Library and Museum, The State Journal-Register and the Illinois Bicentennial Commission.

Archer Daniels Midland Co., which helps feed the world by turning crops into food ingredients, came out No. 1 in the voting. ADM, based in Chicago but with extensive operations in Decatur, is one of the world's largest agricultural processors, with approximately 31,000 employees.

Deere & Co., whose green-and-yellow farm equipment can be found in fields around the world, landed in second place. The Moline-based company employs more than 55,000 people and ranks 105th in the Fortune 500.

Caterpillar Inc., which placed third, recently shifted its headquarters from Peoria to Deerfield, and also has operations in Decatur employing more than 1,600 people. It is the world's largest maker of construction equipment, employs 95,000 people and ranks 74th on the Fortune 500.

The rest of the top 10:

McDonald's: With headquarters in the Chicago area, McDonald's serves about 69 million people each day and is the world's second-largest private employer. Walgreens: This drugstore chain began in Chicago. Its parent company ranks 17th on the Fortune 500, higher than any other Illinois business. Rand McNally: This Skokie company, now synonymous with maps and atlases, traces its roots back to a Chicago printing business that began in 1856. DeKalb AgResearch: Founded in 1917 by DeKalb County farmers, the company was a pioneer in developing corn hybrids to resist disease and yield more grain. Sears: Sears grew from jewelry business to mail-order giant to the largest retailer in America. Based in Hoffman Estates, it has 596 department stores. State Farm: This Bloomington company was founded in 1922. Today it has 70,000 employees and ranks 33rd on the Fortune 500. Dairy Queen: The first DQ opened in Joliet in 1940. Now based in Minnesota, the company popularized soft-serve ice cream and today runs more than 6,000 restaurants.

The Illinois Top 200 project lets Illinoisans vote every two weeks on an array of categories. By the state's 200th birthday on Dec. 3, voters will have chosen 10 favorites in 20 different categories - the Illinois Top 200.

Voting in the next category, top inventions and innovations, is open now at [www.IllinoisTop200.com](http://www.IllinoisTop200.com).

Future categories include authors, musicians, actors, leaders, buildings and unforgettable moments. Everyone is invited to suggest possible nominees in each category by using the hashtag #ILtop200 on social media.

Movers and shakers: 20 people under 40 who make a difference in Central Illinois

---- **Index References** ----

Company: ARCHER DANIELS MIDLAND CO; CATERPILLAR INC; DEERE AND CO; MCDONALDS CORP; STATE FARM MUTUAL AUTOMOBILE INSURANCE CO; WALGREENS BOOTS ALLIANCE INC

Industry: (Agriculture (1AG63); Agriculture, Food & Beverage (1AG53); Construction (1CO11); Construction Equipment (1CO93); Fast Food (1FA67); Food & Beverage Distribution & Services (1FO39); Food & Beverage Production (1FO79); Restaurants & Food Service (1RE91); Retail (1RE82); Retailers (1RE64))

Region: (Americas (1AM92); Illinois (1IL01); North America (1NO39); U.S. Midwest Region (1MI19); USA (1US73))

Language: EN

Word Count: 412

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**NewsRoom**

# EXHIBIT 102

4/29/18 BuildGreen (UAE) (Pg. Unavail. Online)  
2018 WLNR 13032655

BuildGreen (UAE)  
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April 29, 2018

Cat ups performance and safety on new pipe layer

Anirban Bagchi

Caterpillar has updated its PL61 pipe layers to deliver 18t of maximum load capacity and additional safety features.

Part of the full line of purpose-built Cat pipe layers, the updated PL61 retains its operator comfort and easy maintenance features, with updates for added safety and performance, according to Cat. The new model also sports a width of 3240mm for easier transport

The PL61 features an available rear vision camera with a dedicated display providing added visibility to the back of the machine. A Load Monitor Indicator (LMI) is also available and is a mandatory attachment where required to meet regional regulations.

Both open and enclosed cab models feature a factory integrated Roll Over Protective Structure (ROPS) to help protect operators and the machine in case of a rollover. The rear window exit and the quick drop release function are now common across the Cat pipelayer product line for added safety and more intuitive operation, says the manufacturer.

The new PL61 also offers faster steering response than its predecessor for improved manoeuvrability on the pipeline. The fuel system can now deal with lower quality fuel, Cat says.

The new PL61 is powered by a Cat diesel engine with ACERT Technology. While the engine meets US EPA Tier 4 Final/ EU Stage IV/Korea Tier 4 emissions standards, a configuration is also available for lesser regulated markets, such as the Middle East

According to Cat, maintenance has been made easier with ground level access to grouped service points. Cat Connect LINK technologies offer telematics to wirelessly connect users to their equipment, providing insight into machine or fleet performance. Product Link is also integrated for access to information such as machine location, hours, fuel usage, idle time and event codes. Data is available via the online VisionLink user interface to assist in more effective fleet management and reducing operating costs.

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---- **Index References** ----



Company: CATERPILLAR INC

Industry: (Automobiles (1AU45); Automotive (1AU29); Automotive Fuels (1AU95); Automotive Models (1AU61); Diesel (1DI26); Energy & Fuel (1EN13); Fleet Management (1FI98); Four Wheel Drive (1FO31); Land Transportation (1LA43); Oil & Gas (1OI76); Passenger Transportation (1PA35); Transportation (1TR48))

Language: EN

Other Indexing: (SyndiGate Media Inc.)

Word Count: 322

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**NewsRoom**

# EXHIBIT 103

## Trump spies a 'spygate' window

Rails against FBI as part of stepped-up critique of probe

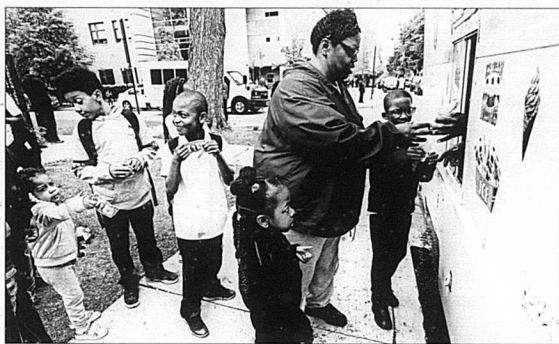
By MARY CLARE JALONICK AND JONATHAN LEMIRE Associated Press

WASHINGTON — President Donald Trump has branded his latest attempt to discredit the special counsel's Russia investigation as "spygate," part of a newly invigorated strategy embraced by his Republican colleagues to raise suspicions about the probe that has dogged his presidency since the start.

Trump now is sowing in on — and at times embellishing — reports that a longtime U.S. government informant approached members of his 2016 campaign during the presidential election in a possible bid to glean intelligence on Russian efforts to sway the election. He tweeted Wednesday morning that the FBI has been caught in a "major SIP scandal."

Trump's latest broadsides set the stage for an unusual decision by the White House to arrange a briefing about classified documents for just two Republican House members, both Trump allies, in a meeting expected Thursday, as Trump and his supporters in Congress press for information on the outside informant.

After Democratic complaints, the White House said late Wednesday that it would also give an additional briefing to a group of lawmakers known as the "Gang of Eight" on Thursday. That group includes the top Republicans and



People line up for ice cream in Allin before Memorial Day weekend, when many residents stay inside to avoid violence in the neighborhood. **ANTONIO PEREZ/CHICAGO TRIBUNE**

## As summer starts: 'I just hope it's a peaceful holiday'

Memorial Day on the West Side means increased violence and police presence

By WILLIAM LEE Chicago Tribune

When 80-degree temperatures roll into Chicago in time for Memorial Day weekend, Solomon Johnson knows just where he'll be. Safely inside his centrally cooled Austin home, maybe slipping out for a barbecue dinner at his grandmother's home in a safer neighborhood.

One thing is for sure. He won't be enjoying the outdoors on the

unofficial opening weekend of the summer. There have been too many shootings around his home, and there'll be even more as the weather finally turns.

"It's rough, especially this weekend. It's like that every time it gets warm," Johnson, 30, said as he ate clothes next to a vendor's cart near the Little Village arch on West 26th Street. "That's why I've got air conditioning."

A short distance away, Amber Irizarry, 25, walked with her

baby and three other young relatives down the busy Little Village strip. She plans to attend a family cookout over the holiday weekend — just not in the city.

