

# THE WALL STREET JOURNAL

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THURSDAY, APRIL 17, 2003 - VOL. CCXLI NO. 75 - ★★ ★ \$1.00 \*\*\*\*\* WSJ.com

## Bitter Pills

### Drug Makers See 'Branded Generics' Eating Into Profits

#### Altered Copies Outmaneuver Patents in Legal Battles, Boosting Market Pressures

#### Dr. Reddy's Finds a Loophole

By GARDINER HARRIS  
And JOANNA SLATER

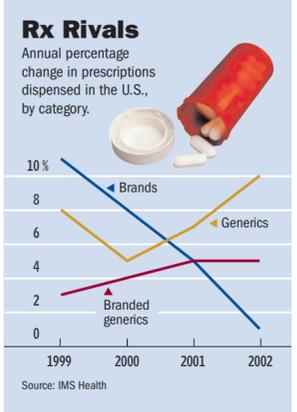
HYDERABAD, India—When the Indian drug company Dr. Reddy's Laboratories Ltd. decided to crack the U.S. pharmaceutical market, it didn't simply wait for a patent to expire, as many makers of generic drugs do. It turned to lawyers and asked them to exploit a loophole in an existing patent.

Last December, that strategy paid off big. A federal court in Newark, N.J., awarded Dr. Reddy's the U.S. rights to sell a drug that's nearly identical to the blood-pressure drug Norvasc made by Pfizer Inc.—a full three years before Pfizer's exclusive right to sell it expires. Pfizer, which is based in New York, is appealing the Newark court's ruling.

Dr. Reddy's victory shows how the generic-drug industry is succeeding with new tactics that out-manuever active patents. That presents a big threat to the lucrative profits of brand-name medicines. It also promises to give patients more lower-price alternatives to brand-name drugs—though only up to a point. In a new twist, the generics' latest tactics are helping them raise their own prices.

During the past two decades, generic-drug makers with U.S. operations typically have sought permission from the Food and Drug Administration to market knockoffs of a branded drug after all the patents on the drug had expired. Generics, which don't have to pass the rigorous testing process of branded drugs, now make up more than 50% of all prescriptions filled in the U.S.

But lately Dr. Reddy's and others have gotten more aggressive. They are filing legal challenges on a range of drugs that seemingly have years of exclusive sales left. In a new strategy, these generics makers don't even challenge a



patent directly. Rather, they argue that their product doesn't infringe on patent protection because it is made of different ingredients, even though it has the same effect as a branded drug.

If the generics maker wins in court, its drug often has fewer generic competitors, allowing the company to charge more. Sometimes the drugs that result are called "branded generics."

Traditional generics must contain the active ingredient of the branded drug, and tests must show that the generic acts in the body in a way identical to that of the branded drug. Pharmacists can substitute a traditional generic for a branded drug in most cases without getting permission from the patient, doctor or insurance company.

Branded generics, however, still contain the same active ingredient as the original branded drug but often act somewhat differently in the body. Some

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## What's News—

Business and Finance World-Wide

**THE BIG BOARD** is examining whether at least two of its specialist firms may be engaged in "front-running," or trading ahead of clients. The probe involves possible abuse of a central part of the NYSE's trading system. Officials want to know if the firms' traders offered inferior prices to some investors who sent stock buy-and-sell orders to the exchange floor.

(Article in Column 5)

**American's flight attendants' union** ratified cost-cutting measures, averting a bankruptcy-court filing by the carrier. AMR has funded a supplemental pension trust for 45 top executives that protects part of their retirement in the event of such a filing.

(Articles in Column 5 and on Page A3)

**Ford posted first-quarter results** that far exceeded expectations, earning \$896 million. In contrast to GM, the auto maker reaffirmed its full-year profit outlook.

(Articles on Pages A2 and C13)

**The Dow Jones industrials** declined 1.72% to 8257.61, leaving the average down 1% for the year. The dollar weakened.

(Article on Page C1)

**J.P. Morgan's earnings** leapt 43% in the first quarter. Wachovia's earnings also rose, but Bank of New York's net declined.

**Merrill posted a 5.9% jump** in net, aided by strong bond-trading results and cost cutting.

(Articles on Pages C1 and C6)

**Consumer prices rose 0.3%** in March from February, and were up 3% from a year earlier, reflecting higher energy prices. Underlying inflation hit a 37-year low.

(Article on Page A2)

**OPEC is being cautioned** by the IEA against any move to cut output at the cartel's meeting next week. Crude prices in the U.S. are close to \$30 a barrel.

(Article on Page C12)

**Apple posted earnings** that were cut in half from a year ago, as questions persisted over whether it will pursue an acquisition of Vivendi's Universal Music.

(Article on Page B6)

**Prosecutors brought new charges** against WorldCom's ex-finance chief, Scott Sullivan.

(Article on Page B2)

**Coca-Cola swung to a profit** in the first quarter, but its shares fell 6.2% on weak sales.

(Article on Page B6)

**Northwest Airlines said** its loss widened to \$396 million in the first quarter, citing the worsening downturn in travel.

(Article on Page B8)

**Altria's profit fell 7.6%** in the first quarter on lower U.S. cigarette sales. The company suspended a share-buyback program.

(Article on Page B7)

**UnitedHealth's first-quarter net income** rose 37% as the company raised premiums, reduced costs and added new members.

(Article on Page B8)

**A federal judge issued** a potentially costly ruling against H&R Block in a suit involving "refund anticipation" loans.

