BUSINESS

DOW JONES	NASDAQ	S&P 500	SUN-BLOOMBERG	EURO IN DOLLARS	10-YEAR T-BONDS	OIL (New York)
+22.10 to 10,980.69 +0.20	-17.65 to 2,268.38 -0.77%	-2.38 to 1,275.88 -0.19%	-2.41 to 342.17 -0.70%	-$0.0132 to $1.1885	-0.03 to 4.72%	-83¢/barrel to $61.58

REAL ESTATE

VORNADO TALKS WITH MILLS CORP.

Vornado Realty Trust confirmed in a Securities and Exchange Commission filing that it "has had an informal dialogue with management of the Mills Corp."

>>>> PG 2D

ECONOMY

WORKER EFFICIENCY DECLINES

The efficiency of American workers declined in the final three months of 2005, the first time that has happened in more than four years, as wage pressures accelerated.

>>>> PG 2D

Md. letting BGE zap customers

JAY HANCOCK

REGULATORS ARE ON your side, Baltimore Gas and Electric customers.

They saw BGE household electricity prices about to spike 72 percent. They heard your protest, felt your outrage and ordered a plan that not only gives BGE the price jumps it wants but lets it collect interest on the unpaid balance if you can't handle your bill.

It's consumer protection, 21st-century style. Can't afford what The Man has to sell? We'll allow you to go deeper in debt.

This is not what Maryland needs or deserves.

Government hasn't come close to addressing the double-punch of BGE's looming rate shock and plans for BGE's parent to be acquired by a Florida power company.

The "rate stabilization plan" announced by the Maryland Public Service Commission would stabilize rates the way the Corps of Engineers stabilized the 17th Street Canal levee in New Orleans.

BGE electricity prices will soar 72 percent after a five-year cap expires July 1, regulators disclosed yesterday. Unless ratepayers opt out, they go on an installment plan that limits immediate increases to 21 percent and lets BGE collect interest on the balance, which must eventually be paid.

Easy terms available! Bad credit OK!

But, you ask, what's the alternative? Wouldn't it involve reversing deregulation and possibly renegotiating the 1999 settlement that BGE and parent Constellation Energy reached with Maryland regulators?

[Please see HANCOCK, 6D]

BANKERS WIN BID TO HALT BIAS LAW

Montgomery judge blocks county measure; case is to be tried in July

BY LAURA SMITHERMAN
[SUN REPORTER]

A Montgomery County judge blocked a fair-lending ordinance yesterday that had prompted at least two dozen lenders to announce they would stop or suspend offering mortgages and home-equity loans in the affluent county.

Circuit Judge Michael D. Mason issued the temporary injunction a day before the ordinance was to take effect. A trial on the lawsuit is scheduled for July.

The American Financial Services Association, an industry group, and several mortgage companies had sought the injunction.

They argued at yesterday's hearing that the county did not have the authority to pass the ordinance and warned that the ordinance would drive so many lenders out of the county that credit would become scarce and loan costs would increase.

Deputy County Attorney Marc Hansen said the plaintiffs were "badly misreading" the Montgomery law. "They seemed to be insisting somehow that our law is regulating lending practices and that's not what the law says," he said. "It says we are prohibiting discrimination."

In a separate development yesterday, the county law received a setback yesterday at the federal Office of Thrift Supervision, an agency under the Treasury Department that regulates federally chartered savings banks.

In response to complaints about the Montgomery ordinance, the agency's chief counsel, John E. Bowman, issued a legal opinion saying that U.S. law would preempt the county statute from being applied to federally regulated lenders.

In the meantime, the issue is expected to land back in the County Council on Tuesday when Councilman Mike Knapp said he plans to introduce legislation to repeal the ordinance.

While residents must be protected from unscrupulous lenders, legislation should not discourage conscientious financial firms from doing business in the county, the Democrat said.

[Please see BANKS, 3D]

GM to cut salaried pension benefits

42,000 will shift to 401(k) program

BY JOHN O'DELL

General Motors Corp. said yesterday that it would freeze or eliminate the traditional pension benefits of its U.S. salaried workers and move newer hires into a plan that relies more on 401(k) investments as the automaker continues to cut costs.

The changes start next year and affect about 42,000 workers, including top executives. The automaker, which lost $8.6 billion last year, is shifting away from the guaranteed lifetime monthly pension payment plan it helped pioneer in the 1940s.

"These decisions are difficult, but necessary to position GM for future success," Chief Executive Officer G. Richard Wagoner Jr.said. "These changes will reduce financial risks and future costs for GM [and provide] competitive and fair retirement benefits going forward."

GM will still provide a monthly pension for salaried workers hired before 2001, but with reduced benefits credited for years worked after 2006. For newer employees, GM will end the guaranteed pension plan and replace it with a 401(k).

GM will contribute 4 percent of each employee's annual pay to the tax-deferred program and allow employees to make additional contributions and manage their investments to generate retirement income. GM also will match 50 percent of a salaried worker's contribution, up to 4 percent of the base salary.

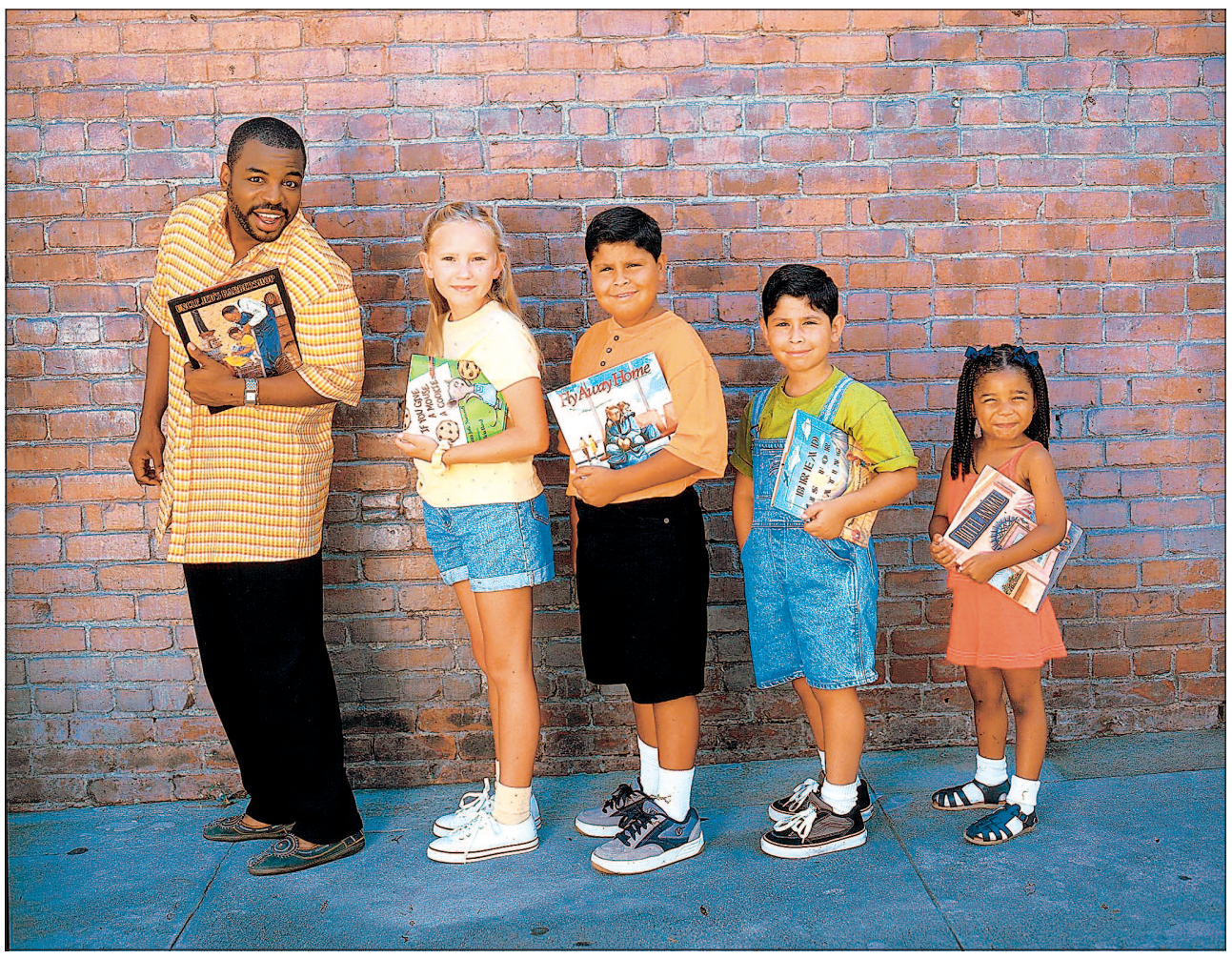
The company's move "is significant because it was GM and the other Detroit automakers who wrote the corporate social contract with workers after World War II … that said the employer will reward loyalty by taking care of the worker," said Harley Shaiken, a University of California, Berkeley professor and a labor specialist. "Now the message is, 'Take care of yourself.' "

GM said the changes to its salaried pension programs would affect 36,000 automotive employees and 6,000 salaried workers at General Motors Acceptance Corp. — a finance unit that it is trying to sell to raise cash. The pension changes do not affect current retirees or GM's 105,000 hourly union workers in the United States.

GM expects the new plans to save it $420 million on a pretax basis next year and to reduce its pension liability by $1.6 billion at the end of this year. GM's pension liability was $10.92 billion in December.

[Please see GM, 6D]

A Baltimore company reaches agreement to co-produce 'Reading Rainbow,' a long-running PBS children's series



Actor LeVar Burton, the host of the "Reading Rainbow" children's series on the Public Broadcasting Service, strikes a pose with four children in a publicity photograph. The half-hour program airs locally on Maryland Public Television.

Educate Inc. will expand into educational TV role

BY HANAH CHO
[SUN REPORTER]

The Baltimore company known for its Sylvan tutoring centers is expanding into educational television with an agreement to co-produce the well-known Public Broadcasting Service children's series *Reading Rainbow* under a deal announced yesterday.

It's not an entirely odd partnership for Educate Inc., which has been repositioning its business around consumer services in the past year. Besides its tutoring business and last year's acquisition of the Hooked on Phonics brand, the company said it wants to expand into broadcast media.

"We're very excited about it because it offers a wonderful new brand that aligns with our current business," said Chip Paucek, president of Educate's products division. "It's not so much specifically a foray into broadcast. It's a wonderful plug-in for our products division."

Under the production agreement, the financial terms of which weren't disclosed, Educate and Western New York Public Broadcasting Association (WNED) will create new episodes of the show. Buffalo-based WNED is a co-founder and original co-producer of *Reading Rainbow*, which first aired on PBS stations in 1983.

[Please see SERIES, 6D]

'READING RAINBOW'

The series first aired on PBS stations in 1983 and targets children ages 4 to 8. The half-hour show features host LeVar Burton, an actor known for his roles in *Roots* and *Star Trek: The Next Generation*, discussing books.

The series has won numerous awards, including 24 Emmys — nine for outstanding children's series.

The show airs on Maryland Public Television.

Delta adding flights to its N.Y. hub

BWI will share in airline's stepped-up service to Kennedy this summer

BY MEREDITH COHN
[SUN REPORTER]

Troubled carrier Delta Air Lines Inc. announced yesterday that it would add dozens of flights to New York's John F. Kennedy International Airport, including from Baltimore, in a bid to boost its overseas and cross-country hub.

The move will give cities with limited international departures a bit more access to Europe and beyond and potentially improve the fortunes of the nation's third-largest airline, which continues to lose money after filing for Chapter 11 bankruptcy protection in September and making deep cuts in its domestic service and work force.

"This summer's expansion at JFK will significantly increase the convenience of choosing Delta for travel between the U.S. and destinations around the world,

[Please see DELTA, 6D]

Delta Air Lines has been trimming its domestic service but seeks to build its overseas traffic with more flights to John F. Kennedy International Airport.
SUN FILE PHOTO [2002]

Md. high court backs allowing hospital to do heart surgery

Judges vote 4-3 to uphold panel's choice of Suburban

BY M. WILLIAM SALGANIK
[SUN REPORTER]

In a 4-to-3 decision yesterday, the state's highest court ruled that the Maryland Health Care Commission acted within its authority when it approved a new open-heart surgery program in the Maryland suburbs of Washington.

Suburban Hospital in Bethesda, which the commission chose to offer the program, said it had hired most key staff and hoped to begin surgery this spring.

A separate court case challenging the commission's selection of Suburban is also working its way through the court system.

Yesterday's decision by the Court of Appeals is the latest in a long-running legal, regulatory and legislative battle over which hospitals in the state get to offer the prestigious, and potentially lucrative, programs.

Heart surgery, and other high-end services that go with it, bring a half-billion dollars a year to hospitals in Maryland and the District of Columbia.

Seeking to control costs and maintain quality, the Health Care Commission has limited the number of programs it approves; Suburban would be the 10th hospital in Maryland to perform heart surgery.

Several of the 37 hospitals that don't offer heart surgery — known collectively as "the have-nots" — have tried to win approval. They argue that more programs will control costs by introducing more market competition, and that more programs would mean better access and convenience for patients.

[Please see HEART, 3D]

FROM THE COVER

Delta to increase flights to N.Y.

DELTA [From Page 1D]

thanks to Delta's extensive offering of flights to 31 international destinations from JFK," Jim Whitehurst, Delta's chief operating officer, said in a conference call from New York.

He said that the airline would join other airlines in capitalizing on the demand — and higher fares — for overseas travel by adding 46 flights from 17 cities to the New York hub.

Kennedy, used more as a connecting point than for local New York traffic, will especially benefit passengers in places such as Baltimore; Richmond, Va.; Hartford, Conn.; Providence, R.I; Cleveland; and Buffalo, N.Y., that have few direct international options, said Dan Kasper, managing director of LECG, a Cambridge, Mass., airline consulting firm.

Longer-haul cities added to the lineup include Las Vegas, San Diego and Montreal.

The fares were not announced and will depend on demand to specific destinations, Whitehurst said.

Shifting routes

Kasper said many major carriers have been shifting domestic routes to international ones largely because the international market is a frontier mostly untrod by the discount carriers that have pushed down fares. Price competition and huge fuel bills have pushed several carriers, including Delta, into U.S. Bankruptcy Court.

"International markets have been stronger," Kasper said. "Other carriers have been adding service for several years, and Delta has not been as aggressive in its expansion."

Delta plans on using small jets and turboprop planes operated by regional carriers Comair and Freedom Airlines to deliver passengers to Kennedy. They mainly will arrive and take off in the mornings and evenings to avoid the midday crush of flights, including most international ones.

Until these flights, which will be added between June and September, Delta flew most of its international connections through Atlanta and Cincinnati.

Delta currently offers 23 daily flights from Baltimore-Washington International Thurgood Marshall Airport to Atlanta, Boston, Cincinnati, Salt Lake City and New York's Kennedy. BWI currently has two flights daily to Kennedy.

Baltimore's three new flights will be added Sept. 5.

For 2005, the airline flew 1.34 million passengers through BWI, making it the fourth- largest carrier there with almost 7 percent of the market, according to the airport.