"We're definitely concerned," Irizarry said as she pushed a stroller with her 6-month-old daughter, Mackenzie, the three other children following close behind. "We go out to Berwyn because we get to spend time (with loved ones) and don't have to hear gunshots and distinguish fireworks and gunshots."

Johnson and Irizarry live in some of the most violent neigh-

borhoods in Chicago, according to data kept by the Tribune.

Although shootings are down across the city, they have been concentrated in three West Side police districts that border each other: Harrison, Austin and Ogden. For the first time in recent years, the districts rank first, second and third in the number of people shot this year, the data show. In the first week of May, nearly half the shootings in the city occurred there.

The Chicago Police Department plans to deploy more than

Turn to Summer, Page 6

Turn to FBI, Page 13

## Police, activists challenge mayor at City Council

Outside an emotionally charged City Council meeting Wednesday, off-duty police officers stood with their backs turned to protesters who opposed construction of a police academy. **ChicagoLand, Page 4**

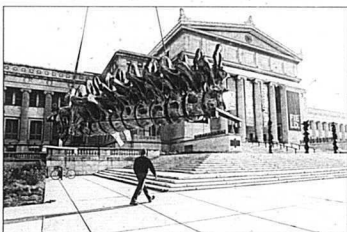


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CHRIS WALKER/CHICAGO TRIBUNE

A section of Maximo's vertebrae is lifted Wednesday as Field Museum exhibit specialists work with crane operators to move the titanosaur into the museum.

## MASSIVE MAXIMO MOVES INTO NEW HOME

Field Museum begins assembling Sue's replacement

By STEVE JOHNSON Chicago Tribune

At the Field Museum, the prey has replaced the predator.

Chicagoans this week are finally getting to meet the dinosaur that has kicked Sue upstairs: It's a red-tiled, sleekless, belted dinosaur that you'll be able to look in the eye from the museum's second-floor balcony.

Plans have been public for months about the arrival of the titanosaur from

Argentina, a plant eater that many believe to be the largest land animal ever. The 7.7-m skeleton Sue was dismantled in February and has been rebuilt in a new, second-floor home, awaiting the construction of a surrounding exhibition.

And Wednesday, workers began erecting Maximo, the name chosen for the museum's Patagonian mayorms skeleton cast. In the morning it was ruddy piles of bone segments on the museum floor and by

Friday it will stretch 122 feet from head to tail and 28 feet from floor toward the ceiling of Stanley Field Hall, the showpiece in an ambitious makeover of the natural-history temple's cavernous main room.

They worked fast, the crew from the Patagonian museum that supplied the fossil replica had the four legs installed, bolted into metal plates that were themselves bolted to the floor;

Turn to Maximo, Page 8

## NFL owners approve new anthem policy

Players on field required to stand or team faces fine

By SAM FARMER Los Angeles Times

ATLANTA — NFL owners reached a consensus Wednesday on their national anthem policy, addressing the most controversial and divisive issue in recent memory.

Under the new policy, players who do not choose to stand for the anthem before games will have the option of staying in the locker room. But a club will be fined if players or cages personnel are on the field and do not stand "and show respect for the flag and the anthem."

"We want people to be respectful of the national anthem," NFL Commissioner Roger Goodell said. "We want people to stand — that's all personnel — and make sure they treat this moment in a respectful fashion. That's something we think is our own. (But) we were also very sensitive to give players choices."

Shortly after the NFL announced its new policy at the league's annual May meetings, the NFL Players Association tweeted its response and lamented that it was not consulted about the decision.



MIKE MCCARRIN/AP

Former 49ers quarterback Colin Kaepernick kneels during the national anthem at a game in 2016.

DAVID HAUGH: The NFL gets it wrong with new national anthem policy. **Chicago Sports**

"The vote by the NFL club CEOs today contradicts the statements made to our player leadership by Commissioner Roger Goodell and the Chairman of the NFL's Management Council John Mara about the principles, values and patriotism of our league," the union stated.

"Our union will review Turn to Anthem, Page 6

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**CHICAGO TRIBUNE E-BOOKS "Chicago Art in Chicago: Photography and Commentary on Sculptures, Statues, Murals and More."** This book collects writings published in the Tribune about some of Chicago's most famous and memorable installations of public art. Some of the works discussed here were temporary and are now long gone, but some are prominent — the Picasso, for example — and others are lesser-known treasures tucked away in hidden corners of the city. The articles offer historical and retrospective snapshots of artworks that have become landmarks — and infamous — markers in Chicago's urban landscape.

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Mayor Rahm Emanuel and his old boss, former President Barack Obama, are as one when it comes to the Obama Temple.



## JOHN KASS

# Hail the Obama Temple, and silence at City Hall

Chicago may not have enough cops to patrol the streets, taxes are going up and residents are fleeing for safety and jobs.

But you really can't say City Hall ignores the important things.

The Barack Obama Temple of Adoration and Fealty is important. It's vitally important to Mayor Rahm Emanuel and Aldermen seeking re-election, whether taxpayers like it or not.

And Wednesday's speeches honoring the Chicago Sun-Times chairman without ever mentioning that he's now being paid by the mayor's moneymen, Michael Sacks, is important.

Silence is always important. I approached an alderman I know to get his take on these two stupendous events, only one of which — the Obama Temple — got stupendous news coverage.

"It's not the time," he said, smiling wanly like a man who just ate bad fish. "I think I have to go throw up."

But not everyone was sly. "That's snarky," said Mary Anton, a South Sider who was among those at City Hall supporting the giant temple — she'd call it a "library" or a "center" for Obama.

Snarky? Calling it the Obama Temple of Adoration and Fealty is snarky? It is a temple of adoration and fealty.

"It's snarky," said Anton. Emanuel said the project, most of it privately funded — though it'll be on priceless free park land including a killer golf course — will cost around \$750 million.

And there will likely be other public costs on top of that \$175 million in taxpayer money for street improvements.

A bargain at any price, no? It's not a presidential library, as it won't hold the presidential papers. But as a temple to a political god, it's what.

What it really needs is a giant Obama head carved in granite on top, with glowing eyes to focus beams of social warrior justice where needed in the city of his political birth.

The mayor and aldermen keep calling it a library. Rahm wants that

big hug from big O. Perhaps someday we may all purchase Obama tchotchkes there — even the poor who'll be moved out when rents go up.

Presidential golf clubs or a Michelle Obama vegetable peeler for nutritious school lunches would be nice.

But you know what would really be great? A snow globe with a tiny Obama and a tiny former CIA boss John Brennan, whispering about how best to protect the republic.

So at the City Council meeting they announced, lauded praise upon the former president who learned the political trade in Chicago. Even Ald. Edward Burke, 14th, demonstrated his fealty.

And so it was done. The lone holdout was Ald. David Moore, 17th, who likes the Obama Temple but doesn't like the streets in his ward not being fixed.

"We don't have money, but you can find \$175 million for infrastructure, and (in his ward) no courts, our kids are walking in puddles of water. I cannot vote against my residents." Moore said the Emanuel administration projects \$11.3 billion in annual revenue from the Obama Temple.

"I asked the administration, what are we going to do with it? Is it going to be earmarked for development on the South Side? Nobody wants to give you an answer. Is it going to go into a shush fund?"

Shush fund, I said. Later, the mayor and the aldermen honored Chicago Sun-Times Chairman Jorge Ramirez for his time as boss of the Chicago Federation of Labor.

The City Council's formal resolution mentioned Ramirez as going to work for the firm GCM Grosvenor. But in the many speeches lavishing praise upon Ramirez, who I'm told is a good father and a decent man, they forgot to mention that he's now being paid big bucks by Sacks, the mayor's moneymen, top fundraiser and ranking officer.

Sacks, a millionaire, is a true Chicago Master of the Universe. I used to

call him Mayor Sacks. The Sun-Times chairman works for him. Nobody says nothing at City Hall.

Conflict? What conflict? Sitting in the gallery were Chicago police, protesting what they say is the Emanuel administration's poor treatment of cops. They were recently admonished in a Sun-Times editorial and told, rather sternly, that such protests were "political theater."

"It is fitting, if it not, that we recognize him for his vision?" said Burke. "I am so proud of you," said Ald. Danny Solis, 25th. "You are a Mexican-American union leader."

This is true. Why shouldn't Solis be proud?

The mayor's floor leader, Ald. Patrick J. Connor, 40th, praised the fact that he's a hockey dad who made it to his son's games.