(Article on Page D4)

**Bayer and GlaxoSmithKline** agreed to pay \$345 million to resolve charges they sold drugs to the government at inflated prices.

(Article on Page D4)

### —Markets—

**Stocks:** NYSE vol. 1,558,543,770 shares, Nasdaq vol. 1,505,067,334. DJ industrials 8257.61, ▼ -144.75; Nasdaq composite 1394.72, ▲ +3.71; S&P 500 index 879.91, ▼ -10.90.  
**Bonds (4 p.m.):** 10-yr Treasury ▲ +8/32, yld 3.940%; 30-yr Treasury ▲ +15/32, yld 4.903%.  
**Dollar:** 119.47 yen, -0.70; euro \$1.0914, +1.01 cents against the dollar.  
**Commodities:** Oil futures \$29.18 a barrel, ▼ -\$0.11; Dow Jones-AIG futures 113.443, ▼ -0.031; DJ-AIG spot 145.851, ▼ -0.039.

**BUSH URGED** lifting sanctions as Hussein's era "passed into history." The president, signing \$80 billion in war spending, gave his strongest signal yet hostilities are near an end, and the terror alert status dropped to yellow. The Pentagon said it spent \$20 billion so far, and will need that much or more through Sept. 30. The military fears that caches of banned arms could still fall into the wrong hands, and raided the Baghdad home of a bio-warfare expert dubbed "Dr. Germ." Marines killed more Iraqis in a murky Mosul clash. Syria, amid U.S. accusations it possesses banned weapons, called for a U.N. effort to rid the Mideast of them. The U.S. bombed Iranian opposition fighters inside Iraq in a clear signal to Tehran. (Pages A3, A4, A8, A10 and B1)

*National museum officials say they anticipated looting and hid some of Iraq's most precious artifacts. Iraqi casualties are hard to estimate. One group puts civilian dead at 1,400 or more. For the Iraqi military, such figures are pretty much guesswork.*

**North Korea will discuss** its atom project with the U.S. and China next week. Multilateral talks are a victory for Bush, but quick progress is unlikely. The U.N. condemned Pyongyang over human rights. (Page A10)

**Israel's Sharon said he will** invite Mahmoud Abbas for peace talks as soon as he is confirmed Palestinian premier but set a string of conditions. Israel barred travel from the West Bank and Gaza for Passover.

**Lebanese lawmakers voted** to keep Hariri as premier after his cabinet quit in a maneuver to form a more stable government, one less likely to embarrass Syria amid U.S. scrutiny.

**U.N. health experts indicated** dissatisfaction with China's candidness about an acute pneumonia's spread. Beijing said cases at military hospitals have gone unreported. (Page D3)

**The U.N. human-rights body** put off for a day a Cuba-censure vote after Costa Rica proposed toughening it to demand that dissidents be freed.

**Nigeria's opposition threatened** to reject Saturday's presidential election results if the vote-rigging that it says marred legislative balloting recurs.

**Congo's president has granted** amnesty to rebels as part of a power-sharing deal to end a civil war, but war crimes are still to be prosecuted.

**Guantanamo Bay doctors are** deciding if life support should continue for a detainee who has been in a coma since hanging himself Jan. 16.

**Indonesia opens a trial** Wednesday of Abu Bakar Bashir, founder of radical Muslim group Jemaah Islamiyah, which was tied to the Bali bombing.

**Colorado's governor signed** the nation's first state school-voucher program since the Supreme Court ruled such efforts constitutional last year.

**Special drug courts saved** California about \$200,000 a year per case by focusing on treatment rather than incarceration, two state studies found.

**Sallie Mae is telling** about 800,000 student-loan borrowers monthly payments will go up an estimated average of \$25. It cites faulty data input.

**Children's intelligence is stunted** by lower blood levels of lead than guidelines deem safe, a New England Journal of Medicine study says.

**Stem cells repaired** damage from and eased the symptoms of multiple sclerosis when injected into mice, Italian scientists reported in Nature.

**Gene scientists have identified** the mutation behind Hutchinson-Gilford Progeria, or very premature old age, research in Science and Nature says.

**About 10% more Agent Orange** was dropped on Vietnam than was heretofore believed, a Columbia University review of military records found.

**Southern Baptist missionaries** were told they must swear by May 5 that they believe in wives' submission to husbands and oppose female pastors.

### —Online Today—

**Fiscally Fit:** Hagglng with the taxman isn't easy, but in hardship cases it may be possible to negotiate the bill. Terri Cullen describes an IRS program.  
**Real Time Exchange:** Readers would cut land lines if they could keep the numbers for their cellphones.  
**The Daily Scan:** Reports on 'superspreaders' of the SARS virus and the comeback of the quarantine. Plus, more health news online.

## Great Plains Rodent Gets Comfy New Life As International Pet

### But the Humble Prairie Dog Now Faces a Ban in Japan Along With Foes at Home

By THADDEUS HERRICK  
And PHRED DVORAK

LUBBOCK, Texas—Lynda Watson plunged her bare hand down a hole in the dirt, plucked a six-week-old, black-tailed prairie dog from his high-plains burrow and assigned him a new role in life: pet. For six months, the prairie dog was bottle-fed and allowed to roam about the house of his harvester, Ms. Watson. Then he was neutered by a local vet and sold for \$50 to a Japanese broker, who ferried the rodent across the Pacific in a quilt-covered carrying case she stored beneath her economy-class seat on Delta Air Lines.