Benefiting customer

"These additional flights will benefit the BWI customer who connects with Delta's impressive and growing international network," said Jonathan Dean, an airport spokesman.

"But it's more than that. The [origination and destination] traveler will also benefit. Now more than ever JFK equals Manhattan. Business travelers from Baltimore and Washington can fly to JFK and take the AirTrain to Midtown."

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GM to cut pension benefits of 42,000 salaried workers

GM [From Page 1D]

The automaker is following other large employers in trying to cut pension costs. About 80 percent of U.S. private businesses have ended traditional guaranteed pensions in favor of 401(k) retirement plans, Shaiken said.

But GM is the first Detroit automaker to make the shift, after a similar announcement in February by the North American unit of Japan's Nissan Motor Co.

David Cole, director of the Center for Automotive Research in Ann Arbor, Mich., expects Ford Motor Co. and DaimlerChrysler's Chrysler Group to match GM's pension changes "in a matter of weeks, if not days" to remain competitive.

Neither company would comment yesterday.

GM and Ford have been losing sales and market share to foreign brands in the U.S. for decades. And both automakers have complained bitterly that company-paid benefits for their hundreds of thousands of workers and retirees place them at a competitive disadvantage to carmakers in Asia and Europe with national health and pension plans.

The pension changes follow a deal GM reached with the United Auto Workers in November to cut health benefits for retired hourly workers. That deal, which would save the automaker $1 billion a year, is awaiting federal court approval.

GM's stock price gained 48 cents for the day to $20.29.

John O'Dell writes for the Chicago Tribune.

Wanted: Better Constellation deal for Maryland families

HANCOCK [From Page 1D]

Wouldn't that raise specters of state expropriation and add to Maryland's stellar reputation at the U.S. Chamber of Commerce?

Yep, but desperate times call for desperate measures.

BGE wants to pull nearly $400 million annually from the Central Maryland economy through its rate increases. BGE is an economically critical monopoly. The deregulation that allowed these increases was deeply flawed; it was sold on the notion that electricity prices would fall.

Regulatory intrusion that might be outrageous in another industry can be justified here.

And BGE/Constellation is likely to be open to renegotiation. Thanks to scores of millions of dollars in merger-related bonuses, Constellation bosses probably want to complete the company's marriage to Florida's FPL Group even more than they want to stick Maryland ratepayers with price trauma.

Gov. Robert L. Ehrlich Jr. and the General Assembly ought to make merger approval conditional on a better deal for Maryland families than a 72 percent price pop and easy financing.

If they're squeamish about molesting a corporate citizen, they should ask some impolite questions that could shed light on whether the 1999 deregulation was fair, whether a 72 percent increase is justified by higher fuel prices, as BGE argues, and how much BGE and Constellation would suffer if they got anything less.

- Why will the municipally owned Hagerstown Light charge residential electric customers about 30 percent less after July 1 than shareholder-owned BGE?

Hagerstown Light shops in the same electricity markets as BGE, but Hagerstown households will pay only about 9.7 cents a kilowatt hour, based on what Hagerstown Light boss Karl Kohler told me yesterday, while BGE households get socked with 14.1 cents. What's up with that?

- How can Constellation be booking record profits when it keeps complaining that the current, capped BGE rates are far below market prices? (For a hint, see next question.)
- How much profit is Constellation making on the low-cost generation plants that BGE customers paid for and that Constellation took over after deregulation in a cash-free paper shuffle?

BGE's old generation assets were almost all coal and nuclear — the very cheapest way to make juice in today's market. But instead of passing the low costs on to ratepayers, as in the old days, BGE/Constellation gets to charge a deregulated price in a market driven up by high oil and natural-gas generation costs for other electricity vendors. Result: a huge markup.

- On the same subject, what's the value of Constellation's Calvert Cliffs nuclear generators these days?

Over five years BGE customers have paid some $500 million to Constellation based on the bogus notion, pushed hard by the company, that Calvert Cliffs would plummet in value after deregulation and that Constellation deserved to be compensated for the "loss."

You know what happened. Re-licensed in 2000, unburdened by huge costs borne by today's oil and gas generators, Calvert Cliffs is worth a mint. There probably was no "stranded cost."

I don't know the answers, but I'm trying to find out. Meanwhile, BGE/Constellation, how about rebating the $500 million as a step toward easing the rate shock?

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Educate Inc. set for a role in TV

SERIES [From Page 1D]

A WNED official said the move saves *Reading Rainbow* from extinction, since financial concerns had left its future on the air in doubt.

Darwin McPherson, a spokesman for WNED, said it's still too early to say how directly Educate will be involved in the show's content. WNED's agreement with Educate isn't one of a kind, as producing partnerships between commercial and nonprofit entities are not new in public broadcasting, McPherson said.

"PBS standards will protect the integrity of any educational content," McPherson said. "And we expect any input that Educate has will be based on their knowledge of the education system but not anything that would forward a commercial agenda."

'Wonderful'

R. Christopher Hoehn-Saric, Educate chairman and chief executive officer, said in a statement: "This is a wonderful opportunity to combine our expertise in helping kids learn to make this beloved series even more effective, engaging and relevant for today's kids."

For WNED, the co-producing agreement ends questions of the award-winning series' future on public television.

"It brings happy closure to the long struggle to secure the funds needed to sustain the series," Donald K. Boswell, president and chief executive officer of WNED, said in a statement.

Not only will Educate co-produce the series, it also will distribute *Reading Rainbow*-related and other educational products and materials. That merchandise deal was secured through Educate's acquisition of Great Plains National Instructional Library, the largest nonprofit source for classroom-learning materials from the University of Nebraska. The purchase price was $2.8 million, Educate said.

To spearhead its *Reading Rainbow* venture, Educate hired two new managers. Jinny Goldstein, a former vice president of education at PBS, will head Educate's partnership with WNED and PBS. Dan Hamby, also a former PBS executive, will oversee Great Plains Library's merchandise, publishing and distribution efforts.

"This particular acquisition fits directly into the products division," Paucek said.

Reading Rainbow had been jointly produced by WNED and Great Plains National Educational Media, a division of Nebraska Education Telecommunications (NET).

Educate's producing agreement and acquisition came to fruition when the University of Nebraska's Board of Regents approved the sale of NET's 50 percent share of *Reading Rainbow* to WNED last week. In turn, the university's governing body approved the sale of Great Plains library to Educate.

'Ancillary growth'

While Educate's tutoring business hit some financial snags lately, the company's acquisition of its latest name brand could provide long-term "ancillary growth," said Kristen Edwards, an education equity research analyst with investment bank ThinkEquity, which does not own shares in the company. Last month, Educate announced a disappointing $4.7 million loss in the fourth quarter.

"By adding products to their business model, there's a new element of risk," Edwards said. "But the big picture is they could leverage their brand name and the *Reading Rainbow* brand name."

Educate stock closed yesterday at $9.24, down 2 cents.

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The Associated Press contributed to this article.

BUSINESS

IN YOUR MONEY // MIXING IN A DASH OF COMMODITIES CAN BOOST INVESTMENT RETURN, GAIL MARKSJARVIS SAYS PG 3C

5 things you should know about the energy bill increase

BY PAUL ADAMS [SUN REPORTER]

Baltimore Gas and Electric Co.'s customers were stunned last week when they learned that their bills would increase by an average of 72 percent when legislated rate caps expire July 1. Here are the answers to some basic questions about the new rates and what they will mean to both consumers and BGE:

1 Question // How can electricity bills go up 72 percent overnight?

When Maryland deregulated its electricity industry in 1999, Baltimore Gas and Electric Co.'s rates were frozen for the following six years. In recent years, however, the cost of natural gas, coal and other fuels used to make electricity have soared as a result of rising global demand, unrest in oil-producing regions and last fall's hurricanes in the Gulf of Mexico. With those rate caps due to expire in July, BGE must pay more to buy the electricity it delivers to customers. Since 2000, the average spot price for electricity has more than doubled in the power pool where BGE and other utilities in Maryland, Pennsylvania and New Jersey get their energy.

2 Question // Were BGE customers getting a bargain for the past six years? Compared to what?

Yes, compared to averages for the nation and the region. For 2005, the federal Energy Information Administration estimates that Maryland residential customers paid an average of 8.23 cents per kilowatt hour, including those in parts of the state served by utilities other than BGE. That was less than the average of 12.30 cents for Mid-Atlantic customers in New York, New Jersey and Pennsylvania, and 8.60 cents in the South Atlantic region, which includes Maryland, Delaware, D.C. and six other states. The national average is expected to come in at 9.25 cents.

3 Question // If BGE made money with rate caps, why can't it now?

After rates were frozen, BGE locked in long-term power supply contracts at prices far lower than available now. When those low-cost contracts expire in June, the new supply contracts are more expensive.

4 Question // Can lawmakers or state utility regulators do anything to stop or roll back the rate increases?

The state Public Service Commission, which regulates utilities, has ordered BGE to spread the rate increase out over two years for customers, unless customers request otherwise. Customers will have to pay 5 percent interest on the deferred amount of their bills, however. State lawmakers and company officials are negotiating a plan that might allow customers to spread out the rate increase without interest. Short of easing the pain, however, there is little the state can do about the global forces driving energy costs higher.

5 Question // Is BGE going to get a profit windfall from the higher rates?

Not exactly. After July 1, regulators allow BGE a 0.9 percent profit on the value of the electricity it delivers to its 1.2 million residential and commercial customers. That amounts to about $20 million a year — a small part of the roughly $150 million in total profit the utility makes annually. Much of that $150 million comes from BGE's fee to deliver power over its transmission lines and other services. That fee — separate from the cost of the power itself — is not increasing in July.

ILLUSTRATION BY ANTHONY CONROY [SUN ARTIST]
ORIGINAL ARTWORK BY ISTOCKPHOTO.COM

Irene Keffer holds sample of peanut butter fudge she makes daily at the Boscov's headquarters store near Reading, Pa.
ELIZABETH MALBY [SUN PHOTOGRAPHER]

A 3-store offensive

Modest Boscov's chain of department stores buys local Macy's outlets

BY ANDREA K. WALKER [SUN REPORTER]

READING, PA. // Down the steps of the Boscov's Department Store here, past the display of patio furniture, near the ladies in gift-wrap and squeezed into the basement, you'll find the chain's corporate headquarters.

The modest, quaint central suite seems to befit the 40-store company begun 85 years ago by a Russian immigrant in this blue-collar city folded in the Lebanon Valley of eastern Pennsylvania.

The halls are a little dark, a little dank. The furniture's a bit dated. The buyers who choose the merchandise to be sold in stores sit crammed behind tall cubicles plastered with family photos and photocopied cartoons.

Clothing samples hang on rolling racks in the aisles. The president's office is about the size of a high school principal's, no glammed-up corporate executive's digs.

But Boscov's, which about to move into the Baltimore market, is taking a step beyond its traditional roots. It's a bold leap at an uncertain time for department stores, squeezed by the proliferation of discounters and specialty stores. The family felt the enterprise had reached a critical juncture: grow or wither.

"Everything has its risks and we're working to mitigate those risks as much as possible without straying from the formula that has gotten us to where we are," said Kenneth S. Lakin, the company's chairman and chief executive officer. "We're not reinventing the wheel. We're just tweaking it a little bit."

By the end of June, Boscov's expects to close on a deal to buy 10 stores from Federated Department Stores Inc., the Cincinnati retail giant that is unloading excess property as a result of its recent merger with May Department Stores. As it combines its various regional department stores — including Hecht's in the Mid-Atlantic — into a national Macy's brand, Federated is selling off excess stores to other retailers.

In the Baltimore area, Boscov's will take over Macy's stores at White Marsh and Owings Mills malls in Baltimore County and at Marley Station in Anne Arundel County. The stores are to be open by the November-December holidays.

[Please see BOSCOV'S, 2C]

U.S. raising insurance limit for retirement accounts

EILEEN AMBROSE
PERSONAL FINANCE

THE FEDERAL INSURance limit for retirement accounts at banks will more than double to $250,000 this year — just in time for retiring baby boomers.

The increased coverage will apply to accounts such as Keoghs, individual retirement accounts and individual 401(k)s. The new limit could kick in as early as next month, although it will be in place in November at the latest.

"Our hope is to make it before the April 15 date because many banks really encourage additional contributions through IRAs and rollovers before the tax date," said Jim Chessen, chief economist at the American Bankers Association.

The insurance limit on other bank deposit accounts will remain the same at $100,000 at least until 2011.

Beginning then, and every five years thereafter, the limits on other bank deposits and retirement accounts can be raised in increments of $10,000 based on inflation, said David Barr, a spokesman for the Federal Deposit Insurance Corp., which insures banks and thrifts.

(The increased limits also will apply to credit unions, whose insurance comes through the National Credit Union Share Insurance Fund.)

FDIC insurance comes into play when a bank fails.

[Please see AMBROSE, 4C]

Maryland, Michigan take diverging paths in deregulation

JAY HANCOCK

MARYLAND AND MICHIgan were electricity twins in the 1990s. Served by nearby nuclear and coal generators, households in both states bought kilowatts for roughly $1,050 a year — a little over the national average.

Then they took divergent roads to deregulation, and that has made all the difference.

Customers of Baltimore Gas and Electric Co. are due for a whopping 72 percent price jump after July 1, when a transitional rate freeze on electricity expires.

Detroit Edison customers, on the other hand, saw only a 9 percent increase when their rate caps were lifted Jan. 1, says a Detroit Edison spokesman.

The Baltimore family that will pay $1,800 a year for juice after July 1 would pay $1,200 in Detroit.

And therein, as they say, lies a tale.

[Please see HANCOCK, 4C]

FROM THE COVER

Electricity twins go in different directions

HANCOCK [From Page 1C]

Coal and nuclear generators have become the cheapest way to make electricity in recent years as prices soared for alternative fuels oil and natural gas. You'd think that would leave ratepayers in both Michigan and Maryland in great shape.

But while Michigan forced Detroit Edison to keep its coal and nuclear plants and pass the now-low cost to ratepayers, Maryland politicians tried to promote competition by making BGE shift ownership of its low-cost plants to someone else — in this case, to its parent company, Constellation Energy.

Michigan partially deregulated. Maryland went whole hog.

The result: The Constellation plants sell electricity to anybody for any price they can get, reaping nice profits in today's inflated market instead of passing savings from low production costs to BGE customers, as would have happened without deregulation. And of course the promised competition from companies offering households a better deal never happened.

'The dark spread'

While Detroit Edison customers aren't thrilled about a 9 percent increase, "when you start looking around at other states, I think Michigan's system has worked," says J. Peter Lark, chairman of the Michigan Public Service Commission.

The surprise bonanza for Constellation and other owners of coal and nuclear plants has become the talk of the industry. "The dark spread," people call it, referring to hidden markups and fat profits for coal and nuclear plants as electricity prices soar.

In any market, prices get set at the margin — by the next unit of supply meeting the next piece of demand. The marginal price for megawatts these days is determined by natural gas generators because they're cheapest to build and easiest to flip on and off.

And the price of natural gas to fuel them has gone nuts, doubling from already high levels after Hurricane Katrina and staying up while BGE solicited offers from Constellation and other electricity vendors. Coal prices also have risen, but not as much, and the cost to produce nuclear power has been falling.