Ald. Walter Burnett Jr., 27th, stood up and commended on a rambling trip down memory lane, thinking of a time when he and Ramirez were standing on a corner on Ogden Avenue.

Burnett finished with this line: "Go make a lot of moneymen."

I caught up with Burnett in the City Council annex. The Orziga concrete company was serving a beautiful cake, with a cement truck, to mark its 90 years in Chicago.

I asked Burnett if he found it strange that no alderman made a speech about the Sun-Times chairman working for Sacks.

"Nobody mentioned it?" said Burnett, seemingly astonished. "That's strange. But you're right. Nobody did. Why is that? I don't think we picture him as chairman of the Sun-Times. We think of him as a union guy. I guess the Sun-Times connection is just growing on me."

Burnett smiled and asked if I'd have some Orziga cake. Yes, it was a fine cake.

But it just wasn't the time.

Listen to "The Chicago Way" podcast with John Kass and Jeff Carlin at [www.wgnradio.com/cutegeo/wgn-plus-thechicago](http://www.wgnradio.com/cutegeo/wgn-plus-thechicago)

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**TribBooks**

**10 THINGS ABOUT MAYOR EVERYTHING**

# STUFF THAT MATTERS

**FACT #341**  
The folk who brought us Redd-wip whipped cream had another bonanza in the 1900s: Redd-Bacon.

**10 Things You Might Not Know About Nearly Everything** contains a plethora of facts and trivia that will appeal to sports fans, from history buffs to infants from foodies. And fun, light-hearted topics such as misspellings and extreme eating. To serious subjects such as WWII and prison, this book leaves readers brighter and wiser than ever before.

**FACT #84:** A cardigan worn by a man is sometimes called a moudigan.  
**FACT #178:** 1 Centaphobias is the fear of lines.  
**FACT #238:** Actress Marilyn Monroe colored her hair using a shade of blond called dirty blonde slip.

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# Kroger to buy Home Chef for \$200M

Chicago-based meal kit company targeted by chain

By ALLY MAROTTE  
Chicago Tribune

Kroger Co., the largest supermarket chain in the U.S., is paying \$200 million to acquire Chicago-based meal kit company Home Chef. In a deal the companies say will bring the kits to more customers and help redefine shopping habits.

"We know our customers would love to see more Home Chef meal kits on grocery store shelves," said Pat Vitellie, Home Chef's founder and CEO. "What this allows us to do is to be everywhere our customers are."

The deal, which is expected to close in about a month, includes future "earn-out" payments of up to \$500 million over five years, contingent on achieving milestones such as meal kit sales growth.

Founded in 2013, Home



Home Chef CEO Pat Vitellie talks with a co-worker at the company's headquarters.

Chef develops meals and delivers the ingredients and preparation instructions to its customers. The company said it delivers about 3 million meals a month. Last year, it made \$250 million in revenue. It also receives more than 100,000 reviews every month, giving it insight into consumers' needs and desires that Kroger

likely can learn from, said Yael Cosset, chief digital officer for Kroger.

The deal will open each company up to the other's customer base and help change the way those buyers shop and order their groceries, Cosset said. Kroger has 2,800 stores around the country under multiple names, including

Mariano's in the Chicago area. More than 10 million shoppers visit Kroger in store and online daily, he said.

"Our real objective with Home Chef is to bring our assets to the table and help them make simpler, easier, better meal solutions available to every family in America," Cosset said. "Ev-

ery company will have access either in-store or online to the data in its service."

Kroger plans to make Home Chef's meal kits available online as soon as the deal closes, Cosset said. He said the two companies will use consumer data to figure out which stores to sell the kits at initially, adding that Mariano's locations will be a priority. Kroger acquired that chain's parent company, Roundy's, in 2015.

Once the deal closes, Home Chef will operate as a subsidiary of Kroger and maintain its e-commerce business on its website. Vitellie will remain CEO.

Home Chef, which employs more than 1,000 people, plans to add employees to help with the rollout, but Vitellie said there are no set plans for hiring at this time.

The deal isn't Kroger's first foray into meal kits. The Cincinnati-based supermarket chain has been rolling out Prepared meal kits to its

stores since May 2017. Other retailers are getting into the business as well, including Walmart and Amazon. Albertsons, the parent company of Jewel-Osco, acquired meal kit startup Plated last year.

"We are not making the choice for our customers whether they can buy it in the store or buy it online for pickup or delivery," Cosset said. "We want to create a cohesive experience across all the channels."

Working with Home Chef also could help Kroger enhance its ship-to-home and subscription capabilities, he said.

Most of Home Chef's dinner meals are \$9.95 per serving, and the company offers lunch options and additional offerings such as smoothies and fruit baskets. Besides its headquarters in Chicago, it also operates distribution centers in Chicago, Atlanta and San Bernardino, Calif.

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Twitter @AllyMarotte



McDonald's is testing breakfast catering in Orlando.

## McDonald's tests breakfast catering

By KYLE ARNOLD  
Orlando Sentinel

ORLANDO, Fla. — Orlando's morning-meeting crowd will have a new option for breakfast starting Tuesday: Catering from McDonald's.

The fast food giant is using Central Florida as a test ground for a breakfast catering service, going head-to-head against restaurants like Panera Bread.

"You would be surprised how many big orders we get for teachers breakfasts or meetings," said Sue Martin, owner and operator of three McDonald's restaurants in Volusia County. "This is just putting it into an easier package."

Using Uber Eats for delivery, McDonald's is offering the entire breakfast menu in packages to serve 6, 12 or 18 people. The entire breakfast menu is available all day through program with items such as McFluffins, sausage biscuits, pancakes, burritos

and parfaits.

It is available at all 195 Central Florida restaurants but only during breakfast service hours. Orders can be placed via the Uber Eats app or with the McDelivery app. Deliveries will have the standard Uber Eats fees, usually about \$3.50 per order.

Customers can also make the order from the restaurant or call in and pick up orders at the restaurant.

McDonald's has used the Orlando market in the past to try out other concepts such as fresh beef Quarter Pounders.

Other restaurant chains such as Olive Garden have forayed into larger catering orders, even when they have declined to do individual delivery. McDonald's has done both.

McDonald's hosted sales in 2015 when it started selling breakfast items all day. Then last year it partnered with third-party delivery service Uber Eats to bring food to customers.

# EU data rule big for small biz

New protection law has outsized impact on firms

By DANICA KIRKA  
Associated Press

LONDON — Lisa Meyer's hair salon is a cozy place where her mother serves homemade macarons, children climb on chairs and customers chat above the whirl of hairdryers.

Most of the time Meyer is focused on hairstyles, color trends and keeping up with appointments. But now she's worried about how the European Union's new data protection law will affect her business as she contacts customers to seek permission to store their details. Even though she supports the law, Meyer fears it may cut her mailing list by 90 percent as she asks clients to withhold their data or simply overlook her emails.

"It will be difficult to make upcoming events," she said at her shop, Lisa Hauck Hair & Beauty in London.

Businesses from pizza parlors to airlines across the EU's 28 countries are bombarding customers with emails seeking consent to use personal data. While much of the attention has focused on how technology giants like Facebook and Google will comply with the rules, consumers are learning firsthand that they apply to any firm, large or small, that stores personal data.

The new rules, called GDPR for short, are designed to make it easier for EU residents to give and withdraw permission for companies to use personal information, requiring consent forms that are written in simple language and no more than one page long. Companies that already hold such data have to reach out to customers and ask for permission to retain it. Authorities can fine companies up to 4 percent of annual revenue or \$23.6 million, whichever is higher, for breaching the rules.

As a result, small businesses are learning firsthand that they apply to any firm, large or small, that stores personal data.

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As a result, small businesses are learning firsthand that they apply to any firm, large or small, that stores personal data.



Lisa Meyer, right, owner of a salon in London, worries about the data protection law's effect on her small business.

tels, greeting card companies and even charities that fear stiff penalties for non-compliance.

In an effort to rise above the clutter, some companies are trying to spice up their direct approach as they ensure continued access to information vital to their businesses.

The St. Paneras Hotels Group promises that "only nominated people have access to your details, and they are kept really safe, guarded by our very own British Bulldogs. And a rule punk rocker." Brit offered up a video featuring one of the country's best-known comedians explaining GDPR and how it will affect his business.

Regulators say the law applies to anyone who collects, uses or stores personal data. That can be a burden for small businesses that are forced to hire outside lawyers or consultants because they don't have the staff or expertise to deal with the law.

