

MOTLEY FOOL
Page 8D
CHARLES A. JAFFE
Page 2D
JANE BRYANT QUINN
Page 2D

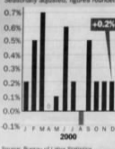
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Consumer prices on rise
3.4 percent surge largest since '90

Consumer prices

Here is a look at the Consumer Price Index. *Seasonally adjusted, figure in percent*



THE MORNING LINE

Verizon customers sue, alleging slow installation

WASHINGTON — Verizon Communications customers are suing the company out of frustration that it took weeks or months to get their high-speed Internet access installed. The class action effort is an attempt to stop Verizon from signing new subscribers, as well as to force compensation of existing customers.

The complaint, filed this week in Superior Court for the District of Columbia, alleges that Verizon was aware that it would be unable to provide high-speed service as promised. It knew that its customers would experience significant disruptions and significant delays in obtaining technical support.

The claim alleges that Verizon (NYSE: VZ, \$53.94) signs up more than 2,000 new customers a day while knowing that the company cannot support so many.

Verizon spokesman Larry Plam said Wednesday that the company had not seen the complaint and would not comment on it specifically, but that Verizon is working hard to satisfy customers.

Northwest Airlines orders 44 planes to replace DC-10s

MINNEAPOLIS — Northwest Airlines ordered 24 Airbus A330s and 20 Boeing 757s to replace its aging subset of McDonnell-Douglas DC-10s.

The order for the 302-passenger planes made by France's Airbus Industrie and the 225-passenger, narrow-body planes made by Boeing Co., announced late Tuesday, would cost \$5 billion at list prices. Northwest (NASDAQ: NWAC, \$28.94) did not disclose what it will pay.

Boeing (NYSE: BA, \$58.75) said its share of the Northwest Airlines order, an expansion of an earlier order, is worth \$1.75 billion. It includes 18 firm orders for 757-300 jets, two 757-300 orders subject to conditions and two firm orders for 747-400 jumbo jets, Boeing said.

Second Limited exec leaves after management changes

NEW YORK — The Limited Inc. said Wednesday that Andrea Weiss is resigning as chief stores officer and executive vice president, becoming the second top-level executive to leave the apparel retailer this week.

Weiss' departure comes amid a recent string of retail management changes that has occurred against the backdrop of disappointing holiday sales.

In February, The Limited (NYSE: LTD, \$17.44) announced the departure of Peter Whitford, president of its Structure division. David Lewis, executive vice president and general merchandise manager, will assume Whitford's role until the company finds a replacement.

Hyundai Electronics tries another plan to cut debt

SEOUL — South Korea's Hyundai Electronics Industries Co. announced a new rescue plan.

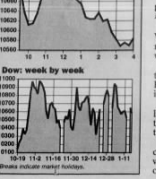
The plan disclosed Wednesday aims to raise about \$3.6 billion to reduce debt, which would include shedding 5,000 of its 22,000 employees by selling or spinning off non-semiconductor businesses.

The chipmaker has been facing downward pressure on its stock prices as they have dropped about 75 percent during the past year.

Market activity

Dow closed at: 10,584.34, down 68.32
S&P 500 index: 1,329.47, up 2.82
NASDAQ: 2,082.78, up 64.23
AMEX: 906.02, up 0.56
Russell 2000: 493.44, up 5.15
Treasury: 8,979.37, up 135.37
30-year bond: 104.08, 5.52 percent

Dow: Minute by minute



By Martin Crutcher
The Associated Press

WASHINGTON — Consumer prices jumped 3.4 percent last year, the biggest increase in a decade, although a fall in gasoline prices helped to hold back inflation in December.

Meanwhile, in a dramatic sign of the slowdown affecting the U.S. economy, the government said that output at U.S. factories plunged by 1.1 percent in December, the biggest setback since the end of the last recession in 1991.

A third economic report showed the

weakness in manufacturing extended to other parts of the economy as well in December. The Federal Reserve said its latest survey of business conditions found retailers reporting disappointing holiday sales and rising layoffs "in a wide variety of industries."

The Fed survey, known as the beige book, said those losing their jobs should have no trouble finding new employment, given generally tight labor markets.

The Fed report, which will be used at the Jan. 29-31 meeting of the central bank, said the economic slowdown also is helping

to limit price pressures for products and services.

On Wall Street Wednesday, the Nasdaq closed up 64.24 to 2,082.78, giving back more than half its gains from earlier in the day.

