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BIZ QUICKS

Nasdaq loses 2004 gains as selloff continues

Fears over a lack of job growth and a sluggish economy sent stocks sharply lower Thursday, with the Nasdaq composite index wiping out its gains for all of 2004.

With the first quarter ending this month, companies such as Nike Inc. and Texas Instruments Inc. have issued surprisingly strong earnings outlooks. But with job creation stagnant and some analysts believing stocks are overpriced, investors feared that the market's year-long rally might have ended.

"When good news doesn't move the market higher, we're obviously in a corrective phase," said Matt Kelmon, portfolio manager at Kelmoore Strategy Funds.

The Nasdaq lost 13.62, or 0.7 percent, to 1,995.16, after falling 38.85 Monday. Home to many of the technology stocks that fueled last year's rally, the Nasdaq closed below its low for the year of 2,003.37.

The Dow lost 72.52, or 0.7 percent, to 10,456.96, adding to Monday's loss of 66.07. The Dow is off 280.74 from its 2004 high, set on Feb. 11.

The Standard & Poor's 500 index fell 6.63, or 0.6 percent, to 1,140.58, having fallen 9.66 on Monday.

Hugh Johnson, chief investment officer at First Albany Corp., said investors' moves — getting out of the once high-flying technology sector and into health-care and consumer staples — are similar to those that occurred when the bear market began.

"I'm in the bullish camp, but I must admit, my bullishness is really being tested," he said.

VW executive predicts 'miserable' first quarter

German carmaker Volkswagen AG warned Tuesday that sluggish auto markets will lead to "miserable" earnings in the current quarter and announced a cost-cutting program to eliminate 5,000 jobs.

The negative outlook upset investors, who sent the company's shares down 3.07 percent to close at 38.20 euros ($47.41) in Frankfurt.

Pischetsrieder

Volkswagen's earnings have been battered by intense price competition and a weaker dollar in the key North American market, as well as soft consumer demand in its home market, Germany, where sales fell for the fourth straight year in 2003. The company's recent European launch of its new version of its Golf hatchback sputtered, prompting Volkswagen to offer free air conditioning to attract customers.

"The first quarter will be miserable in comparison to last year's," chief executive Bernd Pischetsrieder said during the company's annual news conference at its Wolfsburg headquarters.

He outlined plans to squeeze an additional 2 billion euros ($2.47 billion) in costs out of the company by 2005.

The company will carry out the job cuts by not replacing workers who quit or retire, he said, and will seek to accelerate efforts to share parts among different models and turn around its losing commercial vehicles division.

About 2,000 to 2,500 of the job losses would come in Germany, Pischetsrieder said.

Dollar gains strength against rival currencies

The dollar rallied across the board Tuesday, gaining particular ground against the major European currencies after the euro tumbled through a series of pre-placed sell orders.

The dollar had been well supported for the entire global session after alarmingly weak United Kingdom trade data put sterling under heavy selling pressure.

The pound lost around 2½ cents on the day.

Hit by a 29 percent slump in exports to the United States and a subsequent widening in the U.K. trade deficit in January to a record 5.6 billion pounds, sterling fell sharply. In late New York trading, the British pound fell to $1.8269 from $1.8462.

The dollar was quoted at 111.41 yen, up from 111.26 yen late Monday. The euro was quoted at $1.2304, down from $1.2388 late Monday.

Motorola Inc. moves chip jobs to China, India

Motorola Inc. said Tuesday it has shut down its semiconductor chip-design operations in Singapore, Taiwan and Hong Kong and moved them to China and India.

A total of 50 jobs will be lost at the old design centers, said Motorola spokeswoman Lynn Chan in Singapore. Half the lost jobs will be in Singapore, where Motorola employs about 2,000 workers.

The job cuts are designed to trim costs and concentrate design and manufacturing operations in the same locations, Chan said.

Singapore, Taiwan and Hong Kong, like the United States and other countries where labor is more expensive, have been battling to slow the flow of jobs and investment to cheaper manufacturing centers in China and India.

Motorola, of Schaumburg, Ill., is the world's second-largest maker of mobile phones.