The EU's one-size-fits-all approach is one of the flaws in the law, according to Max Schrems, an Austrian privacy advocate who has formed a nonprofit to take action against big companies that deliberately violate the new rules.

When the rules were being discussed, industry lobbyists sought to weaken the law by creating uncertainty as a result, there are no clear guidelines that exempt small companies, Schrems told the BBC recently.

"GDPR is a prime example of corporate law gone wrong, because it's helpful

for big companies," he said. "They have to do all of this anyway and they're not going to voluntarily let us open to the lions," he said of regulators.

EU officials say GDPR is not about the movements of data but about the rights of clients that notes whether they are allergic to any chemicals used in the dyes. That's considered personal medical information that must be protected.

She took a data protection course to learn about her obligations and avoid legal bills.

"I find it actually quite scary how data is being used so carelessly," Meyer said. "It goes beyond my call. It's made me more aware."

But many others have been caught off guard.

A survey by French consultancy Capgemini says that 85 percent of European firms will not have completed their preparations for GDPR this week. It finds that British businesses are the most advanced and Swedish ones have the most work to do still.

A survey conducted by Britain's Federation of Small Businesses estimates that complying with the rules will cost an average of \$1,390 per company.

"For a small business, it's hugely onerous," said Mark Elliott, who runs the digital marketing company Sparks+Growth Ltd. He knows other small business owners who are

worried about the extra red tape and costs of complying with the law. "I'm not sure that the data privacy were put in place," he said of regulators.

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## Cat plans \$73.6M Indiana investment

Associated Press

LAFAYETTE, IND. — Heavy equipment and machinery maker Caterpillar plans to renovate existing facilities in the Lafayette, Indiana, area.

The (Lafayette) Journal & Courier reports the plans by Deerfield, Illinois-based Caterpillar would bring 125 new jobs to the Lafayette area.

Documents submitted to the Lafayette Redevelopment Commission say Caterpillar plans to invest \$73.6

million through 2021 in building improvements, information technology software and equipment. The Lafayette facility currently employs about 1,350.

Caterpillar spokeswoman Lisa Miller says the company isn't immediately releasing additional information beyond what was in the documents.

A designation of an economic revitalization area for tax abatement is expected to be considered Thursday by the Lafayette Redevelopment Commission.

## Macron pushes online giants on data, taxes

By ANGELA CHARLTON  
AND SYLVIE CORBERT  
Associated Press

PARIS — French President Emmanuel Macron took on Facebook CEO Mark Zuckerberg and other internet giants Wednesday at a Paris meeting to discuss personal data protection and taxes as France pushes for tougher European regulations.

Macron welcomed Zuckerberg and the leaders of dozens of other tech companies, including

Microsoft, Uber, and IBM, at a "Tech for Good" conference meant to address how they could use their global influence for the public good.

The meeting came as Facebook, Google and other online giants are increasingly seen by the public as predators that abuse personal data, avoid taxes and stifle competition.

"France defines the idea of tough regulations" such as a 3 percent digital tax on tech companies' gross revenue in the European Union,

Macron said, adding that it's "crucial" that internet giants pay taxes.

He also said new regulations to combat extremist propaganda online and cyber-bullying.

Privacy was another issue Macron raised with Zuckerberg and the other tech executives in one-on-one meetings in the presidential palace with philanthropists and politicians.

Macron has wooed technology investors, but he is also one of Europe's most vocal critics of tax schemes

used by online companies that deprive governments of billions of dollars a year in potential revenue.

Zuckerberg came to Paris after facing tough questions Tuesday from European Union lawmakers in Brussels, where he apologized for the way the social network has been used to produce fake news and interfere in elections.

Facebook "didn't take a broad enough view of our responsibilities," he said, "and I'm sorry for it."



Facebook CEO Mark Zuckerberg, left, and France's Emmanuel Macron meet Wednesday at the presidential palace.

# Cat plans \$73.6M Indiana investment

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# EXHIBIT 104

7/30/18 Energy Monitor Worldwide (Pg. Unavail. Online)  
2018 WLNR 23089809

Energy Monitor Worldwide  
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July 30, 2018

CAT sales in the oil and gas industry grow

Caterpillar (NYSE:CAT), the world's No.1 heavy machinery maker, announced today that its worldwide machine retail sales rose 25 per cent Y/Y for the rolling three-month period ending in June.

The positive results were driven by the companys energy and transportation retail sales, which grew 14 per cent in the latest rolling three-month period. Such hike was mostly driven by a 30 per cent increase in sales in the oil and gas sector, a major consumer of reciprocating engines, turbines, diesel-electric locomotives, among other products. In the same segment, power generation sales grew by 12 per cent.

Sales in the mining sector, however, showed a decrease. In a statement, the Illinois-based firm reported declines of 4 per cent in the industrial segment, a consumer of equipment such as electric rope shovels, draglines, large wheel loaders, mining trucks, rotary drills, etc.

In terms of regions, CAT indicated that sales in the Asia Pacific region surged 37 per cent during the period, 29 per cent for Latin America, 22 per cent for North America and 19 per cent for Europe and the Middle East.

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---- **Index References** ----

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## NewsRoom

# EXHIBIT 105

## NewsRoom

9/15/18 Peoria J. Star B1  
2018 WLNR 28390740

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September 15, 2018

Section: IL News

Cat sees room for more growth: Company's robust recovery continues

Matt Buedel of the Journal Star

The steep uptick in Caterpillar Inc. equipment sales since the end of a historic downturn in 2016 still has significant room to grow in at least some business segments and geographic regions.

For mining equipment in particular, the recovery is still only beginning, the company's director of investor relations told analysts Friday at the Morgan Stanley Laguna Conference in Dana Point, Calif.

"Our end markets across the globe are really diverse; you could say all of them have room to grow, but some of them are farther along than others," Amy Campbell said. "We think (mining equipment sales are) very early in that cycle. ... We think that's early days of that recovery."

Retail sales of Caterpillar machinery around the globe for the three-month period ending in August rose 23 percent over the same period last year, according to a report filed Friday with the Securities and Exchange Commission.

That result maintained a roughly 25 percent growth rate for the last several consecutive monthly retail sales reports, although it included one significant shift in regional dynamics.

The August report showed the machinery sale growth rate in North America at 29 percent surpassed the Asia and Pacific region, which had a 28 percent sales growth rate.

The machinery market in China was one of the few bright spots in Cat's sales reports throughout the unprecedented downturn from 2012 through 2016 and remains a significant source of revenue.

Tom Pellette, Caterpillar's group president for its construction industries segment, said China will retain its prominence for the company despite ongoing trade tensions with the U.S.

"The engines for growth for construction really have been China and North America," he said Friday at the Morgan Stanley conference.

Caterpillar posted about \$45.5 billion in sales in 2017, a roughly 18 percent increase from 2016 revenue. Sales in 2016, however, were more than 40 percent below the company's peak a few years earlier.

--- Index References ---

Company: CATERPILLAR INC

News Subject: (Business Management (1BU42); Conventions, Conferences & Trade Shows (1CO42); Emerging Market Countries (1EM65); Sales (1SA20); Sales & Marketing (1MA51))

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**NewsRoom**

# EXHIBIT 106

10/9/18 BuildGreen (UAE) (Pg. Unavail. Online)  
2018 WLNR 31215634

BuildGreen (UAE)  
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October 9, 2018

Cat expands articulated hauler line-up with 740 GC

Anirban Bagchi

Caterpillar has re-introduced the 40t size class in its articulated dumper line-up with the launch of the new Cat 740 GC articulated dump truck (ADT).

The global construction equipment leader said in a statement that the new model is designed to incorporate the features and performance of models currently in the ADT line-up, including new controls, transmission-protection features, hoist-assist system, advanced traction-control system, stability-assist system, and a fuel-saving ECO mode.

In addition, the 740 GC also incorporates the latest automatic retarder-control system, which requires no input from the operator, resulting in greater operating efficiency. For added control, the new model also features a 'wait-brake', which temporarily applies the service brakes during pauses in the work cycle, reducing operator effort and fatigue. Also, a hill-start system automatically holds the machine on grades, allowing the operator to move from the service brake to the throttle with no roll-back on slopes.