The Dow Jones industrial average fell 68.32 to 10,584.34, despite rising earlier in the session, and the broader Standard & Poor's 500 index rose 2.82 to 1,329.47.

Investors went on a technology buying spree early Wednesday, but retreated on second thoughts about the market's strength in a decelerating economy. The pullback reflected Wall Street's concern as

PLEASE SEE ECONOMY, 7D

Companies look to capitalize at meeting

By Stephen Paund
The Associated Press

BOCA RATON — If you had joined the spectators at the Florida Venture Capital Conference on Wednesday, you might have guessed that financial backers were as easy to find as the cappuccino vendor.

More than 850 people attended the first day of the two-day conference at the Boca Raton Resort and Club, with more than 100 of them venture capitalists. The first 12 companies seeking venture capital presented their business plans Wednesday.

Another 13 companies will address the conference today.

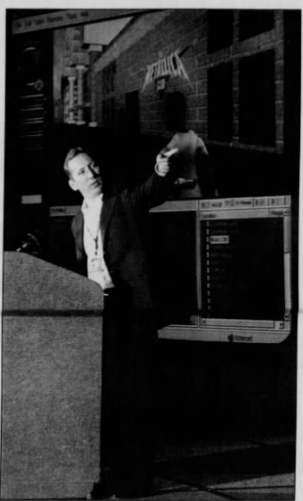
Among the first group were Alldex Inc. of Boca Raton and JesterDigital Corp. of West Palm Beach. Alldex founder and Chief Executive Chad Cornell said his company solves what he calls "software friction."

A company electronically sends data in one software language to Alldex, which translates it into the language used by another division of the company or that of a supplier or customer. Cornell estimates more than \$100 billion a year is spent to resolve communications problems between software programs.

"It's a 20-year-old problem and 95 percent of organizations are fulfilling it by using [information technology] staff in-house. It's very inefficient," Cornell said.

He is asking for \$10 million for routing equipment to send data to the servers doing the software translation. He projects \$2.5 million in revenue in 2001.

JesterDigital creates three-dimensional Web content sites for other Web content sites. It also rents space on a "metaverse," or internet 3-D Web community, in which other companies can link and where JesterDigital can sell down-



JOHN TECTOR/STAFF PHOTOGRAPHER
John Tector, chief executive of JesterDigital, puts on a presentation.

loads of rock music.

"We want to build a better Internet environment," said Chief Executive and co-founder John Tector. "Our core function is the user's experience."

Tector's 3D presentation at the conference included a tour of a virtual

city where billboards, building names and other signs carried the names of large venture capital firms and conference sponsors.

Tector is asking for \$10 million to \$20 million to continue development.

PLEASE SEE CAPITAL, 2D

Earnings reports run from upbeat to worry

Palm Beach Post Wire Services

NEW YORK — Earnings reports Wednesday from some of the nation's best-known companies ranged from upbeat to gloomy at Bank One Corp. Here are some of them:

■ **ARMONK, N.Y.** — IBM Corp.'s (NYSE: IBM, \$58.69) fourth-quarter profits topped Wall Street's reduced expectations, rebounding 28 percent from the pre-Y2K slowdown that hampered the computer company in late 1999. IBM said Wednesday it earned \$2.67 billion,

or \$1.48 a share, during the final three months of 2000.

■ **SAN JOSE, Calif.** — Struggling Apple Computer Inc. (NASDAQ: AAPL, \$16.81) posted a first-quarter loss greater than what Wall Street was expecting, but promised a return to profitability next quarter. For the three months ended Dec. 30, the company lost \$247 million, or 73 cents a share.

■ **DETROIT** — General Motors Corp.'s (NYSE: GM, \$54.88) fourth-quarter earnings were more than halved

to \$609 million, reflecting a softness in North American auto sales. GM posted profits of \$1.15 a share for the October-December period.

■ **FAIRFIELD, Conn.** — General Electric Co. (NYSE: GE, \$46.09) on Wednesday reported double-digit profits for the fourth quarter and the year. Net income rose 16 percent in the fourth quarter, on \$3.58 billion, or 39 cents a share, on revenues of \$24.98 billion.

PLEASE SEE EARNINGS, 7D

IBM exhibit recalls computer's glory days in Boca Raton sun

By Stephen Paund
The Palm Beach Post Staff Writer

BOCA RATON — Sure, there's a Silicon Valley and Research Triangle now. But in the mid-1980s, the center of the high-tech universe was in Boca Raton.