From Bloomberg, AP, staff reports

EchoStar drops Viacom channels

▶ The satellite network and the multimedia giant are feuding over fees.

From Staff and Wire Reports

Those voices you hear are Dish Network subscribers crying "I want my MTV" after a contract dispute between owner EchoStar Communications Corp. and Viacom Inc. caused some popular channels to be pulled off the satellite service Tuesday.

Millions of Dish subscribers can't get MTV network, Nickelodeon, Comedy Central, VH1, Black Entertainment Television and, in some markets, 16 local CBS stations owned and operated by Viacom.

The Tulsa CBS affiliate is not included, but area Dish Network subscribers cannot receive the other Viacom stations such as MTV.

Those not able to receive CBS affiliate programming will not be able to view the NCAA men's basketball coverage. In place of Viacom programming, some customers see a message from EchoStar saying that multimedia giant Viacom is asking an unreasonable amount for its programming.

Englewood, Colo.-based EchoStar delivers hundreds of channels to 9 million subscribers.

Competitors, including DirecTV, are broadcasting advertisements urging Dish subscribers to switch to their services.

EchoStar said it will provide $1 monthly credits to customers who lose CBS programming, and another $1 for those who subscribe to additional Viacom channels.

A statement from Viacom after the 2 a.m. contract deadline passed urged EchoStar customers to stop subscribing to the Dish Network.

"Current EchoStar-Dish Network subscribers who would like to contin-

SEE **CBS** E-2

Retail reaction

Bloomberg News

An advertisement for Martha Stewart house paints looms over the paint department of a Kmart store in Chicago. Sales of Stewart's products at Kmart were $1.5 billion in 2002 — about 5 percent of the retailer's total sales.

Kmart awaits impact of Stewart verdict

From Staff and Wire Reports

Kmart Holding Corp., on the mend after a trip to bankruptcy court and struggling to lure consumers back to its tidied up stores, could see the shine on its marquee brand dim now that Martha Stewart faces prison for lying about a stock sale.

The brand is one of the few things the retailer has going for it as it struggles to compete with Wal-Mart Stores Inc. and Target Corp. Detroit-based Kmart touted its exclusive rights to Martha Stewart Everyday housewares and other products as key to its recovery since emerging from Chapter 11 last year.

"Other than Martha Stewart and her daughter, nobody was more upset Friday afternoon than executives at Kmart," said Seth Siegel, co-founder of The Beanstalk Group, a trademark licensing agency.

Kmart has been silent on the future of its relationship with Martha Stewart Living Omnimedia since the domestic style maven was found guilty Friday of lying to government investigators about her well-timed sale of stock in a biotechnology company before bad news sent the shares plummeting.

The retailer said only that it was "saddened" by the conviction.

Stewart, who owns 61.2 percent of her multimedia company, resigned as chief executive after being indicted last summer but remained as chief creative officer and a director. Regulators could force her to resign her positions. But even if she severed ties to the company, her persona is tightly wound up with the brand.

Still, analysts said Kmart is unlikely to abandon Stewart. Sales of her products at Kmart were $1.5 billion in 2002 — about 5 percent

SEE **KMART** E-8

'The brand Martha Stewart was probably more favorably looked at than Kmart itself.'

Gary Ruffing

Retail consultant with BBK Ltd. and former Kmart executive

David Johnson

"Additional investment will depend strictly on a review of the opportunities to return to charter service. We are making every effort to come up with a scenario that is feasible."

Bankrupt airline optimistic

▶ Great Plains Airlines is trying to obtain planes for its charter service.

By D.R. Stewart
World Staff Writer

Executives at bankrupt Great Plains Airlines are conferring with investors and third-party vendors about leasing aircraft to resume the company's charter aircraft service.

Although company executives say there is a reasonable chance the airline will return to service, some vendors, creditors and government officials indicate it will be an uphill struggle. The longer the airline remains grounded, the more difficult and expensive it will be to get back in business, officials said.

"They need to redo their business plan to see if a charter service would be cost-effective," said Randi Miller, an opponent of public financing for Great Plains as a city councilor four years ago and now chairman of the Tulsa County Commission.