Cat also said that the driver and cab environment of the new ADT has received a lot of attention. The 740 GC cab features the new 'external spinal-ROPS', which is found on other Cat ADTs in the range. This cab incorporates a rear-quarter glass that eliminates a structural pillar, resulting in enhanced rear visibility. Also, a 'wake-up' feature initiates machine displays when the door is opened. The door itself is lighter and stronger than previous designs and more effectively seals against dust infiltration. The overall cab design results in interior sound levels of 72 dB(A).

Useful for the Middle East, an optional infrared glass reduces solar heating inside the cab, and left- and right-hand sliding windows increase ventilation, while also facilitating communication with workers and the loader operator. An automatic climate-control (HVAC) system positions more vents above and behind the operator for increased cooling efficiency. An optional heated/cooled seat provides added adjustments that allow operators to 'dial in' personal comfort settings, and a second seat with added cushioning now uses a flip-up/flip-down design to provide additional cab storage.

The new 740 GC uses the Cat C15 ACERT engine available in configurations to meet emission standards of both highly regulated (HRC) markets and less regulated (LRC) countries such as in the Middle East. For the LRC markets the engine produces 449hp. The three-axle ADT's transmission is the Cat CX38B and its drive configuration is 6X6.

The post Cat expands articulated hauler line-up with 740 GC appeared first on Middle East Construction News .



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---- **Index References** ----

Company: CATERPILLAR INC

Industry: (Automobiles (1AU45); Automotive (1AU29); Automotive Models (1AU61); Construction (1CO11); Construction Equipment (1CO93); Engineering (1EN73); Four Wheel Drive (1FO31); Land Transportation (1LA43); Passenger Transportation (1PA35); Transmissions (1TR70); Transportation (1TR48))

Region: (Middle East (1MI23))

Language: EN

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**NewsRoom**

# EXHIBIT 107

11/14/18 ThreeBL Blogs (Pg. Unavail. Online)  
2018 WLNR 35317950

ThreeBL Blogs  
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November 14, 2018

Cat Electrified Equipment

caterpillar

Nov 14, 2018

SOURCE:Caterpillar Inc.

As the technology capability and the power density of power electronics, motors, generators and energy storage solutions have advanced, so, too, has the value proposition of electrification for Caterpillar's customers.

**DESCRIPTION:**

Click here to learn how electrified equipment, in the right application, can offer benefits to companies in each of Caterpillar's major industry segments including fuel savings, reductions in total cost of ownership, environmental sustainability, durability and productivity.

Tweet me:

KEYWORDS:Caterpillar, electrification, electrified equipment, NYSE:CAT

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---- **Index References** ----

Company: CATERPILLAR INC; NEWSTEX LLC

News Subject: (Conventions, Conferences & Trade Shows (1CO42))

Industry: (Construction (1CO11); Construction Equipment (1CO93); Financial Services (1FI37); Transportation (1TR48); Transportation New Technology (1TR05))

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**NewsRoom**

# EXHIBIT 108

11/23/18 Basic Materials & Res. Monitor Worldwide (Pg. Unavail. Online)  
2018 WLNR 36285994

Basic Materials & Resources Monitor Worldwide  
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November 23, 2018

### Cat launches best in class underground R1700

Caterpillar recently launched the Cat R1700 underground mining loader, a completely new design that has proven its high productivity and efficiency in extended field trials and in production studies.

The R1700 carries a size-class-leading payload of 15 tonnes, 20% more than its predecessor carries, yet it maintains the dimensions of the R1700G. A recent head-to-head study and multiple field trials show that the new machine leverages its payload advantage to deliver much faster truck loading and more productive load-and-carry operations while using significantly less fuel per hour.

The R1700 gains cycle time advantages through fast bucket loading due to high breakout forces and a new traction control system that limits tire slip when the bucket enters the pile. The result is fast loading, good bucket fill factors and reduced tire wear. Excellent machine balance and a new electrohydraulic braking system aid load-and-carry cycles.

Fuel efficiency gets a boost in the new R1700 from on-demand adjustment of the cooling fan and the hydraulic system, as well as the efficiency of the Cat C13 engine. The 6-cylinder engine is turbocharged and air-to-air after-cooled, and it produces 269 kW in standard configuration and 257 kW in EU Stage V compliant form.

The engine is available in three different emissions configurations Cat ventilation reduction, U.S. EPA Tier 3/EU Stage IIIA, and EU Stage V to allow tailoring the R1700 to the ventilation needs of the mine. After-treatment for the Stage V engine configuration is chassis mounted for convenience and includes a diesel emission fluid (DEF) tank sized to match the 12-hour capacity of the fuel tank.

To boost productivity even further, the R1700 is designed to make best use of technology. Optional Autodig helps new operators be productive the first day and reduces fatigue for experienced operators. MineStar Command for underground offers a selection of control technologies line-of-sight remote control, tele-remote control from a distant operator station, semi-autonomous operation, and fully autonomous operation.

Operators will appreciate the responsiveness of the machine. During the load or dump cycle, the harder the operator pushes the controls, the faster the machine responds. The steering system is pilot controlled to provide more precise feel for the operator during maneuvers in tight places.

Ride control is now fully integrated into the hydraulic system and engages automatically as the machine goes above 5 km/h. Electronically snubbing the lift cylinders protects them and provides greater operator comfort.

For easier maintenance, the R1700 features several components that have modular designs so they can be removed and replaced easily. In addition to modular components, all filters and key service points have been grouped into a centralized section on the cold side of the engine. The radiator guard swings open for ground-level access to the radiator and oil coolers. The batteries are easily accessed just under the centralized service location.

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---- **Index References** ----

Company: CATERPILLAR INC

Industry: (Automobiles (1AU45); Automotive (1AU29); Automotive Fuels (1AU95); Automotive Models (1AU61); Diesel (1DI26); Electronic Components (1EL91); Electronics (1EL16); Energy & Fuel (1EN13); Engineering (1EN73); Four Wheel Drive (1FO31); Land Transportation (1LA43); Motor & Motion Control (1MO44); Oil & Gas (1OI76); Passenger Transportation (1PA35); Semiconductor (1SE88); Semiconductor Applications (1SE81); Transmissions (1TR70); Transportation (1TR48))

Language: EN

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**NewsRoom**

# EXHIBIT 109



## *Product Snapshot: Light Tower and Backhoe Loader*

ENR Engineering News-Record

January 9, 2019

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**Section:** DEPARTMENTS

**Length:** 378 words

### **Body**

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#### Light Tower: Built-In Generator

The WCDE-4-20KW-4X500LTL-LED-CPR-MOD1 mobile light tower also features a 20-kW generator. The telescoping tower has a maximum height of 25 ft and sports four, 400W LEDs producing a total of 208,000 lumens. Its 15-gallon diesel fuel tank can provide more than 200 hours of continuous illumination. The light tower is mounted on a two-wheel towable trailer with the generator encased within a 14-gauge steel compartment. Larson Electronics; [www.larsonelectronics.com](http://www.larsonelectronics.com)

#### Backhoe Loader: Improved Cab Layout

The **Cat** 440 backhoe loader has an operating weight of 21,500 lb and is powered by a Cat4.4 Acert engine rated at 116 hp. The backhoe's load-sensing piston and variable flow pump provide full hydraulic power at any engine rpm. The operator's station keeps controls for loader and backhoe within reach regardless of which way the operator is facing. Improvements to the controls include a spring-applied, hydraulically released parking brake set to a single button. **Caterpillar**; [www.cat.com](http://www.cat.com)

#### Wheel Loader: High Top Speed

The Deere 324L compact wheel loader has a full-turn top load of 9,766 lb with a maximum dump height of 10 ft, 3 in. The **machine** is powered by a 73-hp engine that meets Tier 4 Final emissions standards. A hydrostatic transmission provides smooth shifting when moving between work cycles and travel, and the wheel loader boasts a top speed of 23 mph. Designed to maneuver around crowded jobsites, the wheel loader features rear-wheel steering and improved line-of-sight compared with earlier models. Deere Construction & Forestry; [www.deere.com](http://www.deere.com)

#### Wire Rope Load Cell: Wireless Connectivity

The COLT2 Clamp On Line Tensionmeter features several improvements over the earlier version of the load cell, including the ability to log local weather conditions and GPS coordinates with recorded data. The load cell is designed for measuring tension on static wire rope lines used in telecommunication towers. The COLT2 can measure tension up to 11,000 lbf on lines up to 1 in. in diameter. It features integrated Bluetooth connectivity to log data into the companion mobile app, which is available for iOS and Android devices. Straightpoint; [www.straightpoint.com](http://www.straightpoint.com)

Manufacturers can send information on new products to [ENR.products@enr.com](mailto:ENR.products@enr.com).