The site, a tract of that universe was International Business Machines, and its stay in Palm Beach County is the subject of an exhibit opening today at the Boca Raton Historical Society.

"IBM Boca Raton: Computer Pioneers" outlines the company's history in the city from the time it chose Boca in 1966 as a new manufacturing site until today.

The highlight of IBM's stay in South Florida came in 1981, when its technology wizards invented the personal computer. It was IBM Boca Raton Chairman Bill Gates padded-around the

halls of IBM in Boca Raton in those years, although he's not pictured in the exhibit.

"I would have liked to have gotten a picture of him on the beach or something, but I could not find any of him," said Mary Lou Riccio, the society's exhibits coordinator.

The exhibit consists of two walls of chronologically ordered, mounted display boards featuring photos, maps and schematic diagrams of some of the company's key patents. At the front of the exhibit is one of the machines that changed it all: a chunky, beige PC, one of the first models the company produced.

Thomas J. Watson Jr., then chairman of Armonk, N.Y.-based IBM, chose Boca Raton for the company's 23rd manufacturing plant, telling



JOHN SWINNEY/STAFF PHOTOGRAPHER
Mary Csar (left) and Mary Lou Riccio, both of the Boca Raton Historical Society, with the exhibit on IBM's Boca posts, opening today.

CNN to cut 400 jobs in ramp

The shake-up follows the sale of CNN parent Time Warner to America Online.

By Seth Satal
The Associated Press

NEW YORK — In its biggest shake-up since being founded 21 years ago, CNN is reworking its news-gathering structure, cutting 400 jobs and appointing three senior news executives. The network has been struggling with a ratings slump and is gearing up for Warner under the newly created AOL Time Warner Inc. media empire.

The shake-up announced Wednesday, which comes less than a week after CNN parent Time Warner sold itself to America Online, will concentrate CNN's sprawling news operations under a central authority to coordinate coverage for its various TV outlets and associated Web sites.

"This is the first time in our 21 years that we've conducted such an extensive reevaluation of our infrastructure," CNN Chairman Tom Johnson said.

A main feature of the shake-up will be the creation of a "super desk" in CNN's Atlanta headquarters that will make assignments spanning all 34 TV, radio and Internet news outlets run by CNN.

"We'll speak with one editorial voice on TV and on the Web," said Philip Kent, president and chief operating officer of the CNN news group.

Johnson said the changes will help "eliminate duplication" among CNN's news resources, which serve its main U.S. channel, overseas networks and such signoff networks as CNNn and Headline News. "There were several different parts of the organization that operated independently, and now it will be more collaborative," Johnson said.

About one-third of the 400 layoffs, which represent about 10 percent of CNN's work force, will affect employees in Internet-related jobs. Another third will affect programming employees, and the rest will be spread throughout the company.

Top news executive Eason Jordan told employees in an internal memo Wednesday that displaced workers will receive severance packages that are twice as large as the company's standard package.

The packages include nine weeks of pay, plus an additional four weeks for every complete year of service.

CNN also is making a number of changes to its programming lineup, including the cancellation of four business shows, *Movers*, *Your Money*, *Entrepreneur* and *Street Stories*.

The all-news network has been struggling with sinking ratings even as such smaller rivals as Fox News Channel and MSNBC chip away at its leading position with personality-driven shows with colorful anchors such as Chris Matthews and Bill O'Reilly.

JOHN SWINNEY/STAFF PHOTOGRAPHER

PLEASE SEE IBM, 2D

THURSDAY **BIG MONEY**

Reports of FDI losses might spur change

The fallout from 2000 is about to begin. Any day now, fund investors will get annual statements and reports and, for the first time since 1984, many of their funds are likely to show losses.



Charles A. Jaffe

Short Course

New fund phenomena

This is the belief - supported by at least some industry research - that new mutual funds often form their older, more established peers during their early stages. The theory revolves around size, with new funds being small, concentrated on the manager's best picks, and reaping the upward benefits of being focused. As the fund gets bigger and more diversified, it takes more money in more holdings to give the fund the same percentage it gets from a few stocks while small. Of course, not all new funds experience great performance. Returns are a function of the assets a fund buys, market conditions, and managerial expertise. Phenomenon supporters believe a new fund has a better chance of short-term success because of its size and ability to move quickly.



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staying the course doesn't appear to be a damaging strategy. But in years when investors beat the market but still lose money (the Standard & Poor's 500 was off about 12 percent in 2000) or have losses dramatically bigger than the market, the dowfall makes them feel that changes are necessary.