Calling dark-spread profits a "windfall" for deregulated coal and nuclear plants, Wall Street's Calyon Securities noted in an October report that such facilities "have been experiencing rapidly increasing power margins as natural gas prices continue to rise."

More than half the electricity at BGE's former plants came from coal; more than 40 percent came from nuclear. To get an idea of how golden these facilities look in today's market, check out figures from the Nuclear Energy Institute.

In 2004, it cost less than 2 cents an hour to make a kilowatt with coal or nuclear generators, while the cost of a kilowatt-hour from oil or natural gas generators was more than a nickel. That's 150 percent higher. Data for 2005 aren't available, an NEI spokesman said, but if anything the cost advantage of coal and nuclear has probably grown.

So it's 2 cents an hour for a kilowatt made by BGE's old Calvert Cliffs nuclear plant. But for you, after July 1, once Constellation sells it to BGE and it lands in your television, it'll cost 14.8 cents. The difference isn't all profit, of course. Delivery and administrative costs eat up most of it.

Even so, Detroit Edison, using similar plants and serving a similar market, charges only 10 cents a kilowatt hour — a third less.

Probably nobody knew coal and nuclear plants would become so profitable thanks to terrorists, wars, hurricanes and other factors driving up oil and gas prices.

Constellation has already sold much of the future juice from the former BGE plants at prices lower than what it could get in today's market.

Nevertheless, savings that once would have passed from BGE plants to BGE customers surely helped stoke Constellation's 45 percent profit jump in its latest quarter.

"In fairness to Maryland, Michigan was the last state to pass a restructuring law, so they had a little bit of a heads-up" on deregulation booby traps, says Ken Rose, an economist at the Institute of Public Utilities at Michigan State University. "They knew there was more of a risk in terms of letting the generation go."

A harsh light

OK. But the contrasting fates of Baltimore and Detroit still cast harsh light on Maryland's colossal misjudgment; on an intolerable threat to Maryland's economy; and on Constellation/BGE's dubious complaints about having to sell kilowatts "below market rates" before the cap expires.

Hey guys: Your generation costs are below market, too.

Maybe BGE and its long-lost plants could be reunited. What the General Assembly once put asunder, the General Assembly can try to rejoin. That would be a good start.

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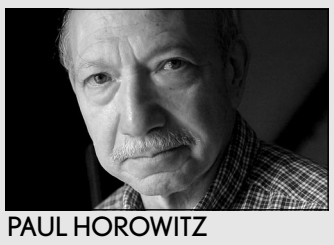
5-year pension search ends well

Paul Horowitz's five-year search is over, and he's a little bit richer for it.

Readers might remember Horowitz, a former New York deli worker featured in a December article about how to find a lost pension.

He had been a member of a union for 19 years until his delicatessen closed in 1980. He moved on. But his union reminded him to get in touch once he turned 65 to collect a small pension.

Over the years, Horowitz lost track of his union, which was absorbed by another. He left New York for Baltimore. By the time he became eligible for benefits, he couldn't find his pension.



PAUL HOROWITZ

That was five years ago. With the help of a Sun librarian late last year, the 70-year-old cook got two possible leads on his old union.

Horowitz followed up on both and last week received word that his benefits had been found.

He was given two choices: collecting $51 a month for the rest of his life or taking back benefits worth $2,600 plus $35 a month for life.

"I'll take my $2,600 retroactive," says a happy Horowitz. "I'm going to take my wife away. She's talking about going to California."

[EILEEN AMBROSE]

Retirement-account insurance limits to soar

AMBROSE [From Page 1C]

That hasn't occurred since June 2004, leaving a record number of days between bank failures. Still, when it happens, consumers whose account balance exceeds the insurance limit can lose money.

Often, these tend to be retirees who keep retirement savings in a bank account for easy access.

Barr recalls the 1999 failure of the First National Bank of Keystone in West Virginia that had a reputation as one of the healthiest, best-run community banks in the country.

"It literally failed overnight from fraud," Barr said. "Half the assets were completely gone. A lot of retirees lost their money."

Coverage was last raised in 1980 — from $40,000 to $100,000. Legislation to raise the insurance limits at a more rapid pace had stalled for years.

Small banks in particular wanted the coverage bumped up to attract and retain local customers who might otherwise think it's safer to keep big balances in large institutions, experts said.

Meanwhile, the opposition, which included former Federal Reserve Chairman Alan Greenspan and two Treasury secretaries, worried that banks might take on greater risk if limits were raised, consumers wouldn't care as long as they were insured, and a potential bailout by taxpayers would be steeper, experts said.

A compromise was reached. Insurance limits on most accounts will rise more slowly. And protection for retirement accounts, which was less of an issue, was increased more quickly, experts said.

The rules on FDIC insurance can be confusing. If you're unsure, call the FDIC at 877-ASK-FDIC (877-275-3342) or go to the agency's online Electronic Deposit Insurance Estimator at www.fdic.gov.

The Web program will ask about your accounts and calculate whether all deposits are covered.

Coverage is not $100,000 per person or per account, common misperceptions. It's based on account ownership, and consumers can be insured for far more than $100,000 depending on how accounts are titled.

The more common types of ownership are joint accounts held by two or more people; single accounts titled in one person's name; retirement accounts; and trust accounts, such as "payable-on-death" accounts where a beneficiary is named to receive the holdings when the owner dies.

Say an individual has $200,000 spread across savings and checking accounts and a certificate of deposit. Because the three accounts are titled in one person's name only, they are added together and insured up to $100,000.

But take the case of a married couple with a variety of accounts under different ownership. Say they have a joint account, but each has an IRA, a savings account and a trust account naming the other spouse as the beneficiary.

The joint account is covered up to $200,000. Each savings and trust account is insured for up to $100,000 each, for a total of $400,000.

Retirement accounts are treated separately.

Assuming the new limits are in effect, the IRAs would be covered for up to $250,000 each, or $500,000 total. Altogether, the couple's accounts would be insured for a total of $1.1 million.

"It's tricky," said the FDIC's Barr. "Even bankers get it wrong."

In an informal survey of 10 Baltimore bank branches last week, half of them correctly answered that the maximum coverage for a married couple's joint account is $200,000. That's better than in 2002, when, in a similar survey, two out of 10 bank branches got it right.

Sarah Lifshin, a spokeswoman with the Maryland Bankers Association, said banks train staffers about coverage.

"We do take it seriously," she said, adding that consumers should inform branch managers if they receive incorrect information.

The FDIC's Barr said his agency has seen bank failures where customers ended up with uninsured money because of wrong advice from bankers or financial advisers.

"That doesn't help them out in the bank failure," Barr said. "The responsibility ultimately rests with the person who owns those accounts."

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Podcasts featuring Eileen Ambrose can be found at baltimoresun.com/ambrose.

BUSINESS

DOW JONES	NASDAQ	S&P 500	SUN-BLOOMBERG	EURO IN DOLLARS	10-YEAR T-BONDS	OIL (New York)
+75.32 to 11,151.34 +0.68%	+28.87 to 2,295.90 +1.27%	+13.35 to 1,297.48 +1.04%	+1.73 to 344.54 +0.50%	+$0.0057 to $1.2018	-0.08 to 4.69%	+$1.33/barrel to $63.10

EARNINGS

GOLDMAN SACHS SETS A RECORD

Goldman Sachs Group Inc. reported the largest quarterly profit in the history of the securities industry and said the outlook on Wall Street is as favorable as it's ever been.

>>>> PG 2D

ECONOMY

U.S. SINKS DEEPER IN DEBT

The U.S. went deeper into debt to foreigners last year as the deficit in the broadest measure of foreign trade hit a record $804.9 billion.

>>>> PG 3D

Deregulation deck stacked against ratepayers

JAY HANCOCK

DON'T BLAME DEREGULATION for the 72 percent pop in electricity bills that Baltimore Gas and Electric customers will see after July 1, says BGE.

"It is not deregulation that has failed," BGE spokesman Rob Gould said on WYPR radio last week. "The real cause for the price increase is the world energy market."

But for all of BGE's and parent Constellation Energy's portrayals of themselves as victims of high energy costs, the facts show not only that regulation would have softened this kind of rate shock but that deregulation was fixed from the start in their favor.

For one thing, deregulation was what exposed BGE ratepayers to the world energy market by cutting them off from the low-cost coal and nuclear generators BGE used to own.

On Sunday, I wrote that electricity bills in Michigan are a third less than what BGE's will be because regulators stopped deregulation short and forced Detroit Edison to keep its coal and nuclear plants, passing the low cost to households.

This column revisits the heart of deregulation — the 2000 sweetheart deal that shifted BGE's generators to parent Constellation and that is now being re-examined by the General Assembly.

[Please see HANCOCK, 6D]

Price range set for Visicu offering

Company makes ICU monitors

BY M. WILLIAM SALGANIK
[SUN REPORTER]

Visicu Inc., the Baltimore company that develops remote monitoring systems for hospital intensive-care units, expects to raise at least $65 million in an initial stock offering that could value the company for as much as $400 million.

Visicu is planning to sell 6 million new shares at $11 to $13 a share, according to an amended prospectus filed yesterday. An additional 900,000 shares could be sold if demand is high.

Current shareholders — executives and early investors — would continue to hold 23.9 million shares, or about 80 percent of the company, the filing said. At $12 a share, their stake would be valued at $286.8 million — a more than 10-fold return on their initial $26.3 million investment.

If shares sold at $13, the company would be valued at about $400 million.

Visicu initially filed with the Securities and Exchange Commission to go public in November. Company officials declined to comment yesterday, citing regulatory restraints.

The big numbers in the amended prospectus reflect a company that has grown exponentially in the past two years, after five years of scuffling to develop a system and find customers.

Revenue, according to the filing, ballooned to $18.4 million last year, from $5.5 million in 2004 and $2.2 million in 2003. Visicu gets its revenue from licensing and service fees it charges the hospitals to use its system.

It was also Visicu's first profitable year. The company made $10 million, in large measure from tax benefits stemming from losses in previous years. Over the four previous years, Visicu booked $27.2 million in net losses.

As the company became profitable, it declared a one-time dividend, paying out $7.8 million to its top executives and early investors.

The company was started in 1998 by two Johns Hopkins Hospital intensive-care specialists, Brian Rosenfeld and Michael J. Breslow, who are the company's executive vice presidents. Studies showed that intensive-care patients had better results when they were monitored by doctors specializing in that type of care. But estimates are that there are only enough trained and certified "intensivists" to monitor 10 percent to 20 percent of the country's ICU beds.

[Please see VISICU, 6D]

Allegra Bennett's image as a self-taught 'renovating woman' is an expanding career

Allegra Bennett has written three books and started a magazine geared to women learning to do home improvements. Now she's promoting energy saving in a BGE ad campaign.
JOHN MAKELY [SUN PHOTOGRAPHER]

Fix-it lady builds a role with BGE

BY ANDREA K. WALKER
[SUN REPORTER]

Allegra Bennett thought she got a good deal when her ex-husband said she could keep the house the couple once shared in Baltimore's Ashburton neighborhood as part of their divorce agreement.

Then, the garbage disposal broke one day while she was cooking shrimp and crab cakes and Bennett found herself playing the role of "damsel in distress." After a couple of calls to her ex-husband, who she discovered wasn't the fix-it man he claimed to be, Bennett tinkered with the disposal herself and fixed the problem.

Little did she know at the time that it was the beginning of a new career for the former newspaper journalist known today as the "renovating woman."

Bennett is the publisher of *Renovating Woman* magazine, the author of three books aimed at teaching women home improvement skills, the home repair expert on a television show — and, most recently, the new face of Baltimore Gas and Electric Co.

The utility company launched an ad campaign last month with Bennett as its centerpiece. But the high-profile role comes just as a public relations nightmare has descended on BGE. The utility is under political fire for a plan to raise rates by 72 percent on average when price caps set six years ago are lifted in July.

The company knew rate increases were coming and months ago put aside $6 million for a campaign to educate consumers on conserving energy and reducing their electric bills. The Bennett commercials were a part of that plan.

So far, the commercials haven't eased the outcry from customers who believe that BGE should be the one trying to figure out how to keep electric costs low. But Bennett said that so far she hasn't been the focus of the criticism. Consumers seem to be separating her from the company and its problems.

"While the commercials say 'Allegra and BGE,' it's about Allegra and the consumers," Bennett said.

[Please see BENNETT, 6D]

ALLEGRA BENNETT, ON HER BGE JOB

"I SIMPLY SHOW PEOPLE HOW TO PLUG THE HOLES SO THEY CAN KEEP THEIR MONEY FROM GOING OUT THE WINDOW."

EVALUATION OF CREDIT TO CHANGE

3 major bureaus say new system will give more consistent scores

[ASSOCIATED PRESS]

NEW YORK // The nation's three major consumer credit bureaus have created a new credit scoring system designed to make it easier for financial institutions to evaluate loan applications and to give consumers a better way of measuring their financial health.

The credit reporting agencies — Equifax, Experian and TransUnion — announced yesterday that they're introducing "VantageScore" to banks, mortgage lenders and credit-card companies immediately. The new scores will be available to consumers after the lender rollout, probably later this year.

"There's clearly been a need out there to have a consistent scoring model that works across all three reporting agencies' data," said Kerry Williams, group president of Experian's credit services division. "And consumers need a consistent score that they can understand and use in their own financial lives."

Credit scores traditionally have been three-digit numbers that lenders used to evaluate the creditworthiness of borrowers. The scores reflect how much debt a consumer is carrying, how good they've been at paying back loans and how many credit applications they have outstanding.

They're important because lenders use them to determine whether they'll lend money to consumers and at what rate. The higher the score, the more creditworthy the consumer is considered and the lower the interest rate the consumer will be charged.

The agencies in the past each used their own proprietary formula to generate their own scores, meaning that a lender dealing with a consumer's application for a credit card or a mortgage might have to reconcile three widely different scores.

[Please see CREDIT, 3D]

KEEPING SCORE

Credit ratings give lenders a way to assess risk on a case-by-case basis and determine whether they will lend money to a consumer and at what interest rate.

New credit scoring scale

Score	Grade	Credit outlook
901-990	A	Excellent rating; low interest rate
801-900	B	Good rating but short of excellent
701-800	C	Fair; moderate risk
601-700	D	Higher risk means higher interest rate
501-600	F	Highest risk; may not qualify for loans

Sources: Equifax; Experian; TransUnion
[ASSOCIATED PRESS]

Sinclair cuts back on 'News Central'

Live newscasts' viewership called low

BY ANDREA K. WALKER
[SUN REPORTER]

Sinclair Broadcast Group Inc. is significantly curtailing the corporately produced news program known as *News Central* that had been a lightning rod for criticism from opponents of media consolidation.

Under the format, live anchors at Sinclair's Hunt Valley headquarters produced newscasts that were shown on many of the company's 56 stations across the country.

Critics complained that the newscasts were disingenuous because they appeared to be locally produced. Others said the feeds came with a conservative bent and homogenized the news content the company was providing its viewers.

The company drew controversy during the 2004 presidential campaign for several news decisions, including blocking an edition of ABC News' *Nightline* that recited the names of fallen soldiers in Iraq and initially agreeing to air a documentary critical of Massachusetts Sen. John Kerry, the Democratic nominee, on the eve of the election.

