

Behind H-P Chairman's Fall, Clash With a Powerful Director

The Cautious Patricia Dunn
And Flashy Tom Perkins
Were a Combustible Pair

Overcoming a 'Respect Gap'

By **GEORGE ANDERS**
And **ALAN MURRAY**

PALO ALTO, Calif. — Within weeks after her unexpected ascension to the chairmanship of Hewlett-Packard Co. last year, Patricia Dunn found herself in open warfare with another director: wealthy venture capitalist Tom Perkins.



Patricia Dunn

They argued over how the board should be run. He has called her a "stickler for process and procedure." She says he was a "controller." For new board members, he pushed for Silicon Valley entrepreneurs with ties to his venture firm. She rejected his suggestions in favor of big-company leaders from other industries.

They even bickered over Mr. Perkins's steamy novel, "Sex and the Single Zillionaire," which he wrote with the encouragement of his ex-wife Danielle Steel. The 74-year-old Mr. Perkins says he jokingly called for all H-P employees to buy the book. Ms. Dunn, 53, says she didn't hear anything playful in his tone and vetoed that plan. When Ms. Dunn told Mr. Perkins at a party that the book "isn't my thing," he angrily accused her of embarrassing him in public.

At heated moments, two witnesses say, Mr. Perkins would declare in front of board members: "We need a new chairman." Ms. Dunn says at other times he would poke her in the clavicle and say: "I made you chairman." Mr. Perkins's actions were, in the words of another director, former Medtronic Inc. executive Robert Ryan, "chairman abuse."

The clash between Ms. Dunn and Mr. Perkins lies at the root of the spying scandal at H-P, a saga that ended catastrophi-

cally for Ms. Dunn. Last week the California attorney general charged her on four felony counts of fraud and conspiracy, saying she led the H-P board into criminal violations of privacy when the company pried into personal phone records to investigate boardroom leaks.

Mr. Perkins set the charges in motion by storming off the board and alerting authorities to the phone snooping. He contacted the Securities and Exchange Commission and California's attorney general, pressing them to take action. But their fight was much broader than that, reflecting a fundamental conflict over how to run big companies in the post-Enron world.

Ms. Dunn brought a careful, rules-based approach to life. She rose from a modest childhood and endured a three-bus commute to attend the University of California, Berkeley, on a scholarship. She became head of Barclays Global Investors, where she succeeded in the orderly world of index funds, which control risk and

take the guesswork out of investing. When asked to be H-P's chairman, Please Turn to Page A14, Column 1

Rebooted

Brief biography of Patricia Dunn:

March 27, 1953: Born in Burbank, Calif.

1975: Earns B.A. from UC Berkeley

1976: Joins Wells Fargo Investment Advisers; later rises to CEO

1998: Joins board of Hewlett-Packard

2004: Diagnosed with advanced ovarian cancer; has recurrence in 2006

February 2005: Named nonexecutive chairman of H-P

May: Initiates probe into board leaks

January 2006: Initiates second probe

Sept. 22: Resigns from H-P

Oct. 4: Indicted, with four others, on four felony counts



Tom Perkins

Behind Fall of Hewlett-Packard Chairman, a Clash With a Powerful Director

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she brought a similar dilithium to her new job. She studied a British book on governance, attended directors' workshops at Stanford University and hired consultants to update board handbooks. Her first thought, she says, was: "How do I avoid screwing up? Failure-avoidance has been a large motivator my whole life." For Ms. Dunn, plugging the leaks became a crucial test of her ability to oversee the board.

Mr. Perkins, by contrast, is a boisterous Silicon Valley legend, in love with fast cars, large sailboats and getting his own way. He worked for H-P in the 1950s and 1960s and helped the company start its computer business. In 1972, he co-founded Kleiner Perkins Caufield & Byers, a leading venture-capital firm that made billions for partners and investors by bankrolling start-ups such as Genentech Inc. and Netscape Inc.