Now Siva, as he is affectionately known, sits in an apartment in Yokohama, Japan, in a cage beside the bed of Sayumi Tashiro, a 34-year-old Japanese office worker. Ms. Tashiro paid \$250 for Siva, and provides him a wheel for exercise, prairie-dog pellets for dinner and much-appreciated attention when she returns home from work at the end of the day.

"He loves being petted," Ms. Tashiro said, as Siva on a recent evening stood on his hind legs, then toppled over on his back for a tummy rub.

The most social member of the squirrel family, prairie dogs are increasingly



Sayumi Tashiro and Siva

popular pets. Several thousand are sold as pets each year in the U.S., although they aren't legal in 18 states. And some 15,000 are exported annually to markets stretching from Bangkok to Brussels. The bulk of them go to Japan, where they fetch as much as \$300, three times their price in the U.S.

But the industry is facing a crisis. Japan, the largest market, banned the future importation of prairie dogs March 1 because of fears they can spread a form of plague. U.S. officials say it's rare for the disease to spread to humans.

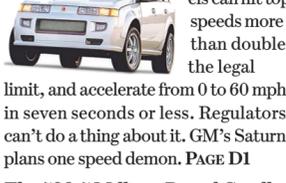
Prairie dogs are hated and hunted by ranchers and developers across the Western U.S., who say they compete with livestock for scarce grasslands and make Swiss cheese of the landscape with their networks of tunnels. Suburban sprawl, concerted extermination efforts by ranchers and disease have decimated the prairie-dog population in the U.S., according to the Predator Conservation Alliance in Bozeman, Mont.

The group says it is devoted to "saving a place for America's predators" and sees prairie dogs as a key link in the food chain. A century ago, the organization says, prairie-dog towns populated across more than 100 million acres of the Great Plains. Today, there are only about one million to 1.5 million acres of such towns, supporting about 10 million to 15 million prairie dogs.

But the killing continues. Some ranchers suck prairie dogs out of the ground with giant vacuums that can dispose of hundreds in the span of a few hours. Others bulldoze their burrows.

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## Who Needs the Concorde?



New car models can hit top speeds more than double the legal limit, and accelerate from 0 to 60 mph in seven seconds or less. Regulators can't do a thing about it. GM's Saturn plans one speed demon. PAGE D1

## Flight Plans Shifts at Big Airlines Promise To Change the Industry's Course

### Cuts at United and American Will Increase the Pressure On Their Smaller Rivals

### 'Delicate and Difficult Period'

By SCOTT MCCARTNEY  
And SUSAN CAREY

The world's two largest airlines are undergoing radical change just to stay in business. And if they make it, they will reshape the air-travel industry for the next decade.

AMR Corp.'s American Airlines and UAL Corp.'s United Airlines, which together represent 40% of U.S. airline capacity, appear on their way to stripping billions of dollars of expenses from their operations. After winning concessions from its three unions—including the flight-attendants union, which ratified the givebacks last night—American will slash its payroll by more than 21%, taking a huge bite out of its biggest cost. And United last week passed key hurdles in its Chapter 11 restructuring, winning approval on concessions from several unions (see articles on page A3).

The changes run the gamut. American, for instance, will no longer pay for laundering uniforms for mechanics and baggage handlers, saving nearly \$1 million a year. United will ask some of its pilots to fly 95 hours a month, just under the 100-hour federal limit and nearly triple what United's pilots currently average.

As the changes take effect in coming weeks, pressure will quickly grow on the next tier of U.S. carriers—principally Delta Air Lines and Northwest Airlines—to find ways to lower their costs further. Even highly efficient Continental Airlines, which is now scrambling to cut spending, may find itself trying to catch up to No. 1 American and No. 2 United, analysts say.

As a whole, the industry has little choice. Corporations and consumers are spending a lot less on air travel. And high-cost network carriers find themselves increasingly losing out to fast-growing and profitable discount operators such as Southwest Airlines and Jet-

**Sliding Scale**  
Concessions at American, United and US Airways put pressure on Delta and Northwest to shed labor costs.

| 12-YEAR 757 CAPTAINS' HOURLY PAY | AIRLINE     | 14-YEAR MECHANICS' HOURLY PAY |
|----------------------------------|-------------|-------------------------------|
| \$244.97                         | Delta       | \$29.02                       |
| \$208.49                         | Northwest   | \$28.84                       |
| \$178.66                         | Continental | \$28.30                       |
| \$169.79                         | United      | \$25.00*                      |
| \$169.35                         | US Airways  | \$24.26                       |
| \$149.68                         | American    | \$25.25                       |

\*Proposed Source: the airlines

Blue Airways, which are expected to continue thriving.

Much has already changed inside the industry. Since the Sept. 11, 2001, terrorist attacks, more than 100,000 jobs have been shed by U.S. airlines—equivalent to the population of Gary, Ind. Roughly 15% of scheduled flights have been canceled. More than 800 airplanes are banished to desert storage. U.S. airlines have sustained \$18 billion in losses in the past two years, before \$3 billion in estimated losses in the first quarter of this year.

By lowering their labor costs, American and United will slash the total cost of flying an airplane seat one mile by more than 10%—a huge change for airlines. At American, the labor savings alone will move its total unit costs below Delta's but above Northwest's. Add in the \$2 billion in savings American says it is gaining by overhauling operations and squeezing aircraft lessors, airports and vendors—as well as renegotiating naming rights on sports arenas—and the carrier may be able to reduce unit costs by 20%. That would make its cost to fly seats lower, per mile, than Continental's.