Sinclair introduced the *News Central* model in 2002 as a way to air live newscasts and save on operating costs.

David B. Amy, Sinclair's chief financial officer, said last night that the company decided to change the format because of low viewership. He denied Internet rumors that described the programming as being eliminated entirely.

While Sinclair is getting rid of the live anchors that send out news feeds from Hunt Valley, its television stations will be sent "content feeds," much like a wire service sends stories to subscribing newspapers, Amy said.

"It's just a matter of the numbers," Amy said of the reduction in *News Central*. "It wasn't generating the kind of ratings we had … anticipated it would achieve."

The company will close news operations at four of its WB stations in Milwaukee, Buffalo, N.Y., Tampa, Fla., and Raleigh, N.C., by March 31. Fourteen other WB affiliates owned by Sinclair do not have newscasts, Amy said.

KVWB (WB 21) in Las Vegas had a newscast that included national feeds from Hunt Valley which was discontinued March 3.

[Please see SINCLAIR, 6D]

FROM THE COVER

Bennett builds new role with BGE

BENNETT [From Page 1D]

"So, no, I'm not a spokesperson for any of the caps or energy issues going on. I simply show people how to plug the holes so they can keep their money from going out the window," Bennett said.

Some compare her to Odonna Mathews, the former consumer adviser for Giant Food, who until her retirement last year gave shoppers nutrition and shopping tips in commercials and newspaper advertisements as the grocer's most visible employee.

"The persona that she created with the 'Renovating Woman' is 'If I can do it, you can do it, too. I'm self-taught and you can be, too.' She doesn't come across as this technical geek," said Kevin O'Keefe, president of Weber Shandwick, the Baltimore advertising and public relations firm that BGE hired to produce the campaign. O'Keefe said that Bennett immediately came to mind for the commercials because she could relate to the average consumer — and her bubbly personality helped.

Like many women, Bennett used to turn to her husband when things broke down in the house. When the marriage fell apart after 23 years, that was no longer an option.

"In this society, we create roles for men and women," Bennett said. "That was his role. He was the fix-it man."

Fixing the garbage disposal was a turning point for Bennett. The next day, she went on a shopping spree at Sears. She bought a hammer, a power drill, screwdrivers and a chainsaw to cut down an irritating apple tree in the backyard.

Allegra Bennett, who learned home improvement skills through trial and error, is the centerpiece of BGE's latest ad campaign.

"It liberated me," Bennett said. Over the years, she would learn other home improvement skills through trial and error and befriending people working in the field. When she couldn't figure out why she kept collecting mold in the basement, she called a home renovator a friend recommended. The man, whose name was Handy, looked immediately at her gutters, which had never been cleaned, and knew what the problem was. They found a bird's nest and a dead squirrel amid the debris. Handy eventually went on to show Bennett other home improvement techniques.

As her skills were improving, she was developing a second career. Bennett chronicled her experiences in a column for *The Washington Times*. She is also a former reporter for *The Sun* and occasionally freelances for its advertising sections. From 1991 to 1993, she was the host of a radio show on WBAL about home improvement.

While at a party in 1996, she mocked a 30-something man who said he was writing an autobiography. She joked to those in attendance that if he had enough life experience to write a book, so could she. Someone took her seriously, and a literary agent called her the next day.

In 1997, she released her first book, *Renovating Woman: A Guide to Home Repair Maintenance and Real Men.* Last spring, she launched *Renovating Woman: The Do-It Herself Magazine.*

Martha Stewart is widely known for dispensing home decorating tips, but advice in home maintenance has been more the realm of male celebrities, such as Bob Vila and Ty Pennington, the hunky carpenter on ABC-TV's *Extreme Makeover: Home Edition*.

In the BGE commercials, which began airing before last month's Winter Olympics telecasts, Bennett is the woman with the bright smile and fluffy, salt-and-pepper-curls that frame her face. In one spot, she teaches a couple to clean the dust from beneath the refrigerator so it will operate more efficiently. In another, she gives tips such as keeping the thermostat low in the winter, shutting the chimney flue when not in use and opening the drapes during the day to take advantage of heat from the sun.

Just the other day, someone yelled "Hey, Allegra," from a car window. Bennett, who now lives in a Mount Vernon condo that she is renovating, thought it was someone she knew, but realized it was somebody who recognized her from the commercials. Those who do generally are quicker to ask about her distinct hairstyle than about saving energy. "If it gets people's attention, that's fine, as long as when they wash their own hair they don't stay in the shower too long or have the temperature too high," she says.

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ICU monitor system maker to offer stock

VISICU [From Page 1D]

The Visicu system uses cameras, microphones and monitors that track patients' vital signs to allow a doctor to oversee several intensive-care units at once. In general, the system has been purchased by large hospital systems, which can extend the reach of their intensivists by using remote monitoring at night to supplement bedside care during the day.

Research sponsored by Visicu found that the extra layer of monitoring reduced mortality rates and costs of care by about 25 percent, compared with rates at the same hospitals before they used the Visicu system.

It now has 29 monitoring centers serving 192 ICUs, with 2,460 beds, in 106 hospitals.

Despite the rapid growth, the company faces threats from two legal challenges to its patent, and from large data companies that offer potential competition, according to the filing.

Visicu said in the amended prospectus that it would use the proceeds of the offering to expand sales efforts — it has a sales force of 10 currently — and for more research and development. That might allow the company to modify its system to serve other parts of hospitals, such as emergency rooms, and to seek international customers.

So far, it estimates, it has contracts for systems covering about 5 percent of its potential ICU market in the United States.

Early investors include Sterling Partners, a Baltimore private equity firm, and the Abell Foundation. After the IPO, Sterling will have about a 12 percent stake in Visicu, while Abell will own 4.1 percent. Sterling was co-founded by two local entrepreneurs, Eric Becker, who was a founder of LifeCard International, and Michael Bronfein, a co-founder and former chairman and chief executive officer of NeighborCare, a pharmacy company.

Cardinal Health Partners, a venture capital firm in Princeton, N.J., will also own about 12 percent. Three other venture capital firms will have, put together, a 25 percent stake.

Founders Breslow and Rosenfeld will each own about 3.5 percent. Frank Sample, the chief executive who joined the company in 2001, will have a 4.8 percent stake.

The company has 99 employees, most in its headquarters on East Redwood Street in downtown Baltimore.

Underwriters for the offering are Morgan Stanley & Co. Inc., Wachovia Capital Markets LLC, Thomas Weisel Partners LLC and William Blair & Co. LLC.

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Deregulation deck stacked against Maryland ratepayers

HANCOCK [From Page 1D]

The transaction — basically a paper shuffle — morphed what should have been benefits for households into profits for Constellation and bonuses for its bosses.

The generation plants changed hands on another fateful July 1 — July 1, 2000. One day they were owned by the heavily regulated BGE. The next day they were owned by Constellation, which could then peddle their megawatts to anybody and eventually force BGE and ratepayers to bid for juice in the open market.

Of course, you're saying, Constellation must have paid BGE ratepayers a fair price for those valuable facilities.

When Potomac Electric Power Co. sold its generation plants to Mirant Corp. in 2000, the resulting $424 million capital gain paid for, among other things, basically seven weeks of free electricity for Pepco customers in Maryland.

BGE customers, alas, got no such gain. For some reason Constellation got to take over BGE's plants at book value. No cash changed hands. No premium was paid. No gains flowed back to customers.

In fact, it was just the opposite. You, the electricity customers, paid Constellation to take the valuable plants off BGE's hands!

Like other power companies, Constellation argued that the plants would become uncompetitive after deregulation and that electricity customers should compensate them, essentially helping to pay the facilities' mortgages.

The result was the "stranded-cost" charge, added to every bill you paid for the last six years. The charge, which disappears after June, has put an extra half-billion dollars in Constellation's pocket.

Of course the plants didn't become uncompetitive. They soared in value like Google stock. As rising gas and oil prices have driven up the market price for megawatts, efficient coal and nuclear plants have become gold mines.

The most striking example is the Calvert Cliffs nuclear generation plant, which Constellation put on its books in 2000 for $1 billion. Last fall Calvert Cliffs was worth between $2.6 billion and $4.3 billion, according to consultant Global Energy Decisions, which calculates "blue book" values for generation assets.

And don't forget that most of the half-billion-dollar stranded-cost bailout that Constellation collected was linked to Calvert Cliffs, so its cost basis for the plant is actually even lower than $1 billion.

That's a ton of money ratepayers left on the table.

No wonder Constellation's profit went up 45 percent last quarter. No wonder Constellation bosses are seeing millions of dollars in stock option gains.

To be fair, there are several things to be said on Constellation's behalf.

Along with the 2000 transfer of the generation plants came a 6.5 percent rate cut for BGE customers, which lasts until July 1. Even so, Pepco customers in Maryland got the same rate cut — plus free kilowatts from the sale of Pepco's generation plants. The 6.5 percent rate cut should have been just a start.

Another valid point Constellation will make is that capital investment by current shareholders and management-driven efficiencies are key reasons for the huge jump in its plants' value.

Across the country, new operators "have really turned around what had been relatively mediocre performance among nuclear plants in the past," says Gary Hunt, president of Global Energy Advisors, a Global Energy Decisions affiliate.

No doubt. But that doesn't explain all of the gains made by Constellation. And it doesn't change the fact that ratepayers got a deal that amounted to having to pay down the mortgage but not being able to benefit when the property doubled or quadrupled in value.

Stranded cost? I call it a stranded rate cut for BGE customers.

Come on, Constellation. Give back the half-billion — as legislators have begun discussing — to soften the 72 percent rate shock. And admit that deregulation has worked a lot better for you guys than us.

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Sinclair pares news operations

SINCLAIR [From Page 1D]

Sinclair announced yesterday that the station will now air a newscast produced by competitor KVBC-TV (NBC 3).

Some applauded the retrenchment of the *News Central* format, which had been criticized as shrinking the number of voices reporting the news.

"I'm pleased the *News Central* model didn't work," Deborah Vance, an assistant professor of communication at McDaniel College, wrote in an e-mail. "Conglomerates have been cutting costs in their news delivery here and there, and viewers are the ones that suffer because there are fewer and fewer local reporters covering local stories."

"People should know what's going on in their community, and content should not be composed of filler and imported weather reports," Vance said.

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BUSINESS

DOW JONES	NASDAQ	S&P 500	SUN-BLOOMBERG	EURO IN DOLLARS	10-YEAR T-BONDS	OIL (New York)
-39.06 to 11,235.47 -0.35%	-19.88 to 2,294.23 -0.86%	-7.85 to 1,297.23 -0.60%	-2.11 to 346.74 -0.60%	-$0.0066 to $1.2098	+0.06to 4.72%	+15¢/barrel to $60.57

TRENDS

HISPANIC BUSINESSES BOOM

The number of Hispanic-owned businesses is growing faster in Maryland than in the nation as a whole, according to census data.

>>>> PG 2D

HIGH COURT

CLASS ACTIONS CURBED

The Supreme Court ruled in favor of limiting class action lawsuits filed by investors who allege that they were misled into holding on to risky stocks that they otherwise would have sold.

>>>> PG 2D

Look past BGE — to its parent

JAY HANCOCK

DEAR GENERAL ASsembly and Governor Ehrlich:

Great job getting Baltimore Gas and Electric bosses to discuss lowering their 72 percent electric rate increase set for July 1.

But with all due respect, even now the BGE guys seem to be blowing smoke down your chimney.

They talk about reducing the rate increase by making BGE pay the difference from its own pocket, as if that were the only way to do it.

They correctly note the danger of cutting BGE's revenue when the utility has contracted to buy wholesale electricity at very high cost. They trot out California, where the government froze household electricity rates as wholesale costs rocketed, bankrupting Pacific Gas and Electric.

" 'You're going to bankrupt BGE.' That's their issue," notes Sen. Leo E. Green, a Prince George's County Democrat and a major kink in BGE's cord.

Hello! Bankrupting BGE is not the only choice.

There are other sources of money to soften a rate boost, including one with a fat wallet known very well to the BGE folks. If legislators don't look beyond the utility, they'll limit relief for ratepayers and set themselves up for blame when BGE gets in trouble.

BGE acts like a corporate orphan, a lost waif in a bad neighborhood. Legislated rate caps would have "disastrous consequences" for BGE and Maryland, says a PowerPoint thriller shown to the Senate Finance Committee last week by company President Ken DeFontes.

How?

"BGE forced to borrow huge sums of money," the slides predict. Ability to fix storm damage "severely compromised." Spending on power-line maintenance "curtailed as liquidity problems grow." And "reduced philanthropic and charitable contributions."

Give me a break.

DeFontes works for a person named Mayo Shattuck. Shattuck runs a company called Constellation Energy. Constellation owns 100 percent of BGE, has $800 million in cash and a BBB bond rating, has pulled millions in "stranded cost" money out of BGE and could put money back to ameliorate rate shock.

[Please see HANCOCK, 6D]

SPICE MAKER CUTTING HQ STAFF

McCormick plans buyout of unknown number; profit falls 60% in fiscal 1Q

BY ALLISON CONNOLLY
[SUN REPORTER]

Work force reductions are hitting home at McCormick & Co. Inc.

The world's largest spice maker is offering employees at its Sparks headquarters voluntary buyouts as part of an continuing restructuring plan to shrink its worldwide work force by up to 1,000, Robert J. Lawless, McCormick chairman, president and chief executive, said yesterday.

Lawless declined to say how many of McCormick's 175 headquarters employees are eligible for the buyout packages or how many jobs the company is targeting locally, but he said the separations should be completed by the end of the third quarter.

In addition, some sales as well as technical jobs in Hunt Valley will be lost as the company rolls out a new computer system, he said.

McCormick employs 2,300 in Maryland, including production and distribution workers, and 8,000 worldwide.

Lawless' comments came in an interview after the company, which has been struggling to rebound from a difficult year, announced better-than-expected fiscal first-quarter results, thanks to cost-savings measures and better margins on vanilla beans.

While profits were dragged down by restructuring costs and new rules that require the company to expense stock options, Lawless said yesterday, the belt-tightening plan announced last fall is paying off. Excluding those charges, McCormick beat the estimates of a consensus of analysts by 3 cents a share.

"It's fulfilling for our team here that what we said in 2005 … is bearing fruit," Lawless said in a conference call with analysts.

For the three months that ended Feb. 28, the company reported that net income fell 60 percent to $14.4 million on revenue of $609.7 million.

[Please see MCCORMICK, 6D]

Integral pacts called at risk

Satellite services firm faces lawsuit

BY STACEY HIRSH
[SUN REPORTER]

One of the largest shareholders of Lanham-based Integral Systems Inc. said yesterday that Howard County indictments facing the company's chief executive and concerns about the firm's board of directors could jeopardize the government contracts that are currently the satellite system provider's lifeblood.

Mickey Harley, chief executive officer and chief investment officer of Mellon HBV Alternative Strategies LLC, also said in a telephone interview with *The Sun* that he would take the company to court if Integral didn't meet his end-of-the-month deadline for hiring an investment banker to sell the firm.