Mr. Perkins returned to H-P in 2002 as an outside director, serving until March 2004 before stepping down at retirement age. He was brought back 11 months later at the urging of fellow director George "Jay" Keyworth, who said the company needed Mr. Perkins's expertise. "I have been chairman of a hell of a lot of boards," Mr. Perkins said in an interview late last year. "I have always been very, very active in the strategy and tactics of these companies." When the leak issue came to a head, Mr. Perkins tried to play down the matter and protect his friend, Mr. Keyworth, who was fingered as the leaker.

Center of the Probe

While it may take a court to assign legal culpability, internal H-P documents depict Ms. Dunn at the center of the leak probe at the computer and printer company. Imbued with zeal about directors'

fight over how best to run the company. In a July 18 email to H-P CEO Mark Hurd, he worried that Ms. Dunn would "pack" the board with the kind of directors she so admires—ciphers from high cap companies, with no fast-cycle technology background, and certainly no Valley entrepreneurial genes. I worry that you will wind up with a 'blue ribbon' board that will be of zero, or even negative, value to you when the going gets tough."

In an interview with Newsweek last month, Mr. Perkins said: "My No. 1 thing was to get Pattie out as chairman, and I got that. So I'm happy."

As she fights her legal war, Ms. Dunn has been waging an increasingly serious medical battle. After brushes with breast cancer and melanoma, she was diagnosed with Stage IV ovarian cancer in January 2004. Intense chemotherapy, which lasted through August 2005, appeared to have beaten back the disease. But in August, Ms. Dunn had surgery to remove cancer that had spread to her liver. On Friday, she began a new six-month round of chemotherapy.

"I hope I live long enough to see my reputation cleared," she says.

The story of Ms. Dunn's undoing comes from interviews with her, her associates, other H-P directors and 700 pages of H-P documents, which include emails, presentations, lawyers' reports and written testimony submitted to a congressional committee investigating the matter.

Ms. Dunn spent her childhood in Las Vegas, where her father was an entertainment director at a casino and her mother was a retired showgirl. She says her formative experiences came as a teenager after her father died and her mother moved the family to Terra Linda, Calif.

Cash was tight. She won a National Merit Scholarship in 1970 to go to the

business, which went through a series of owners before being sold to the United Kingdom's Barclays Bank PLC, which renamed it Barclays Global Investors. BGI wasn't flashy, but its methodical, process-driven approach to investment proved ultra-reliable.

Former colleagues say Ms. Dunn was a superb listener who usually knew exactly what she wanted. "You underestimated her at your peril," recalls Jeffrey Skelton, a former investment specialist at the bank. "People who got booted out can attest to that."

In 1998, Ms. Dunn was invited onto the H-P board, which was looking for fresh faces. At that time it was dominated by people picked by the company's legendary founders, Dave Packard and Bill Hewlett. A year later, H-P recruited its first outsider as CEO, Carly Fiorina, a flashy telecommunications executive.

Betting Their Future

H-P and Ms. Fiorina bet their future on the hotly contested 2002 takeover of Compaq Computer Corp. During a shareholder suit over the deal, H-P considered using Ms. Dunn as a witness to affirm directors' confidence in the deal. The company instead opted to call another director, Phil Condit, then CEO of Boeing Co.

In her autobiography, which goes on sale today, Ms. Fiorina snipes at the low-key Ms. Dunn, writing that it was "frequently hard to discern" what point Ms. Dunn might be trying to make. "I never viewed myself as a leader on the board until late 2004," says Ms. Dunn. That's when some H-P directors started voicing dissatisfaction with their CEO. A rift developed between Ms. Fiorina's supporters and critics. As the board struggled to find agreement, Ms. Dunn helped negotiate a 500-word statement testifying to its concerns. "I was the scribe" who wrote down the emerging consensus, Ms. Dunn recalls.

On Jan. 10, 2005, Ms. Dunn and two other directors—Mr. Keyworth and Richard Hackborn—delivered the statement to Ms. Fiorina. The meeting surprised the embattled CEO who conceded little in talks over the next few days about her role, but seemed to recognize the need to be more open with her board. "We were getting somewhere with Carly," Ms. Dunn maintains. "She was taking on board what directors were saying."