Whether moves really are needed depends less on market conditions than on the answer to several simple questions. If your fund's 2000 performance has you ready to give up, don't make a move until you answer the following questions:

- **Is this still the fund I bought?** If one out to buy a fund hoping it will be a dog, certain characteristics draw you in. Check the fund's performance, risk, consistency of performance, ratings and rankings, the manager, the investment process. If the elements that attracted you to the fund are still in place, the fund is likely to be with the market or with your tolerance for risk. Those might be reasons to make a change.
- **Did the fund lose more than it**

shoud?

Investors need to factor the potential for losses into their expectations for a fund. But if you bought a plain-vanilla growth fund and you lost a lot more than the broad stock market did last year, something is amiss. You're losing your hair simply because of their magnitude - because maybe the losses are something that every investor should expect to suffer occasionally - or it might be time to rebalance your portfolio, regardless of who you foresee for the fund to have rebounded, may be? In the future, how do you compare to his peers?

Never look at fund information, positive or negative, in a vacuum. No matter a fund's returns, you don't want to lag the competition badly. You particularly don't want to hang on to a slug if it failed the first two questions, having changed since you bought it and lost more than you expected.

• **Now that I have lived through the down side, can I stand it?** When funds are going up, they are never too volatile; no one ever complains that the fund which gained 50 percent in a good year should have grown more slowly. In fact, many people chase that performance hoping to catch it for themselves, assuming all the while that they can stomach the downside of such funds.

The trouble shows up in the math after a bad year. If you gain 100 percent in Year One, and lose 50 percent in Year Two, you're back to break-even; few people invest in funds hoping to get their money back.

If losses from 2000 have you losing your hair simply because of their magnitude - because maybe the losses are something that every investor should expect to suffer occasionally - or it might be time to rebalance your portfolio, regardless of who you foresee for the fund to have rebounded, may be? In the future, how do you compare to his peers?

• **Have I been fooling myself?** When your losses are big, take a long look in the mirror. Maybe the funds haven't been so great all along (they have been up, but lagging their benchmarks), or maybe the developments, 14-15 degree attitude that felt so good in 1998 and 1999 doesn't reflect your feelings now that you've been losing by a knee.

No one likes to admit mistakes, but none of us are geniuses when our funds rise, nor are we dummies when they fall.

Losses happen. Deal with them and your reaction to them honestly, and you'll be well positioned for whatever the market and economy did out next.
• Charles A. Jaffe is mutual funds columnist at the Boston Globe. He can be reached by e-mail at cajt@boston.com or at the Boston Globe, Box 2378, Boston, Mass. 02217-2378.

Investors advised to use caution in dealing with CD brokers

Second of two parts

There's a bad business going around. People who advertise themselves as "registered" CD brokers are mis-selling certificates of deposit to trusting savers. The CD is insured by the Federal Deposit Insurance Corporation, so you assume that your money is safe. But the CD advertises it at a higher interest rate than you'd get from banks.

You think you're getting a superior rate of investment. In fact, you might lose major money or have your savings tied up for many years.

Higher-rate CDs can be legitimate, as long as all their angles are disclosed. But the bad CD deals are devastating the hopes of careful savers who didn't intend to put their money at risk. This story has two parts - the so-called "registered" brokers and how Congress accidentally abetted them in a problem that's



Jane Bryant Quinn *Writing About It*

check them, license them, regulate them, insure them, endorse them, curb them or approve their ads.

For deceptive brokers, this law was a golden gift. They could advertise, truly, that they were on an FDIC list. The public had no idea that the list had already been compiled, as if the brokers were government-approved.

Finally, the FDIC asked Congress to repeal the law. Congress did so in 1999, and the FDIC is now on its own.

Starting this month, the CD broker list no longer exists, says Alice Goodman, director of the FDIC's Office of Legislative Affairs. The number of registered brokers had reached 1,388. The FDIC will write to them about the change. Anyone presenting himself or herself as a registered broker is no longer speaking the truth. You can complain to the FDIC on its new consumer line, 877-ASK-FDIC.

FDIC

• **The deceptive sales problem.** Brokerage firms can negotiate with banks to get giant-size insured CDs. The brokers break the CDs into smaller bits, for sale to individuals.

The banks allow the brokers a higher interest rate because they deliver money in wholesale lots. Evers so, the commissions the brokers can pass a higher rate along to you.