"If they don't hire the appropriate investment banker by the end of the month, they are in for a fight," Harley said.

The company declined to comment yesterday, according to spokeswoman Tory Walker. The company said in a Securities and Exchange Commission filing last year that Chief Executive Officer Steven R. Chamberlain maintains his innocence and will fight the charges. He was indicted last month on charges of sexual misconduct involving a 14-year-old girl at his Columbia home.

Harley's comments followed a letter he sent last week to Chamberlain demanding that the company begin the process of putting itself up for sale. The letter, which was filed with the SEC, accused Integral Systems of entrenching its current board and disenfranchising shareholders.

But Harley added yesterday that Chamberlain's personal and legal troubles could also prove problematic for the company. Chamberlain has continued to run Integral Systems despite the two felony charges.

"If you're a competitor of Integral … and you know what's going on at Integral, why wouldn't you call up general so-and-so and say, 'By the way, before you award this contract, are you aware that you're going to award it to an alleged child molester?' That just doesn't work, and that concerns us," Harley said.

Mellon HBV Alternative Strategies is one of Integral Systems' two largest shareholders, with about 1.29 million shares, or nearly 12 percent of the company.

[Please see INTEGRAL, 3D]

Coming up a winner despite getting fired

Matt Leebel (left) and Reanna Tarleton, who was a co-winner of Towson University's "The Associate" business competition, now work for Hale Properties.

Steve Kruskamp Jr. was fired by Ed Hale and Amanda Knott (right) was a co-winner of the university contest. Both now are working at First Mariner Bank.

PHOTOS BY JOHN MAKELY [SUN PHOTOGRAPHER]

Students competing in Towson University's adaptation of 'The Apprentice' show learn the value of networking

BY HANAH CHO
[SUN REPORTER]

As Steve Kruskamp Jr. can tell you, getting fired is not the end of the line.

Even though he was the second contestant booted last year from Towson University's knockoff of *The Apprentice*, Kruskamp got another chance.

First Mariner Bank Chairman Edwin F. Hale Sr., playing the Donald Trump role in the campus contest without the cameras, was so impressed with Kruskamp that the Baltimore executive rehired him.

Unlike the cutthroat competition featured on the television show, the university's production showed that winning may not be everything in the business world. If anything, networking is just as important. And as the second season of the grueling two-month competition is under way at Towson, graduates like Kruskamp said it proves that Baltimore's business community is a small world.

"Network, network, network," says Kruskamp, who snagged a job as an e-commerce marketing manager at First Mariner.

CO-WINNER REANNA TARLETON

"USE YOUR CONNECTIONS AND BUILD THOSE BRIDGES."

"More so, try to position yourself as much as possible. Repeatedly get in front of the movers and shakers, so people start remembering you," Kruskamp says.

Instead of competing for a six-figure job with Trump, eight contestants from this year's Towson competition are vying for something a little more modest. The winner will get a full-time gig at Bank of America with a salary that's closer to $30,000 to $40,000.

Like the television reality show, the Towson competition — which is separate from the business school's curriculum — pits two teams against each other in a series of business assignments. One member of the losing team is fired.

[Please see APPRENTICE, 6D]

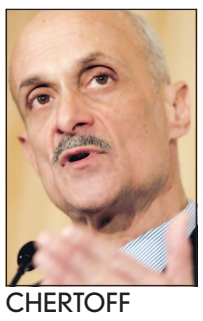
U.S. backs rules on security at chemical plants

Administration's stance reflects shift on a policy it once opposed

[NEW YORK TIMES NEWS SERVICE]

WASHINGTON // The nation must move rapidly to bolster protection of its chemical plants against a terrorist attack, Homeland Security Secretary Michael Chertoff said yesterday, urging Congress to adopt regulations that the industry has already largely endorsed.

The remarks by Chertoff, in a speech before industry leaders, were the latest chapter in an unusual turnabout by the Bush administration. It is now lobbying for regulations that senior administration officials worked privately to block shortly after the 2001 attacks, saying then that voluntary measures would be sufficient.



CHERTOFF

Officials of the Homeland Security Department began indicating last year that they would support a move by Republican Sen. Susan Collins of Maine and Democratic Sen. Joseph I. Lieberman of Connecticut, to draft such regulations.

With a bill now pending before Congress, Chertoff laid out yesterday the provisions the administration was willing to endorse and those it would resist. His speech drew immediate praise from Collins and leaders of the industry, but criticism from environmentalists and some lawmakers, who said the regulations would not go nearly far enough.

All parties seem to agree that the nation's 15,000 chemical plants and other industrial facilities that use or store significant quantities of dangerous chemicals should be required to prepare security plans and then follow up with steps like fencing, cameras and identification cards to control access.

Federal legislation is necessary, Chertoff said this week, because of what he called "free riders," meaning smaller plants that have not honored voluntary security standards the chemical industry adopted after the 2001 attacks.

[Please see CHEMICAL, 6D]

ALGERINA PERNA [SUN PHOTOGRAPHER]

Governor announces State Center makeover

Gov. Robert L. Ehrlich Jr., accompanied by Rep. Elijah E. Cummings, announces the $800 million project to transform the State Center office complex in Baltimore into offices, shops, housing and a hotel.

FROM THE COVER

Students learn networking trumps being fired

APPRENTICE [From Page 1D]

Trump's contest, airing on prime-time television and in its fifth season, starts with 18 contestants and features different themes and business tasks for big-name companies such as Mattel, Post Cereals and Sam's Club. The current episodes showcase international candidates.

In the Towson contest — called "The Associate" — students this year are trying to woo Frank Bramble, the longtime Baltimore banker who served as chairman of Allfirst Financial Inc. and was chief executive of Maryland National parent MNC Financial. Bramble, now a Bank of America board member, is playing the part of the New York real estate mogul. Already, he has uttered the dreaded two words — "You're fired" — to two students.

The contestants are on spring break this week and return Tuesday to receive their next assignment.

When the competition wraps up April 25, Bramble plans to hire one person, which is not to say that it has been easy to fire others, he said.

"They are all very talented," said Bramble, predicting that the fired contestants will not have a difficult time finding jobs. "The intent is to have one winner, and I think that's where we will end up."

A strange thing happened after the curtain fell on last year's contest. Besides Kruskamp, Hale hired three others, including another fired contestant and the two winners.

As the boss to nearly 830 workers at the bank, Hale Properties and the Baltimore Blast professional soccer team, Hale said "firing people is a way of life." But Hale, too, wrestled with the task during the competition because he was awed by the students' work ethics and abilities.

"After a week or two, I would have hired all eight [contestants]," Hale said. "I'm not exaggerating.

Since its debut in 2004, Trump's hit reality show has become fodder for water cooler talk in corporate offices and has been used as a teaching tool at business schools across the country.

When Laleh Malek, director of professional experience at Towson's College of Business and Economics, first pitched the idea of replicating *The Apprentice*, she had three goals in mind. Besides a job offer, Malek wanted to provide networking opportunities and show students that their classroom knowledge can be applied in the real business world.

Last year's competition also included eight seniors from Towson's College of Business and Economics who each took on 20 to 30 hours of extra work outside the classroom. They received no credit.

Malek said outcomes from that competition far exceeded anything she had imagined.

"In having Mr. Hale offer four of them jobs in the company, that wasn't part of the deal," Malek said. "But it turned out to be a great part of the deal."

Kruskamp, 25, of Westminster entered the contest to win. But when he got axed because his team miscalculated a project's figures, overstating them by $140,000, he took the fall as the team leader. In spite of the bad fortune, Kruskamp stayed motivated.

"The funny thing was, even though I was fired, I didn't stopped doing stuff," Kruskamp said. "I continued to help out my team. I was still talking to them."

The other fired contestant, Matt Leebel, kept up his new contacts by staying connected with Dennis Finnegan, executive vice president at First Mariner Bank, who was Hale's right-hand man during boardroom deliberations — when executives decided who to fire.

When an opening came up in the bank, Hale said he thought of Leebel, who's now a facilities operations manager there. "I would always talk to [Finnegan], trying to network," said Leebel, 23, of Upper Marlboro. "He always would say, 'Keep your options open.' "

For Amanda Knott and Reanna Tarleton, the competition couldn't have turned out better. Not only did they win, their competitors-turned-friends also got jobs at the bank.

Knott, 23, of White Marsh, is a marketing director for the bank's financial services division. She and Kruskamp went through the bank's management training program together.

"Steve and I started out in the same position. Somebody looking in would think it's competitive," Knott said. "I already went through the competition, and I already won. I didn't feel like I had to prove myself. I wish everyone was here."

Instead of taking a job with the bank, Tarleton, 24, of Baltimore, took a job at Hale Properties. She, too, wished Hale could have hired all of last year's contestants.

Win or lose, Tarleton offers this advice: "Every case is an opportunity to meet someone in the business world and network. Even if you don't get all the way through, Steve was out in the second round, and he's working for Ed. Use your connections and build those bridges."

Hale and his associates said the companies have come away with a new pipeline of talent at the college.

"We have bright young people graduating with experience," Finnegan said. "It's important that we keep that talent in Baltimore."

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U.S. backs chemical plant rules

CHEMICAL [From Page 1D]

In his speech at a forum sponsored by George Washington University and the American Chemistry Council, a trade group, he said the regulations should be most stringent for plants that, because of the amount and danger of their chemical stockpiles or their proximity to urban areas, pose the greatest risks.

But he said the nation should have uniform standards, strongly implying that states should not be allowed to adopt their own rules, as New Jersey did late last year, particularly if those rules were more stringent.

He also said private-sector "third party" inspectors could check on compliance, similar to the way accountants certify corporate financial compliance for the government.

And while industrial plants that use dangerous chemicals should voluntarily consider switching to less dangerous alternatives, such moves should not be required, Chertoff said, in a nod to the burden on industry that those changes could entail.

Collins welcomed the secretary's support and said she, too, was eager to pass legislation.

"I am very pleased that this administration has recognized the importance of enacting chemical security legislation this year," she said in a statement.

Timothy J. Scott, chief security officer at Dow Chemical Co., speaking as one member of an industry panel after the event, said, "What we're doing at Dow falls very much in line with what the secretary was talking about."

But Andy Igrejas, a program director at the National Environmental Trust, which is frequently critical of the administration's environmental policies, said of the speech: "It was lame. It reflects pandering to the industry. And it means this could end up being more of a paperwork exercise instead of something that really protects people."

McCormick to offer buyouts

MCCORMICK [From Page 1D]

That compares with net income of $36 million on revenue of $603.6 million in the fiscal first quarter last year. Earnings per share were 11 cents, down from 26 cents for the quarter last year.

Restructuring charges were $33 million, or 17 cents a share, while stock-based compensation expenses, which the company did not have to report last year, reduced profit by $9 million, or 4 cents a share.

If it weren't for those charges, McCormick would have reported earnings of 27 cents a share, Lawless said, beating the 24 cents a share that a Thomson Financial survey of analysts had predicted. Improved sales and profit margins added 6 cents a share to first-quarter earnings.

The company is turning a corner and last year's challenges appear to be behind it, analyst George I. Askew, of Stifel, Nicolaus & Co. Inc. of Baltimore, wrote in a report after yesterday's conference call.

"Investors are regaining confidence in McCormick's business franchise and management team, and the shares will reflect the rebounding performance and credibility," Askew said.

The company is in the midst of its restructuring plan, which it expects to save $50 million by 2008, including $10 million this year.

Over the past two months, the company announced the closings of four manufacturing plants — two in the United States, one in Belgium and one in Sydney, Australia. Lawless said yesterday that McCormick also will close a small plant in Finland, but unlike the other closures, production will not be transferred to other plants.

In addition, the company plans to reduce its base of smaller customers — those with orders of $25,000 or less a year — by 25 percent.

McCormick also is recovering from a bad bet on vanilla prices that had pinched its earnings in the first fiscal quarter in 2005. The company had stockpiled beans in 2003, anticipating soaring vanilla prices would rise even higher. Instead they fell.

Now vanilla prices have normalized, contributing nearly half the 1.5 percent gross profit margin reported in the first quarter, McCormick Chief Financial Officer Francis A. Contino said yesterday.

To boost consumer sales, the company spent $3 million on getting better positions for its products on store shelves in the United States. In Europe, the company pumped more money into advertising, which accounted for improved sales of its Ducros brand in France.

To continue that momentum, the company will unveil new labels and flip-top caps in the second and third quarters, and will also introduce new products such as finishing sauces and ready-to-serve rice.

Lawless said the company's Zatarain's line of New Orleans-style packaged foods and spices has been well received by distributors across the country, though sales in its home base of Louisiana have yet to recover from Hurricane Katrina.

Analyst R. Bentley Offutt said first-quarter results and the overall tenor of the conference call was better than he expected.

"I was impressed by the feeling that the company had made significant progress in implementing the strategy to not only consolidate its facilities in the next year but also improving their packaging of consumer products," said Offutt, who does not own any shares in McCormick and follows it for the institutional research firm Offutt Securities Inc. in Cockeysville. "It's not going to be a bad year after all."

For 2006, Lawless issued earnings guidance of $1.21 to $1.24 a share, which includes charges of 42 cents a share that are related to the restructuring and stock-based compensation.

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Look to BGE parent to ease pain over rates

HANCOCK [From Page 1D]

But BGE folks essentially say Constellation is "from another planet, and we haven't visited that planet," says Del. Patrick L. McDonough, a Republican from Baltimore and Harford counties who wants to block Constellation's pending merger with Florida's FPL Group.

It's time for some interstellar travel. DeFontes is an important person, but haggling over electric rates with him in this situation is like negotiating a nuclear treaty with the mayor of Moscow.

Even Governor Ehrlich seems to be swayed by BGE's arguments, cautioning *The Sun* on Monday that any deal must help ratepayers but also ensure BGE's financial health and protect "this very important company." That will be easy to do — with Shattuck's and Constellation's help. As noted in this space previously, Constellation took over BGE's profitable and valuable electricity plants in 2000 for a sweetheart price.

Constellation collected an additional $528 million in "stranded cost" from BGE commercial and residential ratepayers after arguing — incorrectly, it turned out — that the plants would drop in value. For some reason BGE customers also had to pay about $100 million to a trust fund in recent years to cover decommissioning costs for Constellation's highly profitable Calvert Cliffs nuclear plant, even though the expense won't be incurred until the 2030s.

We don't know for sure yet, but Constellation is probably one of the suppliers charging BGE high wholesale prices that caused the looming 72 percent rate increase in the first place.

Constellation and its bosses have benefited handsomely from BGE over the years, most notably in 2001, when they reversed a plan to spin BGE off as a separate company because stumbling Constellation needed revenue from the faithful ratepayers.

Now it's time to give something back. Constellation is booking record profits and is in a decent position to compensate BGE if the utility charges less than a 72 percent increase this summer. The legislature, which is threatening to interfere with the FPL merger, is in a good position to get it to agree.

It won't be pretty. It will evoke mutters of confiscation from Constellation bosses. But it will be a lot prettier than if BGE — or ratepayers — get stuck with the cost.