**Load-Date:** January 15, 2019

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JENNY REILLY

2/5/19 iCrowdNewswire 00:00:00

iCrowdNewswire  
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February 5, 2019

Used Construction Machinery Market 2019-2025 | Global  
Leading Players Cat, Sany, Atlas Copco, Probst And More.

leahbarunga

The global Used Construction Machinery market is valued at million US\$ in 2018 is expected to reach million US\$ by the end of 2025, growing at a CAGR of during 2019-2025.

This report focuses on Used Construction Machinery volume and value at global level, regional level and company level. From a global perspective, this report represents overall Used Construction Machinery market size by analyzing historical data and future prospect. Regionally, this report focuses on several key regions: North America, Europe, China and Japan.

Request For Sample @ <https://www.researchtrades.com/request-sample/1665674>

At company level, this report focuses on the production capacity, ex-factory price, revenue and market share for each manufacturer covered in this report.

The following manufacturers are covered:

Caterpillar

Hitachi Construction Machinery

Komatsu

Volvo Construction Equipment

Xuzhou Construction Machinery Group

Cat

Sany

Atlas Copco

Probst

# EXHIBIT 110

PAUS

Segment by Regions

North America

Europe

China

Japan

Segment by Type

Hydraulic Excavators

Wheel Loaders

Mini Excavators

Segment by Application

Construction

Mining

Other

Request For Discount @ <https://www.researchtrades.com/discount/1665674>

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Browse Complete Report @ <https://www.researchtrades.com/report/global-used-construction-machinery-market-research-report-2019/1665674>

...

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Tags:

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--- Index References ---

Company: ATLAS COPCO AB; CATERPILLAR INC; Hitachi; VOLVO CONSTRUCTION EQUIPMENT SA

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Region: (Americas (1AM92); Asia (1AS61); China (1CH15); Eastern Asia (1EA61); Europe (1EU83); Far East (1FA27); Japan (1JA96); North America (1NO39); Northern Europe (1NO01); Scandinavia (1SC27); Western Europe (1WE41))

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**NewsRoom**

# EXHIBIT 111



# Chicago Tribune



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TRIBUNE

SATURDAY, FEBRUARY 9, 2019

BREAKING NEWS AT CHICAGOTRIBUNE.COM

## Pritzker team eyes 'financial ditch'

### Governor to deliver first spending plan to lawmakers Feb. 20, cites \$3.2B deficit

**BY RICK PEARSON AND DAN PETRELLA**  
Chicago Tribune

Democratic Gov. J.B. Pritzker's administration on Friday set the stage for a low-expectations budget plan later this month, attacking former Republican Gov. Bruce Rauner for driving Illinois "into a financial ditch" that will take years to pull out of.

"Rebuilding a strong financial foundation for Illinois will take more than one year, or even one gubernatorial term," said a report from Deputy Gov. Dan Hynes, a former state comptroller. "The current administration is committed to working diligently and across party lines to put our state on a path to fiscal stability."

As Pritzker prepares to

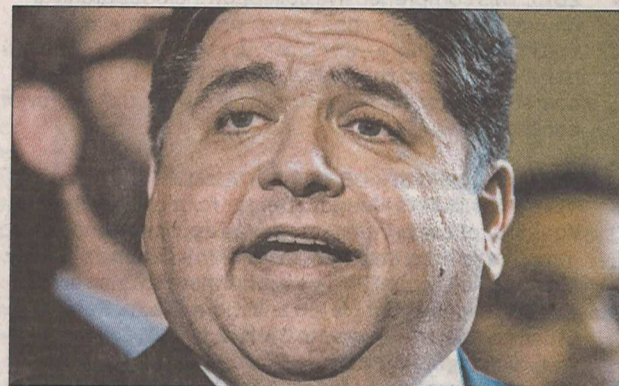
deliver his first spending plan to lawmakers Feb. 20, his administration said it is facing a \$3.2 billion hole for the budget year that begins July 1. That deficit is more than \$400 million deeper than the Rauner administration estimated before leaving office.

Word of the larger deficit and the stark tone of the document that details it — dubbed "Digging Out: The Rauner Wreckage Report" — provided a dramatic contrast to Pritzker's populist campaign promises of

spending more money on education and a host of social services.

How Pritzker plans to address the budget hole in the near term remains unclear. In a tweet, the governor said he is "committed to beginning the road to recovery" but offered no specifics. Hynes emphasized in an interview that it will require fiscal "discipline." But the report portends some budget cutting with no quick source of substantial

Turn to **Budget, Page 4**



JUSTIN L. FOWLER/STATE JOURNAL-REGISTER

Gov. J.B. Pritzker answers questions at the Illinois state Capitol in Springfield on Thursday.

### "We need to put these guns down. ... We need to stop doing this."

— Melvin Freeman, grandfather of 1-year-old Dejon Irving, who was wounded in a shooting



## Daley skips one debate, joins another

Rivals slam choice to attend mayoral endorsement

amoeba," Mendoza said. "He's shown that when he's asked one simple question, he loses his cool."

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# Chicago Tribune BUSINESS

## Cat to expand in Chicago

Frim hopes to lure tech talent for digital team

By **ALLY MAROTTI**  
Chicago Tribune

Caterpillar is growing its digital team as the company works to embed technology deeper into its operations and earth-moving equipment, and it opened a new Chicago office to accommodate the expansion.

The Deerfield-based company moved its downtown digital team into the office in the West Loop Gate neighborhood in September, almost two years after opening its first downtown office in the city's de facto tech hub, the Merchandise Mart.

That first office, which fit about 45 employees and opened as an innovation-focused space, was meant to attract tech talent. The tactic worked and now, as Caterpillar focuses more on tech, it's critical to keep attracting that talent, said Ogi Redzic, vice president of Caterpillar's roughly 600-person Cat Digital division.

"The things we're building right now are foundational for the future of Caterpillar," Redzic said. "Customer expectations are changing. ... He is expecting the same tools he



ELISE AMENDOLA/AP

Caterpillar is growing its digital team in a new Chicago office.

(uses) for his daily life to be as good and better in the equipment that he gets."

Roughly 90 employees work out of the new office, the majority of whom are digital team members. Redzic declined to share hiring plans, but said the office provides room to grow.

The heavy equipment-maker isn't alone in its quest to use a downtown outpost to lure highly sought-after data scientists and other tech workers. Companies in industries from fast food to insurance have opened offices in the heart of the city, where tech employees want to work. The hip office spaces have proved worth the extra cost for suburban companies,

who often end up competing for talent with behemoths like Facebook or Google.

Companies that aren't traditionally thought of as being part of the tech industry can face an extra challenge winning over potential recruits that might not be aware of their digital work.

"Before I joined, I really did not know the scope and breadth of Cat's products," said Redzic, who has a background in connected vehicles and other digital services. "I was quite surprised actually myself, thinking, 'I'm joining a company that does excavation and mining,' to learn about all the other things Cat is doing globally."

The types of digital talent on Redzic's team is vast, from software developers and data analysts to telecommunication experts and computer engineers.

They work on Caterpillar's e-commerce operations, through which customers buy parts for their machines. They develop apps for internal and external use. Last month, the company rolled out an app that lets equipment owners monitor their machines' maintenance schedules and operation times.

amarotti@chicagotribune.com  
Twitter @AllyMarotti

## Schneider Logistics tops list of layoffs

Chicago Tribune staff

Illinois employers notified the state of more than 1,200 layoffs last month, according to the most recent monthly report by the Illinois Department of Commerce and Economic Opportunity.

Schneider Logistics Transport and Distribution, which operates a warehouse for Walmart in Elwood, reported one of the larger layoffs. The freight company said it would lay off 589 employees in late March.

Erin Elliott, a spokesperson for Schneider, said in a statement that Walmart will take over operation of the warehouse and run it internally by April 6. Walmart is also taking over the operation of two California warehouses that Schneider had been running.

Walmart hopes to retain as many of the Schneider employees as possible at the Elwood warehouse, Elliott said.

Other employers warning of layoffs were:

■ **PharMEDium Healthcare Corp.** warned that it will lay off 41 employees at its Lake Forest location due to a restructuring.

