

December 23, 2003 6:18 p.m. EST

**THE AFTERNOON
REPORT**

By JOSEPH SCHUMAN



U.S. Finds Its First Case Of Mad-Cow Disease

A Holstein cow that fell ill on a farm in Mapeleton, Wash., appears to be the first case of bovine spongiform encephalopathy in the U. S., [Agriculture Secretary Ann Veneman said this evening](#)¹. USDA officials are trying to track down other meat that was shipped from its herd, while the farm has been quarantined.

Ms. Veneman said the cow, already ill when it arrived at a slaughter house, was removed and immediately sent for testing at a government laboratory. Repeated tests arrived at what she described as a presumptive positive finding for mad-cow disease, and more samples of the animal were on their way to lab in Britain for a final and definitive test. While Ms. Veneman said it was way too early to tell where the cow or the infection originated, she said it was probably not related to a case discovered this year in Canada, because that infected animal wasn't a Holstein. Ms. Veneman stressed that officials are confident in the safety of the U.S. beef supply and that she, herself, would be serving beef at her Christmas dinner.

In a sign of how terrifying an outbreak of the disease would be and of the current heightened worries about terrorism, Ms. Veneman said she had discussed the matter with Homeland Security Secretary Tom Ridge, and that officials were certain the case isn't related to terrorism. As obvious as that may seem, the outbreak of the disease in Europe and elsewhere in the 1990s and the horror of seeing its brain-wasting symptoms spread to humans -- apparently through digestion of infected meat -- were as destructive as almost any terrorist act.

STAT OF THE DAY



The Nasdaq 100 Index climbed 1.2% today, powered by the 51% surge in newly added component **Research in Motion**, which gained \$23.51 to close at \$69.61 after analysts upgraded the wireless-communications firm on a strong earnings outlook. RIMM was among eight firms added to the index on Monday in its closely watched annual rebalancing. Other additions included **Level 3 Communications**, up 10 cents, or 1.8%, to \$5.55 and **Lam Research**, adding 57 cents, or 1.8%, to close at \$32, both of which return to the index after being previously deleted when their market caps fell sharply. All eight new components gained over 1.5% today. The Nasdaq 100 closed at 1448.17, gaining 16.46 for a year-to-date gain of 47%. See [year-to-date gains for major indexes here](#)²⁴.

Got a cool stat? E-mail us at statoftheday@wsj.com²⁵

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Parmalat to Declare Bankruptcy; Italy Outlines Salvage Plan²

Parmalat's board, faced with the biggest accounting scandal yet in Europe and a hole in its books that seems to be growing by the day, [has decided to seek bankruptcy protection](#)³. The decision was announced hours after the Italian government said it would appoint a special commissioner to oversee restructuring of the food-and-dairy giant and to make sure its assets stay "in Italian hands."

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Industry Minister Antonio Marzano said the commissioner's role would be to "overhaul the company, and not to sell the company's assets." The government's choice for that job is the company's new chairman and chief executive, turnaround specialist Enrico Bondi, who was put in charge of the Parmalat after founder and CEO Calisto Tanzi was forced to resign Dec. 15. Considering the size of the discrepancies in Parmalat's finances -- it said Friday it was unable to account for some \$5 billion on its books, and today prosecutors suggested that figure may grow closer to \$9 billion -- it is hard to see how the government will be able to keep to that promise unless it injects state funds into the company. That risks breaking European Union rules that govern such activities, and just yesterday the European Commission warned Rome against doing so. Under EU competition rules, government rescue aid is allowed but only under strict conditions aimed at avoiding so-called market distortions.

Usually that means a one-year bridge loan in the case of a simple liquidity crisis, and Parmalat's troubles are much bigger than that -- it is already in default for hundreds of millions in bonds, with more due soon. The government also said it would ask the European Commission to grant "crisis" status to the Italian dairy industry, which could also open loopholes allowing it give Mr. Bondi more cash and buy more time. But that, too, will be difficult. A commission spokesman in Brussels said EU agriculture officials would ask the Italian government to explain the type and amount of aid planned and just who will get any subsidies. With so much uncertainty remaining about Parmalat's books, answers to those questions may be long in coming.