American's unit costs will still be roughly 20% higher than at Southwest, the low-cost leader among big airlines. But American typically commands a

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## Big Board Is Probing Specialists For Possible 'Front-Running'

By KATE KELLY  
And SUSANNE CRAIG

The New York Stock Exchange, in a probe of possible abuses of a central part of its trading system, is examining whether at least two of the largest floor-trading firms may have engaged in "front-running," or trading ahead of clients, according to people familiar with the matter.

The world's leading stock exchange in recent months has been seeking information from "specialist" firms about whether their traders may have mishandled customer orders, the people said. Specifically, the NYSE is examining whether the specialist firms, whose floor traders carry out clients' transactions, have offered inferior prices to investors who send orders to buy or sell shares through the exchange's main trading system, the people said.

The inquiry is focused on at least two of Wall Street's biggest names: FleetBoston Financial Corp.'s Fleet Specialist subsidiary and LaBranche & Co. The NYSE has seven specialist firms.

The probe already has had an impact on the NYSE's trading floor. On Monday, Fleet Specialist's chief executive, Christopher Quick—who also is an NYSE director—suspended David Finnerty, who handles Fleet's trading for General Electric Co. stock. The suspension stemmed from an internal Fleet investigation prompted by the broader NYSE probe. Fleet is examining whether the 37-year-old Mr. Finnerty traded ahead of customer orders in GE, people familiar with the inquiry said. GE, with \$276.9 billion in stock outstanding, has the world's biggest stock-mar-

ket capitalization. It's not clear how much money would have been involved in any alleged front-running, or how many of the specialists' clients might have been affected.

"This is an internal Fleet matter that we're currently handling," said James Mahoney, a FleetBoston spokesman. An NYSE spokesman, citing Big Board policy, would neither confirm nor deny that any probe was taking place. GE declined to comment.

Mr. Finnerty didn't return messages left at his New Jersey home, and Mr. Quick declined to comment beyond FleetBoston's statement. Officials at LaBranche had no comment.

If evidence of wrongdoing emerges, those revelations would be particularly sensitive for the Big Board because such activity could undermine public trust in the auction market, the central way shares are traded on the exchange. The auction market, the exchange's model for the last 211 years, consists of traders gathering at the exchange's Wall Street trading floor to physically barter for shares of stock. Although myriad improvements have been made on the system over the years, including the introduction of a computer that ferries stock orders to and from the floor, the core aspect of the auction model is still the same: Brokers wanting to buy and sell shares of stock gather in front of a trader, or "specialist," who is assigned to keep the trading fair and orderly in a particular stock.

The Big Board's specialists oversee the trading of some 2,800 stocks. In order to match customers' orders, specialists

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## INSIDE TODAY'S JOURNAL

### ★ IRAQ AFTER HUSSEIN ★

#### Bush Asks U.N. to Lift Economic Sanctions on Iraq

The move, to aid rebuilding and oil output, will spur a fierce debate. A4

#### Weapons Search to Intensify

The U.S. will send more than 1,000 scientists and others to Baghdad. A3

#### Shiites' Bloody Power Struggle

Conflict stemming from the clerical establishment's sudden prominence may echo far beyond Iraq. A10

#### Republicans vs. Republicans

Party members in the House and Senate are barely on speaking terms after a Senate deal to cap the tax-cut package. That's bad news for Bush. A4

#### Gem Warfare

A controversy over rare sapphires has shed light on how much processing is performed on jewels, causing a possible crisis of confidence in the gem business. Meanwhile, some dealers tout Canada's nice reputation to sell its diamonds. B1



IRAQ AFTER HUSSEIN

U.S. Bombs Iranian Opposition Fighters in Iraq

Pledge to Target the Group Was Made Early to Assure Tehran of War's Benefits

By DAVID S. CLOUD

WASHINGTON—In a move to persuade Iran not to meddle in Iraq, U.S. forces have bombed the camps of Iranian opposition fighters on the Iraqi side of the border and have reached a surrender agreement with the group's remaining fighters, U.S. officials said.

The dismantling of the Iranian opposition force in Iraq, known as the Mujahedin-e-Khalq, or MEK, fulfills a private U.S. assurance conveyed to Iranian officials before the start of hostilities that the group would be targeted by British and American forces if Iran stayed out of the fight, according to U.S. officials. The effort was part of broader strategy aimed at reassuring Tehran that the war in neighboring Iraq held out the prospect of benefits, the officials said.

Eliminating the MEK's Iraqi base of operations, from which the group has mounted hit-and-run operations along the border and violent terrorist attacks in Tehran for decades, has long been a major Iranian goal.

The U.S. has designated the MEK as a terrorist organization, which is another reason for disarming it, officials said. By carrying out the strikes, Washington and London are trying to keep Iran neutral or at least not actively opposed to broader U.S. aims in Iraq.

Although Tehran denounced the invasion and even lobbed artillery and rocket shells into Iraq in recent weeks, bombing the MEK camps has removed one justification for Iranian forces to mount incursions into Iraq. Still, U.S.



officials remain concerned about less-conspicuous efforts by Iran to impede reconstruction efforts, using allies among the Iraqi Shiites in the south.

The capitulation agreement signed in recent days by MEK commanders requires the group's forces, which once numbered more than 6,000 fighters, to move within 48 hours to the Iraqi town of Baqubah, northeast of Baghdad, according to U.S. officials. U.S. officials say it is too early to know whether all of the MEK fighters would comply.