■ **WideOpenWest Illinois**, a telecommunications carrier, warned that it will lay off 56 employees at its Warrenville location.

■ **Tavern at the Park**, a restaurant on Randolph Street in Chicago, will lay off 80 employees when it closes next month.

Other closings that are prompting layoffs include:

■ **Gildan**, an apparel manufacturer, warned that it will lay off 60 employees in Chicago next month.

■ **FedEx** said it will lay off 83 workers in Effingham next month.

■ **Innovel Solutions**, a freight transportation company, warned that it will lay off 105 employees in Manteno next month.

■ **Harman International Industries**, a manufacturer of audio and video equipment, said it will lay off 59 employees in Vernon Hills next month.

## Work begins on Southeast

# EXHIBIT 112

## Equipment company Caterpillar Inc. to expand in Chicago

Associated Press State & Local

February 18, 2019 Monday 1:39 PM GMT

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**Section:** STATE AND REGIONAL

**Length:** 283 words

**Dateline:** CHICAGO

### **Body**

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CHICAGO (AP) - A construction machinery company known for its earth-moving equipment plans to expand its Chicago office in an effort to attract top tech talent.

Caterpillar Inc. is expanding its digital team, which includes software developers, data analysts, telecommunication experts and computer engineers, the Chicago Tribune reported .

The Deerfield-based company first moved to downtown Chicago two years ago to improve recruitment. It's critical the company works to continue attracting top tech talent, said Ogi Redzic, the vice president of the company's Cat Digital division.

"The things we're building right now are foundational for the future of Caterpillar," Redzic said. "Customer expectations are changing. ... He is expecting the same tools he (uses) for his daily life to be as good and better in the equipment that he gets."

Companies that aren't traditionally associated with the tech industry can have a difficult time recruiting workers who aren't aware of their digital work.

"Before I joined, I really did not know the scope and breadth of Cat's products," Redzic said. "I was quite surprised actually myself, thinking, 'I'm joining a company that does excavation and mining,' to learn about all the other things Cat is doing globally."

Caterpillar's tech team develops apps for internal and external use, such as a tool that allows equipment owners to monitor machines' maintenance schedules and operation times.

The team analyzes data from the company's machinery to find ways to make equipment more efficient and is also involved in the company's e-commerce operations, which customers use to buy parts for machines.

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Information from: Chicago Tribune, <http://www.chicagotribune.com>

**Load-Date:** February 19, 2019

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JENNY REILLY

# EXHIBIT 113

3/5/19 Gulf Indus. (Pg. Unavail. Online)  
2019 WLNR 7005454

Gulf Industry  
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March 5, 2019

RAK group Stevin Rock buys giant CAT shovel

stevin Rock, one of the world's largest quarrying companies based in Ras Al Khaimah, UAE, said it has purchased the giant CAT 6020B hydraulic shovel from Caterpillar.

The largest hydraulic shovel operating in the region, CAT 6020B will be mainly used for loading rocks onto the company's haul trucks, thanks to its larger shovel load capacity, said a statement from the company.

The product was officially delivered to Stevin Rock by the UAE-based Al Bahar, the authorised Caterpillar equipment and engine dealer in the GCC (excluding Saudi Arabia) last month.

Stevin Rock said together with its sister concern RAK Rock boasts over 80 million tonnes annual capacity of limestone, dolomite and gabbro for the construction, cement, steel and mining industries in the Gulf region and beyond.

The company owned by the Government of Ras Al Khaimah, has over 3,000 employees and has been operational for more than 40 years.

Stevin Rock said the CAT 6020B was the final piece of 26 units recently purchased from Al Bahar, including a CAT 993K wheel loader, CAT 349D excavators and CAT 775G haul trucks for its Khor Khuwair quarry, one of the largest in the world, with a annual production capacity of over 60 million tonnes limestone.

These acquisitions, together with other major developments, are in line with Stevin Rock's vision to maintain and build on its position as one of the largest quarrying operators in the world, said the Ras Al Khaimah-based company.

Nasser Bustami, the general manager of Stevin Rock, received the new CAT 6020B from Bob De Lange, group president of Caterpillar, and Issam Al Bahar, the chairman of Mohamed Abdulrahman Al Bahar, the official dealer of Caterpillar in the UAE.

"The CAT 6020B, in addition to the 25 other units Stevin Rock has purchased from Al Bahar Group, will help increase our productivity and solidify our position, together with our sister company RAK Rock, as one of the largest quarrying operations in the world," stated

Bustami.

"We will continue to invest in our businesses to ensure we remain at the forefront of the industry," he added.

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---- **Index References** ----

Company: Al Bahar; AL HILAL PUBLISHING AND MARKETING GROUP; CATERPILLAR INC; MKTG INC; Mohamed Abdulrah; NOURAS AL BAHAR GENERAL TRADING CO WLL; EMIRATE OF RAS AL KHAIMAH; Ras Al Khaimah R; Stevin Rock

Industry: (Aggregates, Concrete & Cement (1AG30); Automobiles (1AU45); Automotive (1AU29); Automotive Manufacturing (1AU46); Automotive Models (1AU61); Building Materials (1BU25); Construction (1CO11); Construction Equipment (1CO93); Land Transportation (1LA43); Passenger Transportation (1PA35); Transportation (1TR48); Trucks (1TR73))

Region: (Arab States (1AR46); Gulf States (1GU47); Middle East (1MI23); Ras Al Khaimah (1RA65); United Arab Emirates (1UA66))

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**NewsRoom**

# EXHIBIT 114



3/12/19 Gulf Construction (Pg. Unavail. Online)  
2019 WLNR 7860570

Gulf Construction  
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March 12, 2019

### Tech-loaded Cats boost productivity

Caterpillar's next-generation 30-tonne excavators - the 330 and 330 GC - have been designed to match contractors' productivity and cost targets, by offering increased operating efficiency, lower fuel and maintenance costs, and improved operator comfort compared to previous models.

"Delivering high-production performance, the new Cat 330 features standard integrated Cat Connect technology and the most power and lift capacity of the two models. The result is maximum productivity at the lowest cost," says a spokesman for Caterpillar.

The new Cat 330 GC, meanwhile, combines the right balance of productivity features with reduced fuel consumption and maintenance costs. The result is high reliability and low-cost-per-hour performance.

"The new Cat 330 has the industry's highest level of standard factory-equipped technology to boost productivity," the spokesman says. "Integrated Cat Connect Technology increases operating efficiency by up to 45 per cent over traditional grading operations."

The standard Cat Grade with 2D system provides guidance for depth, slope, and horizontal distance to grade through the standard touchscreen monitor, making operators more accurate. The system is readily upgradable to Cat Grade with Advanced 2D or Cat Grade with 3D. Standard Grade Assist automates boom, stick, and bucket movements so operators can effortlessly stay on grade with single-lever digging.

Cat Payload delivers precise load targets and increased loading efficiency. With on-the-go weighing and real-time payload estimates, Payload helps prevent truck over/underloading. The new Lift Assist feature helps the operator safely pick up heavy objects without tipping. Visual and auditory alerts indicate whether the load is within the excavator's working limits.

Additionally, E-fence prevents the excavator from moving outside operator-defined set points. The system is particularly useful when working beneath structures or near traffic, the spokesman points out.

Cat Link hardware and software connect jobsites to the office and provide managers with machine-critical operating information.

By design, these Cat next-generation excavators consume less fuel per unit of work than their predecessors - up to 20 per cent for the 330 compared to the 330F, and as much as 15 per cent for the 330 compared to the 330D2, he explains.

Furthermore, New Smart mode operation automatically matches engine and hydraulic power to digging conditions, optimising both fuel consumption and performance.

To further reduce fuel usage, engine speed is automatically lowered when there is no hydraulic demand. The excavators feature a new main control valve that eliminates the need for pilot lines, reduces pressure losses, and lowers fuel consumption.

The new cooling system employs auto-reversing electric fans, which independently monitor hydraulic oil, radiator and air-to-air aftercooler temperatures to deliver the exact airflow required.

The Cat 330 has a larger, 6,700-kg counterweight, which enables it to lift nearly 10 per cent more than the 330F and up to 15 per cent more than the 330D2.

With increased swing pressure, a larger swing drive, and larger swing bearing, the Cat 330 delivers five per cent more swing torque over the previous series, making backfilling and lifting on slopes easier.