"I think there is a market for a charter airline service in Tulsa. I never questioned the need for direct flights, but the competition is so great. A lot has changed since 9/11."

Three-year-old Great Plains Airlines filed for Chapter 11 bankruptcy protection from creditors in U.S. Bankruptcy Court in Tulsa on Jan. 23, listing debts of $37.6 million and assets of $32.3 million. On the day of the filing, it laid off 100 of its 150 employees and grounded its commercial airline service.

Since its Chapter 11 filing, a creditor repossessed Great Plains' two Fairchild Dornier regional jets. The airline continued flying its charter aircraft service with three leased Fairchild Dornier 328 turboprops until Feb. 21, when the lessor reclaimed them for lack of payment.

In recent court filings, lawyers for

SEE **GREAT** E-2

ClientLogic adding 100 jobs in Bartlesville

By Laurie Winslow
World Staff Writer

ClientLogic Corp. said Tuesday it plans to add 100 jobs to its operations in Bartlesville, expanding the work force to 400.

Various associate positions are available, and ClientLogic said it will provide extensive training.

The expansion comes as the center's primary client — a leading Internet service provider — grows its business, said Todd Chretien, site director at the Bartlesville call center.

He said he could not disclose the

SEE **JOBS** E-8

McFarland, Davies architects merge

▶ A rebounding local economy is being cited for the increase in projects.

By Tom Droege
World Staff Writer

Two local architecture firms have merged to tackle a growing number of projects, a principal of the new company said Tuesday.

"The economy is definitely picking up," said Connie McFarland. "The urgency at this time is the building volume of work."

McFarland's firm, McFarland Architects, merged with Davies Architects this week. The new firm, McFarland Davies Architects, will employ about 30 people at the Reunion Center, 9 E. Fourth St.

Davies Architects, owned by F. Lubbock Davies III, has been in business in Tulsa about 20 years. One of the firm's largest projects has been the $160 million expansion of St. John Medical Center at 21st Street and Utica Avenue.

McFarland said the idea to merge surfaced recently when she began making inquiries to Davies about hiring some of his architects on a temporary basis to keep up with her firm's workload. At the same time, Davies Architects was beginning to put out feelers for additional projects.

"We've been sharing leads for a while," McFarland said.

When Tulsa's economy began to sink more than two years ago, several of McFarland's architects went to other cities in search of work.

Now with the economy apparently on the turn-around, she needs to staff up.

The co-owners of the new firm think they can accomplish more by combining their staffs, which they say complement each other. McFarland's team has experience in master planning, while Davies' staff is well-versed in design and production, they say.

"I think it's going to be a great blend," Davies said. "Together we have strong, broad-based knowledge."

McFarland Architects, which has been in business in Tulsa about 15 years, was the architect behind the Ronald McDonald House at 6102 S. Hudson Ave. Arvest bank branches

SEE **FIRM** E-8

KMART:

Kmart is unlikely to abandon Stewart, analysts said.

FROM E-1

of Kmart's total sales.

The actual value of the brand could be even greater. Shoppers often are lured into Kmart by the Martha Stewart name and then make other purchases, analysts noted.

"The brand Martha Stewart was probably more favorably looked at than Kmart itself," said Gary Ruffing, a retail consultant with BBK Ltd. and a former Kmart executive. "It would be very tough for them to walk away."

Since emerging from bankruptcy, Kmart has whittled down its losses, after doing the same with its stores and work force, and the retailer reported a $250 million profit for November and December, the first two months of its fiscal fourth quarter. Kmart reports full-year earnings next week.

In Tulsa, Kmart currently is holding a store-closing sale at 3601 S. Elm Place in Broken Arrow. The location is one of eight stores Kmart plans to shut down in the coming months.

The closing will leave three Kmart stores in the Tulsa metro area — 3132 E. 51st St., 10131 E. 21st St. and one on Charles Page Boulevard in Sand Springs.

The closing announcements were made prior to the Stewart verdict.

Kmart also closed a Tulsa store at 5305 E. Admiral Place in spring 2003, and one at 8314 E. 71st St. in March 2002.