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BUSINESS

IN YOUR MONEY // INVESTORS ARE IGNORING ENRON'S PAINFUL LESSON, SUZANNE COSGROVE SAYS PG 3D

Shield BGE from being drained by CEG deal

JAY HANCOCK

TO THE EXTENT THAT many state legislators have considered the looming merger of Constellation Energy with Florida's FPL Group, it's with an eye to holding the deal hostage to relief from 72 percent electric-rate pops for BGE customers.

But the marriage should be scrutinized — heck, dissected — for its own sake. In the face of negligent state regulators and the weakest federal protection in decades against financiers draining utilities, letting the merger sail through for mere rate relief would be crazy.

Before it approves the deal, Maryland needs to put Constellation's Baltimore Gas and Electric Co. utility inside a bulletproof financial shield such as the ones Wisconsin and Oregon have installed over their electric companies.

It's called "ring-fencing." It protects ratepayers from unwittingly financing unregulated investments by a utility and its holding company or from having to bail the deals out when they go bad.

Oregon's ring fence all but immunized Portland Gas & Electric from the bankruptcy of its former parent, Enron Corp.

Without such a firewall PG&E's assets might have been raided to pay people Enron cheated and other creditors, resulting in huge expense for ratepayers or taxpayers.

A better ring fence might have saved PNM Resources, a New Mexico energy outfit, from what news outlets describe as millions in losses from a hedge-fund investment. PNM has reportedly accused local rival Southwestern Public Service of unfairly charging ratepayers for unregulated marketing costs, another ring-fence issue.

A good ring fence might have kept Kansas' Westar Energy from loading up on debt, diversifying into a poorly performing home security company and flirting with bankruptcy.

Now that Congress has scrapped the Public Utility Holding Company Act (PUHCA), a federal ring fence that has limited this kind of nonsense since 1935, states are worrying whether their own ring fences are strong enough.

"These state commissions are pretty much the only remaining line of defense," says Lee Cullen, a Wisconsin energy lawyer who helped write that state's ring-fence law.

Maryland especially should worry.

The Constellation/FPL deal, which PUHCA would have banned, is one of the first post-PUHCA electric mergers. Again we are lab mice in the deregulation experiment, which in theory is supposed to free up competitive capital to bring efficiencies to ratepayers.

But regulators have done next to nothing to strengthen Maryland's ring fence since the lapse of federal protections.

Oh, they've looked at it. The Public Service Commission studied the matter for more than a year and last month — this is amazing — ordered utilities to file annual reports on relations with affiliates.

And that's about it. No substantial new restrictions. Nothing like Oregon and Wisconsin. The commission's staff warned that broad ring fences might "unduly inhibit" utilities and concluded that fence holes should be dealt with "on a case-by-case basis."

[Please see HANCOCK, 4D]

Facing off over a Bank of Wal-Mart

Retailer's detractors, small banks decry its bid to open limited operation; critics of banking fees like idea

BY LAURA SMITHERMAN [SUN REPORTER]

Citizens Tri-County Bank tellers and managers, riled by the idea that Wal-Mart Stores Inc. wants to open a banking operation, started a letter-writing campaign a few weeks ago to the Federal Deposit Insurance Corp.

Wal-Mart has driven small businesses out of their rural area near Chattanooga, Tenn., Chief Executive Officer Glenn Barker explained, and they fear a similar fate for community banks like theirs.

But when Jack Pansegrau in Palm Springs, Calif., heard about the dust-up over Wal-Mart in banking, he sided with the world's largest retailer. Maybe the company that has saved Americans "billions and billions" could drive down fees for use of automated teller machines and other bank charges, he wrote.

Such letters have been arriving since last summer and now number nearly 2,000 — the largest-ever response to a bank application at the FDIC.

Wal-Mart must secure approval from the agency and from regulators in Utah to open a limited-purpose bank in that state, from where it could provide service nationwide.

The giant retailer has said it merely wants to process its own credit and debit transactions, but opponents fear the company is setting itself up to expand further into retail banking.

The debate also has landed in the Maryland General Assembly, which made national headlines this winter as the first state legislature to force Wal-Mart to spend more on health insurance for its workers.

Maryland lawmakers recently introduced legislation that would prevent the retailer from opening its own bank branches in stores in the state. With days left in this legislative session, however, prospects for the bill's passage this year are uncertain.

"There are pros and cons to this because Wal-Mart does offer low prices, but I think people feel at what cost?" said Edna Bonacich, a professor at the University of California in Riverside and contributor to the book, *Wal-Mart: The Face of 21st Century Capitalism*.

"So it depends on how they get into banking," Bonacich said. "If they behave as they have, with ruthless competitive practices, they're going to make more enemies."

Emotions over the normally arcane realm of banking regulation are running high and reflect the reasons why Wal-Mart is simultaneously reviled and adored.

[Please see WAL-MART, 4D]

A tense time for the port

Dubai deal collapse creates widespread uncertainty

BY MEREDITH COHN [SUN REPORTER]

The last time the largest terminal operator at the port of Baltimore was sold, in 1999, there wasn't much to the transition.

"They gave us stickers with the new logo to put on the door," said Bayard Hogans, an eight-year veteran of P&O Ports North America.

He and others thought that when P&O was sold to Dubai Ports World earlier this month — in a deal involving P&O's British parent company — they would get another logo for their offices in a small building that faces the gate at Seagirt Marine Terminal. But Instead, the port operator is for sale again.

DP World agreed to sell after a nationwide uproar about an Arab government-owned company moving into potentially vulnerable American marine ports. And while the debate has quieted since the company agreed to leave the U.S. ports and the focus in Washington has shifted elsewhere, the 900 longshoremen, their 65 P&O managers and the directors at the state-owned port in Baltimore are left to ponder who might take over and what it will mean for them.

There is no guarantee the incoming American owner will honor a pledge the Dubai company made to workers. DP World has said there is significant interest in the company but has not identified a frontrunner. "There is going to be another buyer, and the commitment is no longer valid," F. Brooks Royster III, the top executive at the port.

[Please see PORT, 2D]

Garry Konig, a 29-year veteran of the port, checks incoming trucks at the Seagirt Marine Terminal
LLOYD FOX [SUN PHOTOGRAPHER]

UNFOLDING EVENTS

July 1999: British-based Peninsular & Oriental Steam Navigation Co. buys New Jersey-based ITO Corp. to enter several U.S. ports, including Baltimore.

November 2005: Peninsular & Oriental agrees be acquired by state-owned Dubai Ports World after bidding war.

February 2006: U.S. lawmakers raise fears about Arab government-owned firm operating in U.S. ports; company agrees to new security probe. Opposition comes from bipartisan coalition including Democratic Sens. Charles Schumer and Hillary Clinton of New York and Harry Reid of Nevada, as well as Republican Reps. Peter T. King of New York and Duncan Hunter of California and Susan M. Collins of Maine: President Bush threatens to veto bills to stop it.

March 2006: Dubai Ports World closes on the deal and agrees to shed U.S. assets in next four to six months amid a House vote to ban the company from U.S. ports.

How early, or late, to draw Social Security

EILEEN AMBROSE
PERSONAL FINANCE

AS BABY BOOMERS approach retirement age, many will face a tough, but critical financial decision: When to take Social Security benefits.

For the oldest of baby boomers turning 60 this year, the full retirement age for benefits is 66.

They can opt to start benefits earlier, beginning at age 62. The trade-off is that monthly benefit checks will be lower for life because they are collecting them for more years.

Or, they can delay benefits up to age 70 and get the largest possible monthly benefit.

On average, it's not supposed to matter. Retirees on average receive similar lifetime benefits whether they start taking them early, at full retirement age or at 70. But who's average?

Live longer than average, say into your late 80s or 90s, and you would have been better off delaying benefits. Going splat while skydiving at 64, you would have done better to have started the checks at 62.

"It's a huge gamble for everybody," said Clare Hushbeck, an AARP economist.

Once you start drawing benefits, it's hard to reverse course. You can withdraw your application for early benefits if you change your mind, but you will have to repay any money received so far, said Dorothy Clark, a Social Security Administration spokeswoman.

So as older boomers approach retirement, they need to consider a variety of factors on when best to take Social Security to maximize their lifetime benefits. The main factor — and the most difficult to know — is how long they will live.

"It's a game of life expectancy," said Mauricio Soto, a senior research associate with the Center for Retirement Research at Boston College.

The case for taking benefits early: If your family's health history indicates your retirement is likely to be a short one, then it may be wise to grab benefits while you can.

Some workers don't have a choice because of finances. The only way to make ends meet if they retire at 62 is to take their benefits then.

But sometimes it makes sense to take benefits as early as possible if you don't need them, said Sam Beardsley, director of investment taxes at T. Rowe Price Associates in Baltimore.

[Please see AMBROSE, 2D]

BUSINESS

Analysts give H&R Block mixed rating

BY ANDREW LECKEY

WHERE HAVE YOU gone, Henry W. Bloch?

The co-founder of the H&R Block Inc. tax preparation firm for many years helped Americans make the best of each tax season with upbeat, personal television and radio commercials that made us feel he was in our corner.

The words "I'm Henry Bloch" provided the same reassuring tone that Dave Thomas gave Wendy's International or Walt Disney gave to his namesake kingdoms. Bloch was our friend in the tax business, if such a thing was possible.

Bloch, 83, is still around, with the honorary title of chairman emeritus, having stepped down as chairman in 2000. He now gives his famous name and his money to a variety of philanthropic causes.

Under discussion in 2006 is the behavior of the world's largest tax preparation firm (whose name includes "H" for Henry, "R" for late brother Richard and their last name with "k" substituted for "h").

First, there is discussion about performance. Net income fell 69 percent in the most recent quarter, including a sizable charge for a litigation settlement. In addition, technical problems with a new software distribution strategy caused problems early this year. Some branch offices are being closed and 600 positions cut. The company also reduced its guidance for fiscal year earnings.

Second, there is discussion about competence. The company is restating results for fiscal 2004 and 2005 due to miscalculations that underestimated its state tax liability by about $32 million.

Third, there are allegations about an investment it offers. New York has sued H&R Block, accusing it of fraudulent marketing of individual retirement accounts that it alleges are virtually guaranteed to lose money because of a combination of fees and low interest rates. The company vigorously denies this.

Analyst ratings on the stock are a mixed bag, according to Thomson Financial, consisting of one "strong buy," one "buy," four "holds," one "underperform" and one "sell." Take your pick.

Andrew Leckey writes for Tribune Media Services.

CONVENTION CALENDAR

These events are scheduled at the Baltimore Convention Center, Howard and Pratt streets:

TODAY

INTERNATIONAL TECHNOLOGY EDUCATION ASSOCIATION // convention. Estimated attendance: 2,800. Contact number: 703-960-6600

TUESDAY

SYSCO FOOD SERVICES OF BALTIMORE // trade show. Estimated attendance: 1,000+. Contact number: 410-799-2478

THURSDAY

MARYLAND HEALTH CARE EDUCATION INSTITUTE // meeting. Estimated attendance: 300. Contact number: 410-379-6200 ext. 3316

Wal-Mart critics demonstrate in Washington's Lafayette Park Thursday. Maryland legislators introduced a bill to prohibit any Wal-Mart bank branches.
MARK WILSON [GETTY IMAGES]

Mixed emotions on a Bank of Wal-Mart

WAL-MART [From Page 1D]

While the retailer delivers "every day low prices" for groceries, clothes, hardware and other products, it does so by using its clout with vendors to secure better deals and ends up far undercutting competitors, including mom-and-pop businesses.

As the world's largest employer, Wal-Mart also has been criticized by unions who contend it doesn't pay enough in wages and benefits and has shown a pattern of racial and gender discrimination.

In Washington Thursday, the issue drew protesters to the White House holding signs that read, "Don't Bank on Wal-Mart."

Among those opposing a Wal-Mart bank are 45 members of Congress who signed a letter saying the company's entry into banking would pose too many risks, including the possibility that a financial crisis at the company would wreak havoc on the nation's payment system.

Supporters of Wal-Mart's proposal include the American Financial Services Association, a trade group in Washington that says the company would bring more consumer choice and healthy competition to banking.

Allies and foes will square off at hearings on the FDIC application next month in Arlington, Va., and Overland Park, Kan.

The FDIC hasn't set a timetable for when it would act on the proposal.

Utah regulators, meanwhile, have told Wal-Mart that it must address certain concerns before they will accept its application, at which time the process for review usually takes three months.

Wal-Mart has tried — unsuccessfully — to get into the banking business three times since 1999. Separate attempts to buy an Oklahoma savings bank, partner with a bank in Canada and buy an industrial loan company in California were thwarted by state and federal regulators.

This time is different, Wal-Mart officials say, because they are proposing to start an industrial loan company with a winnowed business plan that would keep the company out of traditional banking services.

The retailer now leases space to regional and community banks, primarily in its so-called "supercenters." So far, about 1,150 branches have opened, and agreements have been struck to open another 250.

Wal-Mart says its industrial bank would process debit, credit and electronic check payments, which is done now by third-party banks for a fraction of a penny per transaction. The savings would be passed on to customers, the Bentonville, Ark., company says, and the amount could be substantial when multiplied over the hundreds of millions of transactions at Wal-Mart stores each year.

In addition, Wal-Mart wants to offer certificates of deposits to nonprofit groups and charities and to individuals through brokers. CDs are interest-bearing investments that typically require money to be deposited for a period of years and are subject to penalty if withdrawn early.

Industrial loan companies have been around since the turn of the 20th century and were originally formed to provide mostly high-interest loans to industrial workers who otherwise couldn't obtain credit. Only seven states including Utah grant charters to open an ILC. They are regulated by those states and the FDIC, but not by the Federal Reserve.

According to the FDIC, about 20 ILCs have failed since 1985, compared with more than 2,500 thrifts and other banking entities. FDIC spokesman David Barr said the agency reviews ILCs to ensure that they have enough capital on hand. "We never want to see the parent treat a bank like a piggy bank," he said.

Unlike Wal-Mart's lobbying and advertising blitz against the health care bill in Maryland, the company has no plans to weigh in on the banking bill, because it's of "little consequence" considering the company has said it would not do what the bill seeks to prohibit, Wal-Mart spokesman Marty Heires said.

In the second paragraph of its 60-page application to the FDIC, Wal-Mart states that it "will not operate branch offices."

As for the CDs, Heires calls them a "relatively minor thing," and said few customers would even know the Wal-Mart bank exists. "It's nothing like what many opponents contend," he said.

Mike Menzies, for one, doesn't believe Wal-Mart. As president and chief executive officer of Easton Bank and Trust on Maryland's Eastern Shore, Menzies said he worries that Wal-Mart, because of its size and ability to "price on the nub," would price community banks out of business and then ignore the smaller clients banks like his serve.

As for Wal-Mart pledging not to open bank branches, Menzies recalled that the retailer once touted a "Made in the USA" campaign, too, until it gave way to the cheaper cost of buying products made overseas.

"Imagine how big Wal-Mart Bank could be in this county, and imagine what happens when a company that represents almost 5 percent of the gross domestic product gets into trouble," he said. "Who bails them out? The answer is the taxpayers."

Travis B. Plunkett, legislative director at the Consumer Federation of America, conjured a more sinister scenario: "Imagine that some of companies involved in the accounting scandals in recent years owned banks," he said. "It would not have been just shareholders and workers harmed. It would have been all of us, and on a more mammoth level."