Two weeks later, a detailed account of directors' qualms about Ms. Fiorina's leadership appeared in The Wall Street Journal. Ms. Fiorina was furious and started focusing on leaks instead of directors' concerns about her management. Her relations with the board disintegrated. At a Feb. 7 board meeting in Chicago, with Mr. Perkins among those pushing hard for change, Ms. Fiorina was voted out of office.

The leak "set the tone for distrust," Ms. Dunn recalls. "It threw a spanner into the whole process" of running the board.

At the same Chicago session, the board asked Ms. Dunn to become non-executive chairman. She says her elevation was due largely to the fact that "I was one of the few directors who was still talking to everyone." She saw herself as a peacemaker.

Ms. Dunn was in the midst of a 20-month chemotherapy regimen to battle ovarian cancer. Her face was bloated. Hair loss forced her to wear wigs. She adopted a macrobiotic diet and consulted a Chinese herbalist. Each day, she took

Miles Apart

Tom Perkins and Patricia Dunn, who worked together on the Hewlett-Packard board for about three years, have little in common.

College degree	B.S., electrical engineering, MIT, 1953	B.A., journalism, UC Berkeley, 1975
Early job	Lathe operator, Hewlett-Packard	Temporary secretary, Wells Fargo Investment Advisers
Financial specialty	Venture capital, at Kleiner Perkins Caufield & Byers	Index funds, at Barclays Global Investors
How those firms make money	"We know that success is rarely a straight line."	"Our scientific approach to investing allows for active control of risk and return."
Favorite place to relax	Aboard his 289-foot sailboat, the Maltese Falcon	Kona, Hawaii, where she and her husband own a vacation home
Reading tip for friends	"Sex and the Single Zillionaire," by Tom Perkins	"Corporate Governance and Chairmanship," by Adrian Cadbury
Tenure on the H-P board	Three years (2002-04 and 2005-06.)	Eight years (1998-2006)
Impact of the Jan. 23, 2006, board details leaked to CNet	"Relatively benign." —Email May 29, 2006, to member of the News Corp. board, where Mr. Perkins is also a director.	"Serious. They referred to the most sensitive commercial relationships of the Company." —Written testimony last month to Congress.

Sources: WSJ research; Kleiner Perkins Web site; Barclays Global Investing Web site; H-P documents made public Sept. 28 by the House Committee on Energy and Commerce.

more than a dozen nutritional supplements that she kept in a heart-shaped box.

Doctors told her she showed an astonishing ability to withstand nausea and other side effects. Tom Christopherson, a long-time BGI colleague, says he asked her about her medical stoicism and recalls being told: "I keep all of this in a corner. The quality of life I want has nothing to do with being a cancer patient."

As H-P chairman, Ms. Dunn helped lead a CEO search that recruited Mr. Hurd from NCR Corp. She paid house calls to other H-P directors, asking them how the H-P board could become more effective. What she heard disheartened her. Directors were wary of one another, Ms. Dunn recalls, because of the leaks and the Fiorina ouster, and pessimistic they could ever work well together. Seven of the nine directors with whom she talked said stopping the leaks should be a top priority, after finding a new CEO, she recalls.

Months before, Ms. Fiorina had tried unsuccessfully to find boardroom leakers. Ms. Dunn felt it was time to try afresh. It didn't matter whether indiscretions were big or small. They all were bad. As she testified to a House panel last month: "Even trivial information that finds its way from the boardroom to the press corrodes trust among directors."

Sympathetic directors urged Ms. Dunn onward. H-P board documents show that Mr. Ryan offered to hand over his phone records so she could see if he had called reporters. She demurred. Someone suggested that directors take lie-detector tests. Mr. Perkins declared: "I'll be the first in line." Ms. Dunn took that as a serious suggestion. Mr. Perkins through a spokesman says he was kidding. Such tests were never used.

To dig into boardroom conduct, Ms. Dunn turned to a former prosecutor, Ronald DeLia, whom H-P management recommended to her. He ran Security Outsourcing Solutions, a small firm in Needham, Mass. Ms. Dunn says she wondered if a bigger firm would be better, but opted to keep the job in-house.

Project Kona

Mr. DeLia, in a phone call, asked her to pick a code name for the project. Ms. Dunn was staying in Kona, Hawaii, at the time, where she has vacationed since her honeymoon. She decided to call the project "Kona" and said recently the word will never sound the same to her.