Kmart, which first teamed up with Stewart's company in 1987, entered into a seven-year licensing agreement with it in June 2001. Unlike contracts companies typically signed with celebrity promoters, the agreement contains no clause specifying that the relationship can be ended in case of a criminal conviction or other bad publicity. However, legal experts said Kmart could find a way out if it wanted to.

"My guess is that they could find more than one or two ways of breaking the contract if they wanted to," Siegel said. "There's no possibility they want to."

Martha Stewart Living is also interested in preserving the relationship, which continued to pay off even after Kmart filed for bankruptcy in January 2002. Revenues from Kmart constituted about 17 percent of Stewart's company's total revenues that year.

And that business could become even more important as fallout from the scandal hurts other parts of Martha Stewart Living's enterprise.

Stewart's syndicated television show, "Martha Stewart Living," was taken off the air Monday on Viacom-owned CBS and UPN stations. And The New York Times said two columns its syndicate distributes would be renamed and written by people other than Stewart, starting immediately.

In the latest quarter, Martha Stewart Living reported that revenues from publishing declined 28 percent and profits shrank by nearly 75 percent, while revenues from merchandising nearly doubled.

Rasheedah Norton, 26, of Newark, N.J., said she would keep on buying the Martha Stewart brand "as long as they sell it."

"I like the way her products wash. I love the styling, and everything matches. I love Martha," she said as she left a Kmart with a cart full of Martha Stewart bedding, curtains and a rug.

"People who love Martha love Martha, no matter what," said Joan Nerbetski, a clerk at the store in Kearny, N.J.

Stewart will remain a standard-bearer of style, whether or not she goes to prison, said Kurt Barnard, president of Barnard's Retail Consulting Group in Upper Montclair, N.J. The charges Stewart was convicted of — conspiracy, obstructing justice and two counts of making false statements — carry a maximum prison term of 20 years, but most legal experts expect her to serve 10 to 16 months.

Still, the Martha Stewart brand could be diminished, said Arun Jain, a marketing professor at the University at Buffalo, N.Y.: Consumers "won't find the same cachet in Martha Stewart."

This story was written by Associated press writer Sarah Karush, with additional reporting by the Tulsa World Business staff.

www.kmartcorp.com

FIRM:

McFarland Architects designed the Ronald McDonald House.

FROM E-1

and public works projects also are included in the firm's portfolio.

Davies' team has a long history of institutional experience, having worked with St. John Medical Center about 20 years. The firm also has designed shopping centers, auto dealers and retail stores. The structures built for Fine Airport Parking at Tulsa International Airport are also among the firm's projects.

McFarland's firm brings to the table a list of clients from around the region and the ability to work closely with communities on projects.

"Together we have a large index of expertise," Davies said. "There's a distinct advantage to that."

Several of Davies' staff members are already working with the McFarland team, and by April he expects to have his offices moved from 1924 S. Utica Ave. The new firm will occupy the fifth floor in the Reunion Center downtown.

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JOBS:

Sales experience is preferable but not required.

FROM E-1

client's name but noted that "their growth equals our growth."

Based in Nashville, Tenn., ClientLogic is an international provider of integrated customer management solutions. The company has 16,500 associates and operates in 52 facilities in 12 countries throughout North America, Europe and Asia

A subsidiary of Canada-based Onex Corp., ClientLogic opened the Bartlesville office in August 2000 at 3001 E. Frank Phillips Blvd.

In October, the company announced it was adding 250 people to its Bartlesville work force.

"We filled as many of those as we needed," Chretien said.

The Bartlesville center handles inbound phone calls, which have included customer-service inquiries and billing issues. With the latest growth, the company will provide sales work for its main client.

"We're looking for some hard-working, dedicated people who are interested in being trained by us," Chretien said.

Some sales experience is preferable but not required, he said.

The company also is looking for people with a customer-service background, although that experience does not have to be in a call center.

Some computer experience also is a plus — understanding how to surf the Internet and use Microsoft applications — but a lot of that is covered by training, he said.