The spokesman says the new Cat excavators offer extended and more synchronised maintenance intervals, thus reducing maintenance costs by up to 20 per cent over the previous series.

"The new Cat air filter with integrated pre-cleaner and primary and secondary filters has double the dust holding capacity of the previous design, while the new hydraulic return filter has a 3,000-hour service life - a 50 per cent increase over the previous filter," he explains.

Also, fuel system filters are synchronised for service at 1,000 hours - a 100 per cent increase over the previous filters. The fuel system water and sediment drains and hydraulic system oil level are positioned close together at ground level, making routine maintenance faster and safer.

The cabs of these new excavators are offered with a choice of comfort or deluxe cab packages (premium package in some regions), and come equipped with standard features like keyless push-button start, large touchscreen monitor with jog dial keys for control, and sound-suppressed rollover protective structures.

"A tilt-up console for the deluxe and premium cab designs affords easy cab entry and exit. New advanced viscous mounts reduce cab vibration by up to 50 per cent over previous models. Large front, rear, and side windows enhance visibility; optional 360-degree visibility (330 only) combines images from multiple machine-mounted cameras to enhance the operator's view in all directions," the spokesman concludes.

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---- **Index References** ----

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# EXHIBIT 115

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By David Huey

Maybe you're a bit like me; part of what makes you love the construction business is the big iron. So when my boss offered me a chance to go to Peoria, Ill., for an orientation at the Caterpillar home office, I jumped at the chance. So, over three days during the middle of July, I gathered with more than 30 of my colleagues to learn a little more about Cat.

In case you're thinking that we got to spend a couple of days running equipment and getting dirty, you're going to be as disappointed as I was. They don't call it Summer School for nothing. We logged about four or five hours a day of classroom time. It was surprisingly interesting.

On Tuesday, we drove several miles north of town. After some introductions, we got into a very important issue: safety. The presentation about the new site, Safety.Cat.Com, started off with the discussion of what safety means to a work site. As you know, accidents and injuries can cut profits and reduce a workforce if precautions and procedures are lax. What impressed me was that there was more to the business of safety than numbers. With the skilled labor shortage hitting job sites all over the country, it would be easy to quantify the value of a worker. Hours of work lost, cost of training a replacement (if one could be found), disability payments, and other expenses add up to make an injured or missing employee a major asset to any operation. Yet the Cat safety slogan, "Home Safely. Everyone. Every Day." spoke of more than saving money and increasing market share.

They put the web pages up on the screen and we went through the site. I was impressed. They had all the things you expect: product spec sheets, safety training documents, how to do this, and why not to do that. Then there was the fun stuff. The section on warning signs, now made with universal symbols instead of words, not only taught you what they meant, but let you create your own. The simulated walk-around demonstrated how to check out equipment before operation and where the hazards were. Perhaps what you'd expect, but they did it in a way that opened it up to nearly everyone.

One useful feature was a training resource that provided materials for contractors to hold their own training sessions, complete with sign-in sheets and handouts, so you could document that you had an ongoing training program. I raised my hand to ask about how one might ask a specific safety question from the field. Kevin Brennan, senior consultant for Customer Safety Services, told us that you could e-mail a query. Who fielded those questions? "I do," he said, smiling. Then he routed them to the appropriate specialist and they were answered within a day or so. We all laughed when we heard that one of the first questions was about when the site would be available in languages other than English. Soon, he said.

After our safety talk, we loaded onto the bus and headed back to Peoria and the Administration Building. That is one thing you learn very quickly - Peoria is the city of Cat. After a tour of the lobby, with its art and displays, we filed into an auditorium for a discussion of the Caterpillar brand. We saw the evolution of the logo, from the wave-like logo that actually looked like a caterpillar, complete with letters that appeared to have little feet.

One surprise that I had was the number of Independent Master Brands (like Perkins), as well as the Supporting and Relationship Brands: when a Cat is not a Cat. I must confess to a little marketing background, so I took in the brand discussion fairly readily. What impressed me was how thoroughly Caterpillar understood what Cat means to people. Why should I be shocked that my image of a piece of Cat iron was nearly universally held. I understood that I thought of quality, durability and reliability like most folk. Since I had never owned a Cat, the dealer capability factor was something I hadn't experienced. From my work with other manufacturers (Bobcat, Vermeer, Ingersoll Rand, etc.), I accepted Cat's claim to industry leadership. Then I heard how deeply imbedded the pride of owning a Cat was among contractors. How do you measure that, I wondered.

We talked briefly about the future of the Cat brand. You can guess that there will be changes in appearances of the logo and the equipment. There will also be a greater commitment to the brand itself. Think of it as always making sure folks pronounce your name correctly.

The tour of the mechanical Lab was more like it. It was loud, hot and a little dirty. This is where they dismantle every piece of Cat equipment to determine the best way to tear it down and rebuild it. From that knowledge they produce service manuals.

Wednesday included the tour of the plant where they manufacture track loaders and pipelayers. No cameras allowed. We had ear protection, had to wear some protective clothing and got to see a lot of iron moving down the assembly line. There was so much to see and listen to (through our headsets), and we moved so quickly, it's hard to relate many details. Mostly, I would say that a trip to Peoria from anywhere in the Midwest to take the extended tour is well worth the trip. As for me, it didn't quite seem a line. I got the impression of men and women building equipment, instead of just installing parts. Each loader was an individual, made to order for a single customer. Our guide pulled a tracking sheet from one hulk. "This one is going to Egypt," she said.

One interesting fact? On the Eastern Seaboard some Cats are ordered in a certain tint of blue (one of five standard colors). It appears that seagulls don't relieve themselves over water. Choosing that shade keeps the loaders a little cleaner. I also found out that opening up various oil fields in North America was driving increased pipelayer production.

One presentation that intrigued me was the one on Cat's electronic grade control systems: AccuGrade. I have set, and knocked over, my share of grade stakes. The idea of using lasers, GPS and other technologies has been around a while, but it was interesting to see how it had developed and become integrated within the manufacturing process. I understood that these systems increased the efficiency of all types of grading equipment, but David Pinaire, manager, Machine Control and Guidance, put it into perspective. He remarked, "Traditional grading control is 80-percent accurate: meaning that it is 20-percent off. That means more passes, along with more surveying." The idea that eventually, nearly all sites will have been entered into the GPS database and surveying, as we know, will cease.

The heat wave ended in time for us to go outside for a full product line demonstration. If it had rained, or been too hot, an indoor arena is available for demonstrations. From an outside amphitheater we watched quite a bit of Caterpillar's iron go through their paces. As pieces of equipment appeared and went to work, the announcer explained each one's attributes. The stands were full and completely captivated. Again, a "must see" if you're in Central Illinois. It made me itch to climb into a cab.

We got the go ahead once the rest of the spectators had filed back into the main building. During my construction days, and also while I wrote for various manufacturers, I had been given the chance to handle similar machinery. Still, I enjoyed the chance to operate a backhoe again, even if it was just for fun. While no expert handler, some of my old skills came back, so I wasn't too embarrassed.

Surprisingly, operating the virtual training simulators was more fun. Designed to gauge and increase an operator's skill level, the systems were realistic - meaning they exposed my lack of experience very quickly. Besides being fun, the simulators boasted real benefits: no-risk training, better skilled operators without using production equipment, the ability to screen applicants and train them off the job site, training that is not impacted by weather, and computer-generated evaluation and record keeping. I see the time these machines are at dealerships and the offices of larger contractors.

The final day dealt with Cat's rental operations and philosophy. We visited a Cat Rental Store and discussed how rental was a significant market of opportunity. When you think about the economy, cost of ownership and the demands of maintenance, it's no wonder more contractors are giving rental a closer look.

One thing that I came away with from my time in Peoria was the partnership envisioned between Caterpillar, its dealerships and its customers. As profits shrink and bidding becomes tighter, it makes sense for manufacturer, dealer and contractor to grow closer. By the end of my visit, I knew one thing in particular - to thrive, Cat and its network of dealers were going to have to offer more services to their customers, become more closely involved with helping a customer make money. The other side of that coin, of course, is that the contractor, or any potential buyer/renter of Caterpillar equipment, is in a good position to negotiate every transaction. It's a sound marketing strategy for a manufacturer to offer increasingly better goods and more complete services to customers. It's a matter of survival for every contractor to demand the most from every transaction.

David Huey

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