The agreement also specifies the vehicles that survived the brief but intense bombing will be turned over to coalition forces. Earlier this month, U.S. forces hit some of the group's roughly 200 tanks and armored personnel carriers in camps northeast and south of Baghdad.

Worried about appearing to attack the MEK on Tehran's behalf, U.S. military commanders have justified the bombing of MEK camps as necessary for protecting U.S. troops. In an interview last week, Vice Adm. Timothy

Keating said the MEK units were targeted because the U.S. had reason to think they might fight on Baghdad's behalf. Air Force Gen. Richard Myers, chairman of the Joint Chiefs, confirmed Tuesday that the U.S. had bombed the MEK and said "some of them may surrender very soon."

Mohammad Mohadessin, an official with MEK's political arm, the National Council of Resistance of Iran, called the U.S. airstrikes on MEK camps "astounding and regrettable." The strikes caused casualties, but he didn't have details.

Before the war, the group had moved its units from camps in the south to other camps near the towns of Khalis and Miqdadiyah, northeast of Baghdad. The U.S. had attacked those locations even though the Iranian forces "had not fired a bullet at the coalition forces," he said. "These bombs were dropped as a result of the request of the Iranian regime." The organization accused Iranian Revolutionary Guards of crossing into Iraq and attacking its units.

Reporters who have visited the MEK's headquarters compound in the Iraqi town of Fallujah, west of Baghdad, in recent days report that it is deserted, except for armed looters roaming the facility. Several buildings were destroyed, possibly by U.S. bombs.

The decision to inform Tehran that the U.S. intended to attack the MEK was a controversial one within the Bush administration, according to one official involved. Some hard-liners who favor isolating Tehran said that it shouldn't be given any warning and that the U.S. should announce that any fighters from Iran who entered Iraq during hostilities would face attack.

But National Security Adviser Condoleezza Rice and Secretary of State Colin Powell contended that Tehran could be persuaded to remain neutral toward the U.S. invasion next door, especially if it

knew the MEK would be attacked and prevented from harassing Iran in the future, the official said.

That message was conveyed by British officials before hostilities began. Foreign Minister Jack Straw informed his Iranian counterpart Foreign Minister Kamal Kharrazi in a meeting in London in February.

Britain's Iranian Ambassador Richard Dalton repeated the message in March in a meeting with Hassan Rowhani, the cleric who heads the Supreme National Security Council, Iran's chief foreign policy-making body.

U.S. officials remain concerned about efforts to impede reconstruction.

The U.S. doesn't have diplomatic relations with Tehran, but the Bush administration used international forums, including a United Nations meeting on Afghanistan, to inform the Iranians of the plan. U.S. officials also warned that Iran shouldn't let fighters from the Supreme Council for Islamic Revolution in Iraq, or SCIRI, an anti-Saddam Hussein group of Iraqi Shiites supported and given refuge by Tehran, cross into Iraq. If that happened, they warned, the fighters would be struck, just as the MEK forces were.

Iran has announced it will grant amnesty to any MEK fighter who returns to Iran as long as authorities don't have "private complaints" against the individual. According to Iran's official news organization, IRNA, more than 100 MEK fighters have accepted the offer. Others have fled to Jordan.

Vanquished Dictator's Hometown Bemoans Loss of Prestige, Power

By FARNAZ FASSHI

TIKRIT, Iraq—Not a single picture of Saddam Hussein here in his hometown has been brought down or damaged. His image looms large at every traffic light and intersection in the city, and smaller posters of him hang from lamp posts. A statue, depicting him sitting on a horse, is intact in town square.

"We don't want any one to touch those pictures and statues," says Ali Jabouri, a 40-year-old shopkeeper. "They are memories of Saddam. He was a brave and courageous man and I hope our next leader is like him."

Tikrit, largely populated with Sunni Muslims like Mr. Hussein, was the last city to fall from the grip of the Iraqi regime. Unlike other places, there have been no celebrations here marking the fall of the regime. At the Saddam Mosque in town, black banners hang from the fence announcing the "martyrdom" of Iraqi soldiers—some as recently as April 10.

This was where Iraqi Gen. Ahmad Tikriti retreated when the fight for Baghdad was over. He has no qualms about saying his city was "defeated, and not liberated." He and his relatives say the day Baghdad fell, they all cried—and watching Mr. Hussein's statue being brought down there was like "watching the end of Iraq."

"What are the Americans doing here?" Gen. Tikriti asks, sitting in the large house he shares with his relatives. He wouldn't describe his military command. "They destroyed our country, ruined our government and everything we had, and now we have to thank them? We don't want them here."

Casualties

Confirmed as of Wednesday night:

U.S. AND COALITION

■ One Marine died of wounds received in action on April 12 in central Iraq and another was reported killed April 14 in a non-hostile accident when a commercial refueler collapsed at a supply area, the Department of Defense said Wednesday.

■ Also reported killed in separate incidents April 14 were one Marine whose truck rear-ended the vehicle in front of him in a dust cloud and two soldiers whose vehicle was struck by a grenade. Another Marine died that day after being struck by a discharged round from an M2 Bradley vehicle, the department said.

TOTAL DEAD: 125 U.S. troops, 16 from friendly fire; 31 British troops, at least four from friendly fire.