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U.S. Stock Markets Edge Higher⁴

U.S. stock markets were slightly higher in thin, pre-holiday trading. The Dow Jones Industrial Average [was up just over three points](#)⁵, while the Nasdaq Composite Index managed to climb 1%. There was at least one clear winner: Shares in Research in Motion, maker of the BlackBerry communications device, [were up more than 50%](#)⁶ in reaction to its strong earnings, which came out late yesterday. U.S. Treasury [bond prices fell sharply](#)⁷ after a disappointing auction of new five-year notes, and [the dollar weakened](#)⁸ against the yen but gained against the euro. The big European markets [rose across the board](#)⁹, and so were [most markets in Asia](#)¹⁰. Japan's markets were closed today for the Emperor's birthday, a national

holiday there.

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Personal Income Outpaces Consumer Spending¹¹

U.S. consumer spending -- the primary engine of American economic growth -- rose less than most economists expected last month even as personal income increased more than anticipated, a disparity possibly explained by the fall in consumer prices already reported. The Commerce Department said that in November personal income increased by \$44 billion, or 0.5%, and that disposable income was also up 0.5%, while consumer spending increased by \$31.1 billion, or 0.4%. The payrolls of goods-producing industries grew much faster than they had in October -- up \$3.6 billion, compared with a rise of \$1.2 billion -- and manufacturing payrolls increased by \$2.5 billion, much more than the \$100 million rise in October. In the services sector, payrolls increased by \$12.4 billion, more than the \$7.1 billion in October.

The government also turned in its [final reading on third-quarter economic growth -- unchanged at the torrid annual rate of 8.2%](#)¹² -- and the final draft portrayed an even bigger contribution by consumer spending. Such spending rose at a 6.9% annual rate, up from an earlier reading of 6.4%, while business spending was shown to have advanced by 12.8%, rather than the previously reported 14%.

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Lee Boyd Malvo Avoids Death Penalty¹³

The Virginia jury that found 18-year-old Lee Boyd Malvo guilty of murder in the Washington sniper case [decided against the death penalty and instead asked the judge to sentence him to life in prison without parole](#)¹⁴. Mr. Malvo could still be tried for other capital crimes in the case, in Virginia, other states or by the federal government. But today's jury decision seemed a victory for a defense team that had portrayed Mr. Malvo as a brainwashed accomplice of John Allen Muhammad, who was convicted by a separate jury last month for the autumn 2002 spree of shootings that took the lives of 13 people and wounded six in four states and the District of Columbia. That jury recommended that Mr. Muhammad, 42, get the death penalty, though the judge in his case could still overrule the jury when he formally sentences Mr. Muhammad.

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FASB Tightens Rules on Pension-Plan Reporting¹⁵

The Financial Accounting Standards Board has issued a new rule requiring companies to provide more details about their defined-benefit plans on a quarterly basis, effective immediately. Under the previous rules of the organization, which sets U.S. accounting standards, companies were allowed to pension gains and losses over several years, a practice that helped some companies to obfuscate losses in recent years. Now, [companies will have to define their plan assets, benefit obligations, cash flows, benefit costs and other relevant information at least four times a year](#)¹⁶. The board said the new rule, FASB Statement No. 132, was issued in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information.

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Lenny Bruce Receives a Posthumous Pardon¹⁷

Thirty-nine years after Lenny Bruce was busted for using obscenities on stage, New York Gov. George Pataki granted a posthumous pardon to the counterculture comedian who was credited with creating modern stand-up. It was the first posthumous pardon in New York state history. Mr. Pataki -- petitioned by Robin Williams, the Smothers Brothers, Mr. Bruce's family and prominent free-speech advocates -- called the move a "declaration of New York's commitment to upholding the First Amendment." Mr. Bruce was performing in November 1964 at the Cafe Au Go Go in New York City's Greenwich Village when undercover police detectives heard what they later described as [more than 100 "obscene" words in his politically provocative act](#)¹⁸. He was charged with giving an obscene performance and convicted at the end of a six-month trial. Two years later, effectively black-listed and beset by legal and financial problems, Mr. Bruce died from a drug overdose at the age of 40.