Mr. DeLia decided to get directors' phone records without their permission. This technique, called "pretexting," involves fooling phone companies into handing over call logs by impersonating a customer, which is illegal in California; it may be permissible in other jurisdictions.

Ms. Dunn said in her House testimony last month she didn't recall hearing the term pretexting during the 2005 probe. But according to meeting notes from H-P's then-general counsel, Ann Baskins, someone with the initials "PCD" asked direct questions about the matter. Ms. Dunn's full name is Patricia Cecile Dunn. A spokesman for Ms. Dunn declines to comment on Ms. Baskins's notes.

Later, low-level H-P managers squirmed about such deceit. "It's very unethical at the least and probably illegal," wrote Vincent Nye, an H-P security official, in a February 2006 email. His warnings seemed to fall on deaf ears, and there's no indication they ever reached Ms. Dunn. It's unclear how people reacted to pretexting in 2005.

By summer 2005, the Kona I team conceded failure; it hadn't pinpointed any board blabber. The leak issue receded in prominence until Jan. 23, 2006, when Dawn Kawamoto, a technology reporter for CNet.com, posted an online article headlined: "HP Outlines Long-Term Strategy."

It didn't matter that the actual contents were upbeat and bland, merely echoing what H-P had been telling Wall Street analysts for months. The story was cast as a summary of a closed-doors retreat for directors and top executives two weeks earlier—and it was accurate.

"I thought: 'Here we go again,'" Ms. Dunn recalls. "You can't appreciate how raw the sensitivities were on the board. That a director would have disclosed this is staggering." Even H-P's CEO, Mr. Hurd, was outraged, Ms. Dunn later said, telling her that he couldn't run the company this way.

As the leak problems worsened, Ms. Dunn's relations with the powerful Mr. Perkins were also deteriorating. In the summer of 2005, she brought in consultants from Mercer Delta Inc. to suggest how H-P could tidy up its director guidelines. Mr. Perkins hated their meddling. As H-P General Counsel Ms. Baskins put it in a later interview with H-P's outside lawyers: "Perkins generally felt he could write a book on governance and didn't need any outside help."

Ms. Dunn chafed, too, when Mr. Perkins repeatedly brought up her \$100,000 annual pay as chairman, insinuating—to her ear, at least—that she ought to be grateful to him. She wanted him to realize that while not a tycoon, she had a net worth that was in fine shape with or without the H-P stipend. At one point, she took Mr. Perkins aside for a five-minute chat about her financial position, hoping this would close what she called in a later interview "a respect gap."

Also on Ms. Dunn's gripe list was how Mr. Perkins, as a member of the board's powerful technology committee, was running high-level strategy discussions that belonged in front of all directors. "It was becoming a board within a board," she says. She didn't have a seat on the committee and while she was free to attend some of its events, lacked a vote there. A spokesman for Mr. Perkins says: "I wouldn't even know how to comment on that. Let's just let it go."

Did Mr. Perkins want an aggressive leaks probe? In an August 2006 interview with H-P's outside lawyers, Wilson Sonsini Goodrich & Rosatti, Ms. Dunn said she felt "under tremendous pressure from Perkins to find the leaker." Ms. Dunn reiterated in her interview last week that she thought Mr. Perkins was "the most hawkish of the directors" in pressing for action. Mr. Perkins's spokes-

man disputes that, saying the venture capitalist regarded the CNet article as harmless.

In any case, investigators had a likely suspect: Mr. Keyworth. He had given interviews to Ms. Kawamoto before and some of the quotes from the story's single anonymous source matched his cadence. He'd also been suspected of leaking to the press a year earlier. Ms. Dunn engaged H-P's chief ethics officer, Kevin Hunsaker, who agreed to supervise what became known as Kona II.

Within two weeks, Messrs. Hunsaker and DeLia had a whirlwind of spying initiatives in place. They paid surveillance teams to sit outside Mr. Keyworth's home. They hired other snoops to follow an H-P publicist at a conference, logging what time he visited the dessert stand. And they commandeered phone records of about a dozen people.