That can go wrong? Gather 'round and listen. Some brokers have been selling "one-year callable" CDs. Naturally, you think you can retrieve your money a year from now.

One year later, however, you learn that you've actually bought a 20-year or 30-year CD. The bank can decide to re-open the CD after one year. But if the bank doesn't, you cannot get your principal back. Some of these CDs reduce your interest rate the longer you hold them.

Other brokers are selling "discount" or "zero" CDs. You buy a CD for less than its face value. Each year, your interest accumulates within the CD. At maturity, you're paid your interest and principal all at once.

But deceptive brokers may take huge commissions out of your investment without telling you. Your true interest rate is much lower than you thought.

Here again, some investors think they're buying one-year or two-year discount CDs. Instead, they've been signed up for 15 or 20 years.

The broker can sell your callable or discount CDs on the open market, before maturity. You might be told that there's no early withdrawal penalty. But you generally lose money on an early sale - often, a lot of money. Some of these long-term CDs become payable if you die.

might be happy to collect high interest during your lifetime, as long as your heirs will get the CD's full principal, right away.

You should understand this in advance - not be misled into buying one.

If you're interested in a CD sold by a broker rather than a bank, know that there are extra risks.

You should get a written contract - one you can take away and read before you sign. The contract should give you a specific "maturity date" (don't accept other language). And beware ads for "registered" brokers.

For more information, go to the FDIC's Consumer News Web at www.fdic.gov/consumers/consumer/news/index.htm.

• Jane Bryant Quinn welcomes letters on money issues and problems, but cannot offer individual financial advice. Write to her in care of The Palm Beach Post, 2751 S. Dixie Highway, West Palm Beach, Fla. 33405.

Many venture capitalists like risk spread around

CAPITAL

Some of its virtual realty sites and to build a sales and marketing force. He projects \$12 million in revenue in 2001. This story has two parts - the so-called "registered" brokers and how Congress accidentally abetted them in a problem that's

some companies. Alltech already has received \$3.1 million; JesterDigital, \$6.5 million, including \$1.5 million from CrossBow Ventures of West Palm Beach in a previous round of financing.

Many venture capitalists this year are looking for just that - a previous investor to share their risk. Managing Partner Randy

Polmer of Antares Capital Corp. in Melbourne said he's looking for companies that need expansion capital.

"The business should have its technology risk largely gone," he said. "We're at a stage beyond seed money. It's already producing what it says it can produce."

Scott Adams, president of the

technology business incubator Genetec in Boca Raton, sees the middle section in a chain of investments would be the safest place.

"We've got to look for companies that are further along so we can help them get funded (again)," Adams said. "It's a chain reaction."

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Firm picked Boca for 'weather and darn good orange juice'

IBM

reputers be liked the site's proximity to Florida Atlantic University and Boca's airport. But privately, he said he chose Boca for its weather and darn good orange juice.

The company bought 550 acres in the picturesque Park area west of Interstate 95, south of Yarnap Road and east of Military Trail, in Boca in 1996. It already had groundbreaking ceremonies in 1968 with a proud Gov. Claude Kirk helping to scoop the first shovelful of dirt.

When IBM's research center opened, it had 400 employees in 620,000 square feet of space. The plant would later grow to 3.6 million square feet in 40 buildings. At its height in 1985, it employed almost 10,000 people.

At first, the plant churned out mainframe and minicomputers. It also developed computers for manufacturing operations. Then came the PC. The model used was salvaged from an IBM'er's garage and donated to the historical society.

The first desktop had a 16-bit, 4 megahertz processor, 16 kilobytes of memory, a disk drive that ran 3.5-inch floppy disks and no hard drive. It operated off DOS, for Disk Operating System, the programming language and controlled most PCs until Microsoft's Windows came along.

hardware developers to North Carolina and software programmers to Texas.

Now, only a handful of teams, including the IBM VSI Systems Division, remain here.

Society Director Mary Caragot the idea for the exhibit two years ago and approached IBM.

Big Blue opened its files and contributed \$2,500. Riccio put the exhibit together during the past three months after scanning documents and interviewing experts.

The exhibit, open from 10 a.m. to 4 p.m. Tuesday through Friday, runs through May 31.

Admission is free. The historical society is at 71 N. Federal Highway in Boca Raton.

At noon on Saturday, IBMers will run from 2 to 7 p.m. Saturday at Town Hall to mark the exhibit's opening.

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