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Oak Hill to Buy Duane Reade

Duane Reade, the biggest drugstore chain in the New York City area, has agreed to be acquired by the private-equity fund Oak Hill Capital Partners in a deal valued at more than \$700 million, including the repayment of debt. The companies said that Duane Reade's shareholders will receive \$17 per share in cash, a 23% premium over the average closing price of Duane Reade's stock for the last 30 trading days. It closed at \$15.22 on Monday. Chairman, Chief Executive and President Anthony Cuti and some other senior members of Duane Reade's management will have equity interests in the acquiring entity once the deal is completed, though the transaction is still subject to stockholder and regulatory approvals.

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Principal Financial Finds Pre-2000 Improprieties¹⁹

Principal Financial Group, a Des Moines, Iowa-based insurance company, has told the Securities and Exchange Commission that an internal review of its employees' trading records found that some workers engaged in improper market-timing activities. The employees gained \$175,000 through market timing of 401(k) separate accounts and \$4,600 through market timing in mutual funds, it said in a filing with the SEC, and [the company intends to pay restitution to all affected funds](#)²⁰. Principal Financial said the vast majority of the market-timing trades occurred between 1998 and 2000, and that the trades took place predominantly in the company's international 401(k) separate accounts. It added that starting in 2000, Principal Financial "imposed progressively more robust standards and protections to further prevent improper market timing." The company said those standards applied to employees as well as customers. ([Complete coverage](#)²¹)

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Quote of the Day²²

"I think we're all a little bit disappointed. ... I suspect Mr. Nader would have gotten the nomination,"

said Scott McLarty, a spokesman for the U.S. Green Party, after consumer advocate and purported 2000 election spoiler [Ralph Nader said he won't seek to be the party's choice for the White House](#)²³ in 2004. Mr. McLarty's disappointment probably isn't shared by most of the current Democratic presidential hopefuls. Mr. Nader won 3% of the national popular vote in 2000, and enough in some states to prompt many Democrats to say he stole sufficient votes from the left to sink Al Gore and assure the election of President Bush. Still, Mr. Nader said he hasn't ruled out running for president as an independent and plans to make a decision by January.

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For Want of a Screw

For want of a screw, a tool was unusable; for want of the tool, a nuclear power plant stayed off line; for want of the resumption, Greenpeace renewed its campaign to shut the plant; all for want of a screw. Engineers at the Juan Cabrera nuclear power plant in Almonacid de Zorita, Spain, must be feeling a little sheepish today after giving up a two-day hunt for the one-inch screw found missing from a tool used to refuel the 35-year-old plant, a search that involved scouring the vessel holding the nuclear core and dismantling the core with remote-controlled machines in a sealed cell. The plant had been scheduled to restart yesterday after a month-long refueling operation. But a spokesman for Spain's Nuclear Safety Council said it is investigating any potential harm that could be caused by the missing screw, and that "we don't know when we'll let them restart."

The reactor's owner, Union Fenosa, citing a report from contractor Westinghouse, said the screw was too big to have fallen into the nuclear fuel core, and that the "hypothetical loss" of the screw was therefore an "innocuous" event that presented no risk. But Greenpeace, which has been lobbying officials to shut the plant before the scheduled closure in 2006, said the screw could cause a very serious nuclear accident if it were loose in the nuclear core or in the high-pressure vessel containing it. "They would hardly go to the trouble of such a complex search if it weren't important," Greenpeace spokesman Carlos Bravo told the Associated Press.

Editor's note: Due to the early close of trading in U.S. financial markets on Dec. 24 and Dec. 26, The Afternoon Report will be published once on those days, at approximately 2:30 p.m. EST.

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Updated December 23, 2003 6:18 p.m.

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