TOTAL MISSING/CAPTURED: Three U.S. troops missing

IRAQIS

MILITARY: At least 3,160 Iraqi soldiers have been reported killed by the U.S. and British military in various incidents since the war began. No official totals offered by either side.

CIVILIANS: More than 1,250 killed, according to Iraqi reports. The U.S. has offered no figures.

PRISONERS OF WAR: The Department of Defense has said it is holding about 7,300 prisoners of war. Britain said its troops are holding more than 6,500 Iraqi prisoners.

Officials Say Iraqi Museum Looting Wasn't as Bad as First Feared

By YAROSLAV TROFIMOV

BAGHDAD, Iraq—Last week's looting of the Iraq National Museum, which saw numerous items disappear from a vast collection spanning eight millennia of Mesopotamian history, has provoked world-wide outcry—and criticism of the U.S. military for its failure to protect Iraq's priceless cultural heritage.

But, thanks to Iraqi preparations before the war, it seems the worst has been avoided. Donny George, the director-general of restoration at the Iraqi Antiquities Department, yesterday said his staff had preserved the museum's most important treasures, including the kings' graves of Ur and the Assyrian bulls. These objects were hidden in vaults that haven't been violated by looters.

"Most of the things were removed. We knew a war was coming, so it was our duty to protect everything," Mr. George said. "We thought there would be some sort of bombing at the museum. We never thought it could be looted."

In a city where frequent shooting occurs day and night and the telephones don't work, reliable information is often hard to obtain. Earlier this week, some

museum workers reached foreign journalists to complain about an orgy of looting in the museum, saying that little of the collection remains. As secrecy long enveloped the museum—where part of the collection had been hidden off by Saddam Hussein's family and sold abroad—it isn't clear whether these museum workers knew about the prewar preparations to hide the most-valuable artifacts.

Along with the destruction of ancient manuscripts at the Iraq National Library and other acts of vandalism throughout the city, the museum's looting has prompted a wave of anti-American anger. A belief often voiced in the streets of Baghdad holds that U.S. soldiers themselves stole the most-precious objects in the collection and used the looters to cover up the crime. Mr. George, standing side by side with the American commander in the area, Lt. Col. Eric Schwartz of the U.S. Army Third Infan-



A U.S. tank takes up position at the Iraqi National Museum in Baghdad yesterday, after looters last week walked off with antiquities or smashed what they couldn't steal.

try Division's Task Force 1-64, dispelled this view. But he said many valuable items are still missing.

Among the antiquities unaccounted for so far, Mr. George said, are the sacred vase of Warqa, from Sumerian times, and the bronze statue of Basitqi, from the Accadian civilization.

The museum compound was occupied

yesterday by a company-size tank unit, and a notice by the gate says the site is protected by the U.S. military. The museum floor is littered with debris, and access inside is forbidden because Iraqi specialists are working to catalogue what remains and to try to restore some of the items, Lt. Col. Schwartz said.

"There was a tremendous amount of looting just for destruction purposes—and there were artifacts that were not destroyed at all," he said. "It was not as bad as I thought it would be."

Lt. Col. Schwartz, whose functions also include feeding the lions in the abandoned Baghdad Zoo next door, said he couldn't move into the museum compound and protect it from looters last week because his soldiers were taking fire from the building—and were determined not to respond. There is an Iraqi army trench in the museum's front lawn, and Lt. Col. Schwartz said his troops found many Iraqi army uniforms inside. "If there is any dirty trick in the book," he said, "they sure used it."

Big Board Probes Specialist 'Front-Running'

Continued From First Page are required to buy shares for their accounts at times and sell shares from their inventory at other times. While they earn money from commissions for handling orders, specialists also can make—or lose—money from the trading of stocks held in their accounts, depending on whether prices are moving higher or lower.

Front-running is the exchange equivalent of waiting in line at a lunch counter and having a bully cut in front to order. Here's how front-running works in its most basic form: An investor places an order to buy 10,000 shares of a stock. Recognizing that the trade is likely to boost the value of the shares, a broker trades for himself or a partner before completing the client's order. In some cases, a front-runner could buy the shares and then flip them, at a higher price, to the investor he or she is trading ahead of. The result is doubly problematic: It can make the client order more expensive to fill—taking money out of the customer's pocket—and it unfairly enriches the broker.

Word Spreads on Floor

News of Mr. Finnerty's suspension swirled on the NYSE floor yesterday afternoon. Late in the Big Board trading session, shares of LaBranche fell more than 6%, one day after the company reported an 80% decrease in first-quarter earnings as poor market conditions continued to weigh on its operations. LaBranche's results underscore the fi-



David Finnerty (center, rear)

nancial squeeze faced these days by specialist firms amid decreased trading activity three years after U.S. stocks touched their all-time highs.

Mr. Finnerty, who wears a royal-blue cotton jacket—Fleet's floor colors—over a white button-down shirt, is known as a confident trader with a quick smile. Despite the fast pace of specialists—they constantly are reading numbers from a screen and dealing with brokers buying and selling stock—Mr. Finnerty often finds time for jokes, floor traders say.

On a recent morning at the exchange, he took time out to explain the specialist system to visiting journalists. He told a reporter that he knew Jeffrey Immelt and Jack Welch, GE's current and former chief executives, respectively, and that they'd sometimes call him up when they came to town. He

kept a batch of recent articles on GE in the wooden cabinet behind his desk on the floor.