As one episode got under way, even the originally squeamish Mr. Nye emailed colleagues in all capital letters: "STRAP ON YOUR HELMETS, FELLAS, WE'RE GOIN IN!!!" Another investigator in an email likened one of his ploys to "waiting for the Apollo 13 spacecraft to emerge from the dark side of the moon."

Ms. Dunn generally kept her emotions on tighter rein. In emails to the investigative team, she underscored the importance of keeping CEO Mr. Hurd in the loop. She wrote to Mr. Hunsaker on Feb. 3: "This effort is on the right track. I will count on you and the team." On Feb. 22, she wrote Mr. Hunsaker to tell him that an email sting involving Ms. Kawamoto, the CNet reporter, was "very clever."

During her testimony to the investigations subcommittee of the House Committee on Energy and Commerce, Ms. Dunn said she was sorry she used that phrase.

All told, H-P investigators spent more than \$350,000 to establish that Mr. Keyworth and Ms. Kawamoto had spoken before her CNet story appeared. Nobody officially interviewed Mr. Keyworth until the entire draft report was complete. Instead, the company operated for about two months in a clandestine world that Rep. John Dingell later said "would make Richard Nixon blush."

On May 18, it was time to present the fruits of Kona II to the full H-P board. Mr. Ryan, head of the audit committee, revealed the results of the investigation to Mr. Keyworth that morning, and Mr. Keyworth confessed.

At the board meeting, Ms. Dunn informed fellow directors that a leaker had been found and Mr. Ryan filled in the details. Directors asked Mr. Keyworth to leave the room while directors deliberated his fate. Ultimately they decided to ask for his resignation.

Ms. Dunn, who thought this would smooth her rocky relations with Mr. Perkins, had a nasty surprise coming. Mr. Perkins said Mr. Keyworth's contributions to the board were so sizable that his longtime friend should be let off with a private apology and a promise not to hold unauthorized chats with reporters again. Ms. Dunn refused, she says. Mr. Perkins shouted at her and announced he was quitting the board.

Within weeks, Mr. Perkins was marshaling for a battle. He retained a high-powered lawyer, former White House attorney Viet Dinh. He asked the phone company to see if his records had been peeked into by "pretexters." When he discovered that they had, he brought the evidence to authorities in July, including California's attorney general.

Over the past three months, H-P has been coming to terms with the magnitude of the scandal. It began disclosing the leak investigation in early September. Two weeks later, it said Ms. Dunn would step down as chairman in January. As more details about the leak probe tumbled forth, H-P at the end of last month said Ms. Dunn would resign immediately.

From Ms. Dunn's testimony, emails and indirect comments, it's possible to piece together an explanation for how a well-regarded chairman could go so catastrophically off course. Adamant in her desire to "fix" the leak problem, she succumbed to tunnel vision.

She had begun to see stopping leaks as one of the most crucial tasks in her chairmanship. In doing so, she neglected issues such as prudence, fairness and the potential impact on H-P's reputation. Even the extent to which the company had analyzed the legal issues or just glossed over them wasn't considered.

In interviews and in congressional testimony, Ms. Dunn says that while sorry for the embarrassment to H-P, she doesn't accept responsibility for the scandal. She says it wasn't her job to supervise the tactics involved in the investigation, and that she was assured its methods were lawful. She hasn't been precise as to who gave her that advice.

"If I had a crystal ball," Ms. Dunn says, "I would have used an outside firm" to run the investigations. Large security firms might have been more attuned to the possible hazards. With H-P management urging her to use in-house resources, she says she deferred to others.

Recently, Ms. Dunn has been busy with other things, including chemotherapy appointments, being arraigned and spending time with her step-grandchildren. After felony charges were filed, she offered to resign from board seats with various organizations and most of them—including BGI—immediately accepted. She says she was delighted that Larkin House, a social service for runaway teens, asked her to stay.

At one point in the House hearings, Ms. Dunn came close to acknowledging how much had been lost. When Rep. Edward Markey, a Massachusetts Democrat, asked about her boardroom credentials, she replied: "I was considered a financial expert and, ironic though it may seem to you now, also an expert in corporate governance."