Another fear among critics is that Wal-Mart would expand into lending and use its sway to convince suppliers such as Procter & Gamble Co. and Colgate-Palmolive Co. to do their banking at the company. Wal-Mart, however, has said it's not interested in lending. It could do so as an industrial loan company, but would likely have to get regulatory approval for a revised business plan.

Kathleen Murphy, president of the Maryland Bankers Association, said her group is pushing for legislation in Annapolis to ensure that an historical separation between commerce and banking is maintained in the state.

"This is not just about Wal-Mart," she said. "It's about any commercial firm that wants to challenge that separation."

About 60 industrial loan companies are in existence, including the finance arms of vehicle makers such as Toyota Motor Corp. and Harley-Davidson Inc.

Perhaps most grating to Wal-Mart executives may be that the FDIC approved an application two years ago from rival Target Corp., which uses its ILC to offer credit cards.

Back then, not one comment letter arrived at the FDIC. The agency's decision on Target read: "No formal objections to this proposal have been filed."

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Maryland should protect BGE from being drained by parent's deal

HANCOCK [From Page 1D]

My favorite clause in the regs is this: "A utility shall notify the Commission within 7 days after the utility or its affiliate … files for bankruptcy."

Have no fear, consumers, the PSC is right on top of things.

Constellation officials say they already strictly separate BGE and its sister companies. No Constellation debt is secured by BGE assets, says spokesman Lawrence McDonnell. The companies have separate debt ratings and bonds and need regulatory approval to borrow money.

"We do believe that there are numerous and very adequate protections," McDonnell says.

I don't believe it, especially since out-of-state owners would bring a whole new set of risks to BGE.

A better Maryland ring fence would include a separate BGE board of directors, as proposed by Baltimore Del. Brian K. McHale.

It would include a whole cupboard of ingredients such as those adopted recently by Oregon before it allowed the sale of the state's second-biggest electric company. They include: separate real estate for the utility, strict limits on dividend and asset transfers, mandatory capital ratios and ability to block a voluntary bankruptcy, says Bob Jenks, director of Oregon's Citizens' Utility Board. Wisconsin even has a poison pill to block a merger.

In 1999 Maryland allowed BGE to transfer its generation plants to Constellation in return for a limited 6.5 percent rate cut. That was the first big step of deregulation and set the stage for today's mess by forcing BGE to bid for electricity in the open, expensive market.

Let's go after rate relief again this time, the second big step of deregulation. But don't lose sight of the big picture.

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BUSINESS

DOW JONES	NASDAQ	S&P 500	SUN-BLOOMBERG	EURO IN DOLLARS	10-YEAR T-BONDS	OIL (New York)
-8.88 to 11,419.89	-9.39 to 2,229.13	-2.42 to 1,292.08	+0.34 to 341.67	+$0.0044 to	-0.06 to	+12¢/barrel
-0.08%	-0.42	-0.19%	+0.10%	$1.2853	5.09%	to $69.53

ECONOMY

STATISTICAL SIGNALS MIXED

Galloping energy prices, hotter industrial production and cooler housing activity are painting a mixed economic picture for Federal Reserve policymakers to ponder.

>>>> PG 2D

AIRLINES

CUSTOMER SATISFACTION SAGS

Customer service at U.S. airlines during the first quarter was the worst it has been in five years, according to a University of Michigan index.

>>>> PG 2D

Keep an eye on what BGE customers are subsidizing

JAY HANCOCK

FLORIDA ELECTRIC CUSTOMERS just got billed $1.1 billion to fix hurricane-damaged power lines. Will Marylanders bear similar costs if Baltimore Gas and Electric Co. and Florida Power & Light wind up in the same company, as planned?

Can't happen, say executives at the utilities' parents, Florida's FPL Group and Maryland's Constellation Energy. Regulations ban them from siphoning money from BGE to pay for hurricanes or any other unrelated expenses, they say.

But the operations of a little-known cash pool shared by BGE and other Constellation affiliates cast doubt on these assurances and show again why the Constellation-FPL merger needs to be examined very, very carefully.

Case No. 9036 before the Maryland Public Service Commission presents what critics portray as a smoking gun of cross-subsidization, of BGE customers paying for things that have nothing to do with the cost of buying and delivering energy to their homes and businesses.

For years, BGE and other Constellation units have contributed to a pool financing one another's short-term borrowing. The problem is that BGE provides much of the money and affiliates seem to have done most of the borrowing — apparently without reimbursing BGE its full costs.

BGE denies that ratepayers subsidize unregulated affiliates, saying there is no link between the cash pool and retail energy costs. But late last year, two members of the PSC — a panel not known for being tough on utilities — forcefully disagreed. And so do the Maryland People's Counsel, an advocate for residential ratepayers, and a group representing Domino Sugar and other manufacturers.

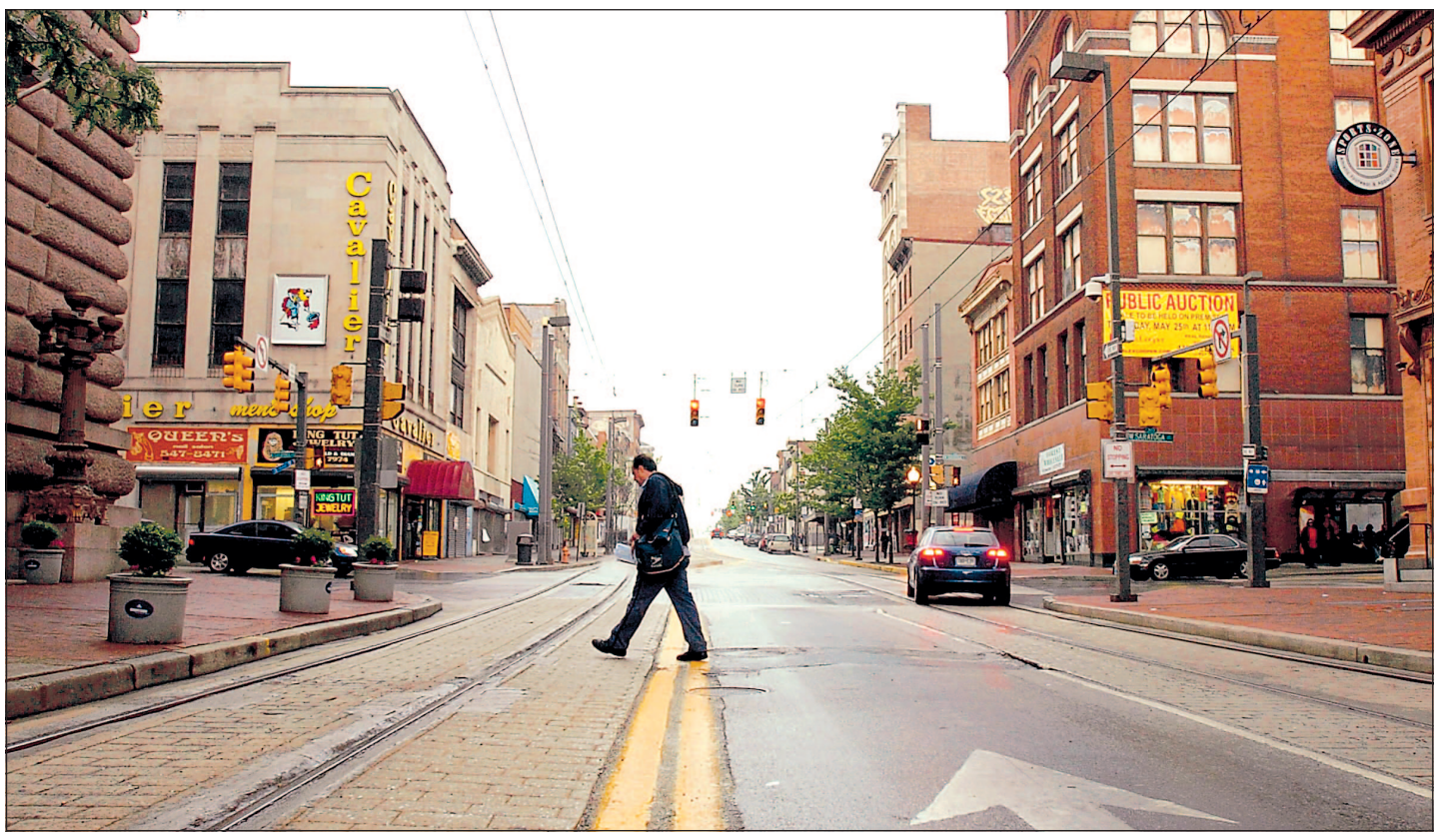
As part of a much larger case involving natural gas rates, two of the five Maryland PSC members found that, in 2004 and 2005, BGE's expense for funding the pool "imposes unnecessary costs on customers; costs unrelated to the provision of utility service." The arrangement, the members said, "unfairly burdens ratepayers with several million dollars in excess costs."

That opinion came from none other than PSC Chairman Kenneth D. Schisler, seen by many as the pro-utility rubber stamp of Gov. Robert L. Ehrlich Jr. Joining him was Allen M. Freifeld, who worked for the commission more than two decades before becoming the first staff member named a commissioner, according to the panel's Web site.

They were outvoted by the other three PSC members.

[Please see HANCOCK, 6D]

Sale of eight buildings in the 300 block of N. Howard St. affects an area viewed as a bridge to redevelopment to the north



Some of the buildings up for sale have retailers operating on the first floors, but most are entirely or mostly vacant.
KENNETH K. LAM [SUN PHOTOGRAPHER]

Key auction on west side

BY LORRAINE MIRABELLA
[SUN REPORTER]

Baltimore's west side redevelopment could spread farther along Howard Street, where two key property owners are preparing to sell eight buildings that have sat largely vacant for years.

A May 25 auction could pave the way for revitalization of nearly half the 300 block of North Howard Street and, city officials hope, help bridge blocks to the north where more redevelopment of housing and shops is planned or expected over the next few years.

The sale, to be held at the buildings at North Howard and Saratoga streets, will include six properties owned by the Harry and Jeanette Weinberg Foundation and two owned by the estate of Alan Berman. Some of the buildings have retailers operating on the first floors, but most are entirely or mostly vacant.

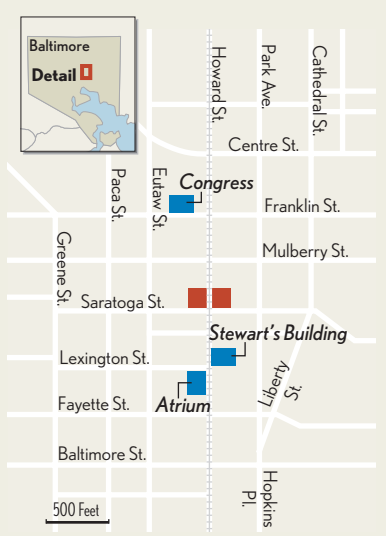
"Nothing has really happened on that block because the major property owners haven't done anything," said Paul Cooper, a vice president of Alex Cooper Auctioneers Inc., which is handling the auction. "The properties have been tied up in the same ownership for many, many years and are finally on the market. This is what people have been waiting for."

The city is in the midst of a seven-year-old public-private effort to revitalize downtown's west side into a residential neighbor-

[Please see HOWARD, 6D]

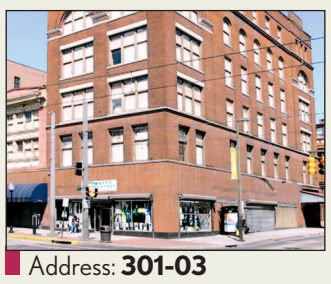
MORE WEST-SIDE SALES

City officials hope the auctioning of eight buildings will further the redevelopment along N. Howard Street.



SHIRDELL MCDONALD
[SUN NEWS ARTIST]

Address: **300-02**
Square ft.: **14,550**

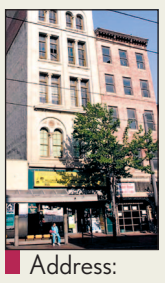


Address: **301-03**
Square ft.: **25,512**

Address: **304**
Square ft.: **7,743**

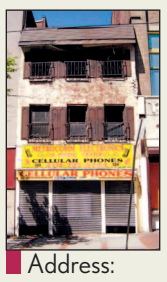
Address: **305-07**
Square ft.: **12,108**

Address: **306-10**
Square ft.: **11,220**



Address: **315**
Square ft.: **25,050**

Address: **317-19**
Square ft.: **6,090**



Address: **320**
Square ft.: **4,405**

Source and images: Alex Cooper Auctioneers, Inc

Asian firms in growth spurt

Revenue in Md. up 24% in five years

[FROM STAFF AND WIRE REPORTS]

Asian-owned businesses in Maryland haven't multiplied quite as quickly as they have nationwide — but the way they have multiplied their revenue more than makes up for it, according to government statistics released yesterday.

The companies' revenues grew by $1.4 billion between 1997 and 2002, an increase topped in just six other states — California and Virginia among them.

Maryland had 26,300 businesses with Asian owners in 2002, a 20 percent jump from five years earlier, the Census Bureau said. More than a third were in Montgomery County. Baltimore, Howard and Prince George's counties and Baltimore City each had more than 2,000 Asian-owned businesses.

Across the country, such businesses numbered 1.1 million, a 24 percent increase from 1997 to 2002. Their growth was more than double the national rate for all U.S. companies, which grew by 10 percent during the same period, to nearly 23 million.

Asian-owned businesses generated $326 billion in revenues in 2002, an 8 percent increase from 1997. In Maryland, their revenues totaled about $7.1 billion, up 24 percent.

"The robust revenues of Asian-owned firms and the growth in the number of businesses provide yet another indicator that minority entrepreneurs are at the forefront as engines for growth in our economy," Census Bureau Director Louis Kincannon said in a statement. Nationally, nearly 30 percent of Asian-owned businesses had paid employees other than the owner. Among all businesses, about a quarter had paid employees.

New York City had more than twice as many Asian-owned businesses as any other city, with nearly 113,000.

[Please see ASIAN, 6D]

LAY MAKES FINAL PLEA

Skilling also asks jury to acquit them

BY THOMAS S. MULLIGAN

HOUSTON // Lawyers for Kenneth L. Lay and Jeffrey K. Skilling, in an emotional last pitch to jurors who could send their clients to jail for decades, accused the government yesterday of building a sham case against the former Enron Corp. leaders because it needed scapegoats for a corporate scandal.

With "their eye on the prize" of two high-profile convictions, federal prosecutors coerced witnesses, selectively used "snippets" of taped presentations and misrepresented documents to concoct their case, Daniel M. Petrocelli, Skilling's lead lawyer, charged during his 3½-hour closing argument yesterday morning.

Chip B. Lewis, one of four defense lawyers who spoke for Lay, raised the ante in the afternoon with an angry broadside against prosecutor John C. Hueston, who he said had deliberately ignored evidence to unfairly frame a damaging question in cross-examining Lay two weeks ago.

Lewis, goateed, burly and well over 6 feet tall, leaned over the government's table toward the much slighter prosecutor and said: "Don't come to Houston, Texas, and lie to us."