Ticklish Time

The probe comes at a ticklish time for the exchange, which is under fire for possible corporate-governance shortcomings. The Big Board last month pulled the nomination of Citigroup Inc. Chief Executive Sanford I. Weill to represent the public as an exchange director. The move came after New York Attorney General Eliot Spitzer argued that Citigroup's government settlement over alleged stock-research abuses should disqualify Mr. Weill.

A few days later, Goldman Sachs Group Inc. ousted Todd Christie, the head of its Spear, Leeds & Kellogg specialist unit. He had been nominated to join the exchange's board as a securities-industry representative. And earlier this week, the National Association of Securities Dealers, in an administrative proceeding, accused a small securities firm led by NYSE director Kenneth G. Langone of improperly sharing customer profits on hot initial public offerings at the height of the stock-market bubble. Mr. Langone is fighting the civil allegations.

Oakford Scandal

This isn't the first time floor-trading activity has come under scrutiny. In February 1998, eight floor brokers were criminally charged with participating in a scheme to pick stocks to trade for quick profits on the exchange floor, then split those profits with Oakford Corp., a now-defunct floor-trading firm. Two other brokers who cooperated in the investigation were also charged. Two Oakford executives were sentenced to prison terms of as long as 20 months, and several other floor brokers were ordered to serve prison terms ranging from one week to four months.

Front-running has been a particularly nettlesome problem since U.S. stocks began trading in one-cent increments early in 2001, people familiar with the investigation said. They said the Big Board is probing whether its specialist firms, whose traders specialize in individual stocks, may have abused the decentralized-trading environment at their customers' expense.

Prairie Dogs as Man's Best Friend?

Continued From First Page poison them or hold shooting contests. In Lubbock, ranchers have been known to fill burrows with a flammable gas and ignite it, burning the creatures alive.

Prairie-dog harvesters such as Ms. Watson say that transforming the critters into pets may be the only way to save them. Only pups are suitable for domestication, but she says prairie dogs are adaptable animals that can potty-train themselves, not unlike cats. Her first pet prairie dog, Chewie, slept beside her at night for 14 years. "They fit right in," she says.

Animal-rights activists say prairie dogs make lousy pets. They can be aggressive and bite. They like to chew on electric cords, burning their mouths. And they have been known to escape from their cages, exploiting weak engineering, only to end up in precarious spots.

"Basically you're putting a ground squirrel in your home," says Rebecca Fischer, 40, who takes in unwanted prairie-dog pets at a farm in Connecticut.

The activists see a victory in Japan's ban. They predict prairie dogs will soon be endangered—partly because of the growing pet trade. "It's a crime against nature," says David Crawford, executive director of the Rocky Mountain Animal Defense Fund.

In Japan, Ms. Tashiro simply wanted a cute pet. She had been thinking of getting a dog, but her two-room apartment is too small. Cats are too standoffish, she felt, and hamsters too short-lived. She found prairie dogs on the Internet and thought they were "so lovable," she says.

Ms. Tashiro bought her prairie dog from Sachiko Takahashi, 36, the broker who ferried Siva to Tokyo from Texas, and who imports 100 of Ms. Watson's prairie dogs each year.

The co-author of a 296-page book called "Bringing a Prairie Dog Pet Into Your Home," Ms. Watson harvests about 2,500 prairie dogs a year. Each spring, she scours a narrow band of the Texas plains. Operating under the name PMS Recycled Vermin with her partner, Daryl Hogue, she nets as much as \$30,000 a year for six weeks' work. Although she raises a few prairie dogs, like Siva, for a few months, she sells most of them to brokers within weeks.

They cruise ranch roads in a 1985 baby-blue Chevy Scottsdale that tows a diesel drum filled with 500 gallons of

water. When they spot prairie dog pups retreating to a burrow, they go overland and pull up beside it. Ms. Watson trickles water into the burrow, sending the animals scampering back out. As they move toward the surface she thrusts a hand in and grabs them. She gives them to Mr. Hogue, who treats them for fleas and puts them in crates lined with shredded newsprint. While on the road, she stores them in a 1960s Airstream trailer.

On a good day Ms. Watson can catch 250 prairie dogs. On a bad one she might suffer the bite of an adult prairie dog, or a rattlesnake, or a black widow spider. "You can get the hell bit out of you," she says.

There are now a dozen harvesters in the business, including J.W. Vanderpool of Meade, Kan., who has modified prairie-dog-eradication technology. "I got me a grain vacuum and put it on the back of a John Deere tractor," he says. Adult prairie dogs that are sucked up tend to be killed, because of their size and the force with which they enter the machine. The babies are more likely to bounce around and survive. Mr. Vanderpool says he can harvest 9,000 prairie dogs a season, more than three times the number Ms. Watson collects.

She and her colleagues deplore Mr. Vanderpool's contraption. "That's wrong, that's just flat wrong," she says. With her prairie dogs, she issues certificates saying they were caught in a "humane fashion, using no mechanical devices."

The certificates are a hit in Japan, so much so that a few years ago, counterfeit ones started showing up. Ms. Watson fought back. Now she embeds a microchip in the skin behind the necks of some of her prairie dogs for verification. Still, she expects Japan's ban to bite. "This year is shaping up to be a disaster," she says.

Robert Sands—a Florida broker who buys, sells and ships many of Ms. Watson's prairie dogs—says he is pursuing an alternate career in real estate. As for the prairie-dog trade, he says, "I have a Chevy Silverado and a three-bedroom house. I did all right."