Patricia Dunn had begun to see stopping leaks as one of the most crucial tasks. In doing so, she neglected issues such as prudence, fairness and the potential impact on H-P's reputation.

responsibilities, she focused on rooting out a boardroom traitor and failed to question or rein in investigators. They impersonated reporters and directors to pry personal records from phone companies. They used operatives to tail H-P directors and journalists. And they sprang a sting operation on an unsuspecting reporter in an effort to get her to reveal her source.

The charges are the culmination of a fierce boardroom battle that, in the end, Ms. Dunn lost. At the board's request, she quit as a director in late September. Ms. Dunn says she relied upon the advice of H-P lawyers and thought obtaining phone records was customary practice. She portrays herself as a victim and says she bears no responsibility for any misdeeds that were done.

"I think I've been at the nexus of a conflict between the old and new ways of governance," she said during a three-hour interview last week. "And I made a very rich and powerful enemy without meaning to. He was in a position to finance an extremely effective and elaborate campaign to get me off the board. It went beyond what he ever expected."

Mr. Perkins also saw their battle as a

University of Oregon but had to drop out when her mother lost Social Security death benefits. For a year, Ms. Dunn worked days as an apartment rental agent and evenings cooking and housecleaning for a family in return for room and board. Her mother was homeless and slept in her car for a while.

In 1973, Ms. Dunn got enough scholarship and grant money to return to college at the University of California, Berkeley, as a journalism major. Immediately after graduating, she won a temporary secretarial job at Wells Fargo & Co., the big San Francisco bank.

She had no interest in finance. "I thought I would rather drink chloroform and die than work for a bank," she recalls. But it was the only job available and she grew to like it. She met a senior banker, Bill Jahnke, whom she later married. And she became fascinated with the way Wells Fargo used academic theories to whittle away the role of human judgment in investment decisions. The bank championed low-cost money management that matched indexes like the Standard & Poor's 500. "I found there were revolutionaries at the bank," she says.

Ms. Dunn eventually became CEO of

In Video Clips on YouTube, Politicians Reveal Unscripted Side

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Burns's Naptime," a one-minute video of Mr. Burns nodding off during a farm hearing in Montana this summer—has been seen more than 75,000 times on YouTube, five times as often as any official campaign commercial posted by either Burns or Tester on the site. The Tester campaign considers a posting successful if it is mentioned in Montana newspapers, on radio or on television.

The nap video was picked up by newspapers in Great Falls and Missoula and also was seen on CNBC's "Hardball" and on CNN. The video of Mr. Burns's joking comments about Hugo, the "nice little Guatemalan man," was picked up by several national media outlets, including the Associated Press in Washington. That story was carried in several Montana papers, including the Great Falls Tribune.

Not all of the videos attract attention. On Wednesday, Mr. O'Brien taped the Senator telling a group in Havre, Mont., that more funding for body armor for troops in Iraq would "just bust the budget." The campaign quickly put out a press release accusing Mr. Burns of risking the troops' lives, but it wasn't picked up by the local media.

The Burns campaign has been slower to embrace the technology, although it has now posted a dozen of its own campaign ads on YouTube. The Burns campaign hasn't posted any of the video it has shot of Mr. Tester, other than a brief clip used in a TV commercial, but it's not ruling it out.

The hub of the Tester camp's multimedia operations is the basement of an office building in downtown Helena. There, a Dell PC is hooked up to a high-speed Internet connection, a videocassette recorder and a TV set. A tidy pile of videotapes sits in a dented gray bookcase. With a lot of territory to cover, the Tester campaign leaves three cameras with supporters across the state, in places including Missoula and Billings, in case Mr. O'Brien can't catch up easily with Mr. Burns. But the centerpiece of their YouTube strategy is Mr. O'Brien.

He joined the Tester campaign in April for a salary of \$2,750 per month, knowing he was essentially signing up for an extended road trip. A Chicago native, Mr. O'Brien went to work for the Democratic Party in 2004 after graduating from Illinois State University with a degree in political science. From there, he went to work at Wal-Mart Watch, a Washington, D.C.-based non-profit opposed to the retail giant's business and labor practices.