Hourly associate positions on average pay more than $8, and with sales incentives people can earn $9 to $11 an hour, he said.

With growth, the company also will add some management positions, including supervisors and quality assurance positions. Pay will depend on experience, Chretien said.

ClientLogic also offers benefits.

"It's a casual working environment," Chretien said.

Although the company does not pay for child care, it has partnered with a child-care center in Bartlesville that provides extended hours of operation for employees who must work late or on weekends, he said.

The company is providing weekly job fairs Mondays at 2 p.m. at its Bartlesville site.

Job seekers can stop by the Bartlesville location to apply or call (918) 338-5500 for more information.

Recently, Customer Inter@ction Solutions magazine ranked ClientLogic among the top five international providers in the Top 50 Teleservices.

ClientLogic provides marketing and call center services for more than 250 clients, including TiVo, National Geographic Television, Gateway and Sony Corp.

Last year, ClientLogic handled more than 102 million customer care calls and answered 3.3 million customer care e-mails.

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Low interest rates can mask debt

By RACHEL BECK
Associated Press

NEW YORK — No one expects interest rates to stay at near rock-bottom levels forever, but there are plenty of companies probably hoping that they don't rise anytime soon.

That's because even a slight blip in rates could spell trouble for debt-laden firms. It will put pressure on their cash flows and may even leave some scrambling to cover their newly elevated interest payments. In the process, profits will get squeezed.

NEWS ANALYSIS

The Federal Reserve cut interest rates 13 times over the last three years in an attempt to lift economic growth. The Fed's main lever to influence economic activity, called the federal funds rate, has been at a 45-year-low of 1 percent since last June.

The Fed's efforts have paid off. Low rates have given companies easy access to borrowed capital, which they have used to invest and grow their businesses.

But there is a downside to those low rates: They can mask a company's problems.

For instance, a company might appear in healthy shape because its loan obligations are being met while vendors are still getting paid and products are moving out the door. But what's boosting performance isn't an improvement in operations. It's the reduced interest payments thanks to low rates.

That kind of health can deteriorate fast when interest rates rise.

Fed Chairman Alan Greenspan acknowledged in a speech last week that rates can't stay low indefinitely and at some point — though he didn't give any indications of when — rates will have to rise.

Economists think a Fed rate move could come as soon as this summer and, while expectations are for a slow trend up, it could quickly hurt those companies with little wiggle room when it comes to covering the cost of their debt.

A new study by the consulting firm Getzler Henrich & Associates looked at the potential impact of higher rates on publicly traded companies that have at least some variable-rate debt and that report their interest expense.

Of the 2,000 companies included in the study, 308 use at least half of their operating earnings to pay interest expense. That is, they spend 50 cents on interest for every $1 earned.

Should interest rates rise just 1 percentage point, around 45 of those 308 companies would need to spend at least two-thirds of their operating income on interest payments, and that could potentially cause them to then default on their loan covenants. If rates rose 2 percentage points, the number in that squeeze would jump to around 80.

Industries that could be hardest hit by rising rates include financial services, manufacturing, transportation and energy.

"As we've moved along with low interest rates, companies have shown positive cash flow and bottom lines," said William Henrich, vice chairman of the consulting firm, which specializes in corporate restructuring and turnarounds. "But when interest rates eventually rise, that will place stress on companies by forcing additional cash requirements on the company and hurting their cash flow."

So what can investors do to sniff out those companies that could potentially be in the danger zone?

They can start by looking in the financial statements to see what kind of debt a company has, and how much is based on a fixed or floating rate. Some companies also break out the potential effect of higher interest rates on earnings.

Also, they can easily calculate something called the interest coverage ratio, which gauges the company's ability to meet its interest payments on outstanding debt. That's done by taking the earnings before interest and taxes for a given period and dividing that by the interest expense during the same time frame.

When the ratio is about 1.5 or lower, a company's ability to meet its interest expenses may be questioned, and when it falls below one, it indicates that a company might not be generating sufficient revenues to cover those expenses. That means if interest rates do start to climb, those numbers could be further reduced.

Sooner or later, interest rates will rise, and when they do, that will show which companies are really taking care of business.

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