Journal Link: Read selected excerpts from the anthology "Floating Off the Page: The Best of The Wall Street Journal's 'Middle Column'" at WSJbooks.com/floating.

Tikrit was Mr. Hussein's center of gravity, where two of his grandest presidential palaces are located and a place from which he drew his most elite inner circle. Over the years Mr. Hussein poured enough money into it to make it the most developed of any town its size in Iraq. It has wide boulevards lined with palm trees, grand villas and mosques with marble domes and turquoise minarets. Residents say it has one of the best school systems.

When Mr. Hussein held a national referendum in October asking Iraqis to vote him into office for another seven years, the residents of Tikrit were near hysteria in their pledge of support for him. Voters were stamping the ballots with their blood and women were holding up newborns and saying they would "sacrifice" their sons for Mr. Hussein.

It came as a surprise to war planners how little resistance American soldiers encountered when they pushed into the city. The city is dead silent today, with every shop closed and families hiding in their homes. The Marines stationed in Tikrit say the atmosphere in the city is tense but under control. Yesterday, a car bomb was discovered on the bombed-out bridge that connects the Presidential Palace—the headquarters for the U.S. Marines—to the road to Kirkuk. It was defused and no one was injured.

The Marines discovered a huge weapons cache at the military hospital in Tikrit on Monday, with more than 100,000 AK-47s, machine guns and other artillery belonging to the Iraqi army. An entire section in the back of the hospital was stacked with military equipment from floor to ceiling. One room stored hundreds of gas masks and atropine injections.

Bassem Mohammad, a 45-year-old pathologist at the hospital, was unfazed at the Iraqi army's decision to use a hospital as a weapons warehouse. "They tried to put the weapons in a secret place that no one could bomb or damage. It's normal," he explained.

Dr. Mohammad is one of three physicians who sat out the war at the hospital here. He and his colleagues, clad in white uniforms, walked toward where the American Marines were piling the weapons onto trucks and shook their heads.

"All Iraqi people think this is an invasion," Dr. Mohammad says. "It's insulting. Any human being would like to change a bad system himself, not have another army come and do it."

Bush Administration To Send Huge Team On Weapons Hunt

Continued From Page A3 Israel, which is widely believed to have nuclear weapons.

At the same time, Syria's government yesterday suggested relations with the U.S. were calmer than they have appeared amid harsh rhetoric in recent days. "Things are not so bad," said Foreign Ministry spokeswoman Bouthayna Shaaban. "I really take all these statements with a positive tinge to them. The objective is to engage and talk about issues, rather than to threaten."

Yesterday, the U.S.'s 4th Infantry Division found huge caches of conventional weapons at the Al Taji Army Airfield about 15 miles from Baghdad. Troops began searching the base's large bunker complex for signs of Scud missiles and biological and chemical weapons that were once stored there.

Also yesterday, an American military team raided the Baghdad residence of Rihab Taha, a British-educated microbiologist who is suspected of running Iraq's biological-weapons program, and took three Iraqi men into custody and seized boxes of documents. Ms. Taha appears to have fled the country.

The disappearance of many Iraqi scientists, military leaders and other officials said to be involved with weapons programs is disturbing, according to Jonathan B. Tucker, a senior fellow at the U.S. Institute of Peace, a federally funded research group.

"We know there were roughly 3,000 Iraqi scientists that worked at one time or another in these weapons programs. At least a hundred had broad knowledge of these programs. Their expertise would be of great interest to the other proliferators in the [Middle East] region."

Mr. Tucker, author of a book on biological weapons, urged the U.S. and its allies to set up a science and technology center in Baghdad for some of these scientists to work on nonmilitary science projects, similar to centers set up in Moscow and Kiev after the Cold War.

Raymond Ziilinskas, a former U.N. inspector, suggested that one reason the U.S. hasn't turned up more evidence of weapons of mass destruction is that Iraq's weapons program "may not be on the scale that the Bush administration posited before the war."

Because U.N. inspectors were working in Iraq up to a few hours before the war started, he said, they "would have created a real logistics hassle" for Iraq's military. The military would have had to retrieve hidden caches of materials, put them in weapons and deploy them as bombs were falling over Baghdad. "For all these reasons, I don't think they had any [weapons of mass destruction] ready to go," said Mr. Ziilinskas, who currently directs the chemical and biological non-proliferation program for the Monterey Institute of International Studies in Monterey, Calif.

On the outskirts of Baghdad, meanwhile, a Marine unit found a terrorist training camp where, it said, conventional bomb-making apparently was taught.

—Yochi Dreazen at Al Taji Airfield in Iraq contributed to this article.

U.S. Terror-Alert Level Is Lowered to 'Yellow'

WASHINGTON—Homeland Security Secretary Tom Ridge lowered the terror-alert level to elevated from high, emphasizing the continuing threat in the U.S. even as the war in Iraq winds down.

The Department of Homeland Security released a short statement confirming speculation that the threat level would be lowered from high, or "orange," to "yellow," or elevated, the middle rung in the five-point scale. As a result, some security precautions under the so-called Operation Liberty Shield plan to protect do-

mestic targets during the war would be relaxed. Areas of heightened security under the plan included airports, borders, railroad lines, ferries and power plants.

Officials said the change was personally approved by President Bush after a review of intelligence and threat assessments. The decision was foreshadowed in comments made last week by Mr. Ridge suggesting that it would be lowered. This was the third time the alert level was raised to orange since the Sept. 11, 2001, attacks, this time for just under a month.