"You never know where the stump speech is going to go," Mr. O'Brien says. He operates under a strict set of campaign guidelines. He never records the Senator's private conversations. He considers fund-raisers off-limits and he generally tries to stick with any remarks Mr. Burns makes to crowds.

"It's great when voters have more access to their public officials," says Mr. Tester, 50, an organic farmer whose family has taken over managing the farm while he campaigns.

The senator's staffers have made his job harder recently, as they've stopped posting announcements of coming events on their campaign Web site. But the Burns campaign has never actively

Chattem Inc.

Firm Plans to Pay \$410 Million For Five J&J, Pfizer Brands

Chattem Inc. plans to pay \$410 million for the U.S. rights to five consumer-product and over-the-counter brands from **Johnson & Johnson** and **Pfizer Inc.**, the first sign that J&J will have to make divestitures in order to close its acquisition of Pfizer's consumer healthcare business. J&J spokesman Marc Monseau said the New Brunswick, N.J., company was shedding the brands to facilitate clearance by the Federal Trade Commission for the deal. Shares of Chattem, a Chattanooga, Tenn., consumer-products maker, were up \$9.77, or 28%, to \$44.20 in 4 p.m. composite trading Friday on the Nasdaq Stock Market. Three of the brands are now owned by New York-based Pfizer: Unisom, an over-the-counter sleep aid; Cortizone, an anti-itch product; and Kaopetate, a diarrhea remedy. The J&J brands are Act fluoride rinse and the Balmex diaper-rash product.

Johnson & Johnson

Risperdal Approval Is Expanded To Include Childhood Autism

A **Johnson & Johnson** drug received expanded regulatory approval to treat aggression and other symptoms of autism in children. The new use for Risperdal is to treat irritability associated with autistic disorder, including temper tantrums and aggression in children and adolescents, age 5 to 16. The approval is the first for the use of a drug to treat behaviors associated with autism in children, the Food and Drug Administration said. Risperdal, first approved by the FDA in 1993, has been used to treat schizophrenia and bipolar disorder in adults. The antipsychotic drug isn't a cure for autism, nor does it treat the condition itself, but it may provide relief for some children, according to J&J, which is based in New Brunswick, N.J. Last year, the FDA declined to expand its approval of Risperdal, also known as risperidone, to include autism.

Viridian Group PLC

Agreement With ElectricInvest Is Reached in Takeover Bid

Viridian Group PLC, Northern Ireland's main power supplier, on Friday said it agreed to a £1.62 billion (\$3.03 billion) takeover by **ElectricInvest Acquisitions Ltd**. ElectricInvest is a subsidiary of Bahrain-based investment company **Arcapita Bank BSC**. The deal is Arcapita's largest to date and comes after it acquired Finland insulation manufacturer **Paroc** in June for €620 million (\$781 million). Arcapita has been involved in 56 transactions valued at a total of more than \$12.5 billion, including deals for a United Kingdom water utility and wind farm. "The acquisition of Viridian represents an opportunity to achieve stable returns from both its regulated and nonregulated electricity businesses," Viridian shares rose on the 1,325-pence-a-share offer to close up 7.9%, or 97 pence, at 1,318 pence on the London Stock Exchange.

Great American Group

Judge Says Liquidation Venture Is Bid Winner for Tower Records

A bankruptcy judge named a liquidation venture led by **Great American Group** the winning bidder for Tower Records, sealing the fate of the once-iconic record-retailing operation. U.S. Bankruptcy Judge Brendan Shannon in Wilmington, Del., chose the liquidation offer over one from **Trans World Entertainment Corp.**, an Albany, N.Y., operator of retail chains that was expected to keep at least some of the West Sacramento, Calif., company's stores open and operating under the Tower Records name. Trans World came in \$500,000 below the roughly \$134 million bid from liquidators at the conclusion of a 30-hour auction that began Thursday. On Friday, Trans World urged that its offer be given a second look, and said the court should take into consideration the jobs that would be saved if Tower Records wasn't handed over to the liquidators. Judge Shannon refused, however, and said he would approve the offer from Great American.