The eight-woman, four-man jury, though paying close attention, did not visibly react to Lewis' outburst. But Lay's wife, Linda, and her daughter, Robin, burst into brief applause from the front row of spectators.

Enron founder Lay, 64, and former chief executive Skilling, 52, are accused of lying to the public about the company's financial health and conspiring with subordinates to inflate profits and hide losses through what the government terms "accounting trickery." Skilling faces 28 counts of conspiracy, fraud and insider trading. Lay is charged with six counts of conspiracy and fraud.

Lay also faces several bank fraud counts which will be the subject of a separate bench trial scheduled to begin tomorrow while the jury in the main case is deliberating.

U.S. District Judge Simeon T. Lake III also will hear the evidence in that case but will decide the verdict alone. Lake said he would withhold his decision until the jury has delivered its verdict in the main case.

Enron's collapse in December 2001 created a public outcry over corporate chicanery and led to congressional hearings and the formation of a federal task force to probe the company's downfall.

Co-lead prosecutor Kathryn H. Ruemmler, in the government's closing argument Monday, tried to inoculate the jury against what she said would be a display of "passion" and "indignation" by defense lawyers yesterday. She warned jurors not to be swayed by theatrics.

[Please see ENRON, 3D]

MuniMae makes a move into renewable energy market

BY LAURA SMITHERMAN
[SUN REPORTER]

Municipal Mortgage & Equity (MuniMae) announced yesterday the acquisition of a small California company that arranges financing for and operates solar and other renewable power plants, a marked departure for the Baltimore real estate financier.

By purchasing Renewable Ventures LLC of San Francisco, MuniMae hopes to capitalize on growing demand for alternative energy sources and tax credits extended under last year's broad federal energy legislation.

Company officials declined to say how much MuniMae paid for the Renewable Ventures in a deal that closed Monday night, but the consideration includes an upfront amount as well as future payments that depend on the performance of the business.

Michael L. Falcone, MuniMae's chief executive, said the company is seeking to position itself as a "powerhouse" in the business of financing clean-energy projects in the United States.

"We believe there is more political will than there has ever been with oil at $70 a barrel and the cost in human terms of the Iraq war," he said.

As in previous decades, the renewable energy industry has gotten a boost from geopolitical forces such as skyrocketing oil prices and a desire to reduce the nation's dependence on foreign oil.

What makes this a prime time to get into the business, according to Falcone, are technologies that make alternative energy more cost-effective and tax credits that have been extended on the state and federal level.

[Please see MUNIMAE, 6D]

FROM THE COVER

MuniMae getting into solar

MUNIMAE [From Page 1D]

The energy bill enacted by Congress last summer increases from 10 percent to 30 percent the federal tax credit for solar energy. The bill also includes credits for wind and biomass energy and the first-ever credit for residential solar power systems.

"We have been interested in expanding our market beyond affordable housing to be able to sell tax credits and other financing associated with clean energy, but we clearly didn't have the knowledge or industry contacts in the business to make that work," Falcone said. "So we went looking for a partner."

MuniMae officials became familiar with Renewable Ventures at an affordable housing conference, according to Falcone. After months of talks, the companies signed a contract and closed the deal in one day.

Renewable Ventures, which will be renamed MMA Renewable and remain in San Francisco, has a pipeline of more than $500 million in projects that are in the works with developers and contractors.

With MuniMae's assistance, the companies hope to finance about $50 million in projects this year.

The facilities would provide power to commercial and government users, and in some cases the energy could be sold and delivered on a power grid.

Renewable has worked on deals to build five solar power plants. Their locations range from Connecticut, where a facility powers a museum, to California where one provides power to a city.

Matt Cheney, Renewable's CEO, said MuniMae's expertise in financing affordable housing could easily translate to clean energy, both of which depend on tax credits and private investment. MuniMae brings with it a client base of institutional investors.

Through the acquisition, MuniMae bought out management contracts for four employees at Renewable Ventures and took over a $3 million solar energy plant being built at a vineyard in the wine-producing Napa Valley.

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Key auction on west side

HOWARD [From Page 1D]

hood with 2,000 market rate apartments and condos as well as additional shops and expanded cultural attractions.

Much of the redevelopment on Howard Street has occurred south of the 300 block, including the $80 million Centerpoint mixed-use project with 394 apartments; the conversion of the former Stewart's department store into offices, and conversion of the former Hecht's department store into the 173-apartment Atrium at Market Center.

Developer Wendy Blair plans to start construction this summer on St. James Place, a conversion of vacant, historic buildings in the 400 block of North Howard into some 24 apartments and street-level retail, said M.J. "Jay" Brodie, president of the Baltimore Development Corp., the city's development agency.

Once that project gets under way, the city plans to request developer bids to redevelop the historic Mayfair Theater and two buildings to the south in the 500 block, possibly for retail and office, Brodie said yesterday.

Another developer has purchased the former Planned Parenthood building in the 600 block and wants to convert it to housing, he said.

He said he is optimistic that buyers will step in to renovate the historic buildings inn the 300 block.

"To see visible improvement in the 300 block would be a positive sign and a bridge from the successful enterprises to the south to where we're heading up north," Brodie said. "It's a good sign for the west side. The Weinberg foundation did a beautiful job of renovating the former Stewart's department store building, but that was several years ago.

"If they've concluded they can't rehabilitate these buildings themselves, then I hope someone will appear at the auction who can buy the buildings from the foundation and go ahead and renovate them in the way that we are encouraging renovation as well as new construction on the west side."

The properties offered for sale in the 300 block offer a rare chance to acquire multiple, adjoining properties all at once, Cooper said. All are being sold individually, and so far, potential investors have inquired about individual buildings, he said.

"It's difficult to acquire that many properties at one time short of doing condemnations," Cooper said. "Many times it takes a long time and your dealing with many different property owners."

Susan B. Anderson, a vice president with the H&R Retail real estate brokerage, said the buildings would be well-suited for conversion to upper-floor housing at a time when demand for housing downtown is hot. But additional redevelopment in the area needs to happen to attract retailers, especially chains, to the ground-level spots, she said.

"Retailers never want to be the first ones; they do not have pioneering spirits," she said.

The Weinberg-owned buildings include a three-story building at the northwest corner of Howard and Saratoga streets, with three first-floor retailers leasing space and vacant upper floors.

Another property is a six-story building at the northeast corner of Howard and Saratoga, with an apparel retailer leasing the first floor and vacant upper levels. The foundation's four other buildings, ranging from one to four stories, are all vacant, including 304, 305-07, 306-10 and 317-19.

The foundation acquired the properties more than 25 years ago and held them, intending to eventually redevelop them with apartments over first-floor shops, said Joel Winegarden, the foundation's vice president of real estate. But the foundation has recently shifted direction of its real estate activities.

"It's for sale now because the properties are too small for us to develop," Winegarden said. "There were thoughts when they were purchased that in the future they would make a fine site for redevelopment, but at this point, they don't reach our criteria of size. We're moving on to larger projects."

The Berman estate-owned properties, which Alan Berman bought in the late 1960s, include a six-story mostly vacant building at 315 N. Howard, which appeared in the Barry Levinson film *Avalon*.

"Ideally, that would make a nice apartment conversion," said Stephen Cooper, who is also a trustee for the Berman estate. Cooper said a buyer would need to acquire the one-story, Weinberg-owned property next door, at 317 N. Howard, to own the air rights needed to cut windows in the side of the building.

A three-story vacant property in need of renovation at 320 N. Howard is also for sale by the estate of Berman, who once ran a jewelry store and pawn shop in the area and owned other properties, said a trustee for the estate, Ted Hirsh.

Hirsh said the estate saw an opportunity to sell the properties along with those owned by the Weinberg foundation. "Howard Street had fallen into disrepair, and Howard Street is starting to look up, and now is hopefully a good time to sell," he said.

Keep an eye on what BGE is subsidizing

HANCOCK [From Page 1D]

As a result, what Schisler and Freifeld called excess costs tied to the pool — estimated at $3.4 million — were passed into natural gas prices for BGE customers.

A BGE-style money pool "would have a hard time getting approved in a lot of states," says Bob Jenks, director of the Citizens' Utility Board in Oregon, which erects strict firewalls between utilities and affiliates.

"Essentially this is a way to have the utility loan money" — to use its borrowing power "to fund activities of unrelated entities," Jenks says.

Why does it matter now? Certainly the amount in the gas case adds only pennies to a typical bill and is nowhere near what would be needed to fix hurricane damage. Because BGE's electric delivery charge is frozen (in contrast to generation expense, which will soon cause bills to spike), its cash pool activities in recent years would not have affected electric rates.

But critics say the arrangement demonstrates flimsy walls between BGE and Constellation that could create bigger risks if Constellation merges with FPL.

"If Florida Power & Light has a greater need to take out loans because of hurricanes or any other subject, then obviously they're going to have an even greater call on the cash pool than Constellation" — with the cost potentially borne by BGE ratepayers, says Michael Powell, a lawyer representing the Maryland Industrial Group, a consortium of manufacturers.

BGE certainly seems to be giving the pool more than it's getting from it. For a year and a half beginning in 2004, when it had as much as $359 million in the fund (in the first quarter 2004), BGE lent to the pool nearly the whole time and borrowed only 26 days, according to PSC and Securities and Exchange Commission documents.

And BGE's cost for providing the cash was 6 percent or greater while Constellation affiliates borrowed at teeny, short-term rates — as low as 1.5 percent, Schisler and Freifeld said in their dissent. Constellation's other businesses include electricity generation, power trading and real estate, although it is unclear which entities borrowed from the pool.

"The money pool imposes extra costs on BGE that would not be borne by the company if it were not affiliated with Constellation," they concluded.

Mark Case, BGE's vice president of electric supply and regulatory services, denied that the pool could have any effect on customer rates and said the company was "dumbfounded" by Schisler's and Freifeld's opinion.

Even so, the pool represents an unacceptable contact between the utility and its siblings and should be drained — whether or not Constellation and FPL marry.

"It's something we plan to explore in the merger case review," says William Fields, senior assistant People's Counsel. "Our goal is to ensure that ratepayers are protected from any possibility of cross-subsidization."

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Md.'s Asian firms in growth spurt

ASIAN [From Page 1D]

New York was followed by Los Angeles, Honolulu, San Francisco, San Jose and Houston.

The Census Bureau defines Asian-owned businesses as those firms in which Asians hold at least 51 percent of the stock or interest. The report does not classify public companies, with publicly traded stock, because they can be owned by many stockholders of unknown races and ethnicities.

The report was the fourth in a series on businesses owned by women and minorities. The three previous reports, on businesses owned by women, blacks and Hispanics, showed that all three groups started new businesses at faster rates than white non-Hispanic men from 1997 to 2002. But white males continued to own more businesses than any other group.

Sun reporter Jamie Smith Hopkins contributed to this article.

BUSINESS

IN YOUR MONEY // TRADITIONAL OLD AGE IS BEING REINVENTED, JANET KIDD STEWART SAYS IN HER NEW COLUMN PG 3C

Nonprofit 'telefunders' should try being honest

JAY HANCOCK

WHEN JAMES MADISON wrote the First Amendment, presumably he had no idea that one day it would protect fundraisers who call your house, obtain a donation for what you thought was a good cause and then pocket most of the money.

But that's what the amendment does, to the lasting shame of the charity industry and the judges who confused misleading telemarketing spiels with sacred free speech. In a 1988 case involving Baltimore's National Federation of the Blind, the Supreme Court blessed schemes in which only a few pennies on each donated dollar end up with a nonprofit. The court even banned states from making charities disclose such shenanigans to a would-be donor, saying it would violate their right of expression.

This scarcely believable state of affairs won't change soon. But the courts offer hope that sanity will prevail in nonprofit fundraising. Last week, the justices left standing an appellate court ruling in a Maryland case that held that the free-speech privileges of nonprofits had limits and that fundraisers aren't completely exempt from the standards binding other businesses.

Again the case involved the National Federation of the Blind, which has a history of litigating for what it says are the rights of the disabled and the nonprofit groups representing them. It also has a history of questionable fundraising. Last year I wrote about Oregon regulators' crackdown on that state's NFB branch, which was paying 60 percent of the funds raised in its name to a for-profit company owned by a director of two NFB affiliates.

[Please see HANCOCK, 2C]

IRA is a gift for children that gets better with time

EILEEN AMBROSE
PERSONAL FINANCE

PARENTS AND GRANDPARENTS leave all sorts of assets to younger heirs, but one with the potential to get significantly better with time is an individual retirement account.

Children or grandchildren who inherit an IRA will be required to take minimum distributions each year from the account so that the money isn't locked up forever. Still, if they let the balance continue to grow tax-deferred in the account for years, if not decades, the rewards can be huge.

How huge?

Take the case of a 1-year-old grandchild who inherits $100,000 in an IRA, according Ed Slott's book, *Parlay Your IRA Into a Family Fortune*. The toddler must take a minimum amount out of the IRA annually so that 82 years later — her expected lifespan — the account will be depleted.

Even so, if the balance is left to grow at an average annual rate of 8 percent, the IRA would have paid out $8.1 million over the eight decades.

Not a bad legacy.

Of course, many people with IRAs will need the money for their own or a spouse's retirement. And even if they do set up an IRA for a child or grandchild to inherit, there's no guarantee an heir won't cash out the account immediately. "Then all the planning you did is moot," said Jim Thompson, a financial planner in Boston.

Still, for those who can afford it, leaving an IRA to younger relatives is a good way to protect their financial future.

[Please see AMBROSE, 2C]

In an age of national banks and electronic service, immigrant banks are fading fast

Michael Baumann, manager of Hull Federal Savings Bank, stands outside the Locust Point institution. The bank opened in a rowhouse a century ago to serve German and Polish immigrants who worked at the nearby docks.
ALGERINA PERNA [SUN PHOTOGRAPHER]

Ethnic thrifts' balance slips

BY LAURA SMITHERMAN [SUN REPORTER]

Things haven't changed much at Hull Federal Savings Bank since it opened a century ago to cater to German and Polish immigrants spilling into Locust Point from the dockyards a few blocks away and from Fort McHenry down the road. The bank still only offers one type of savings account and fixed mortgages, and that's it.

When change did come, it was slow. Bank managers didn't install a telephone until 1989, when federal regulators required it, and they didn't start using computer systems until after Y2K.

Those were minor events, though, compared with what happened in 1996, according to bank officer Michael Baumann.

"That's when we first got air conditioning," he said. "That was probably the biggest change."

In an age when large banking chains offer one-stop shopping for finances, online bill payments and automated teller machines, Hull Federal Savings is an anachronism.

In a rowhouse distinguished only by a simple, wood-framed sign hanging in the front window, it's one of a few remaining banks begun by and for immigrants in ethnic enclaves that dotted Baltimore at the onset of the 20th century. Historians and experts estimate there were once several dozen of the small thrifts in the city.

Now those banks are a disappearing institution. They face an urban landscape altered by suburbanization. They struggle to keep up with industry regulation and complicated financial products.

Many eventually get swallowed by regional or national banks looking to expand without the expense of building a branch and a customer base.

The number of immigrant banks in Baltimore has dwindled to somewhere in the teens; no official count is kept.

Baltimore's Maryland Permanent Bank and Trust Co., for one, started in 1910 to serve the needs of mostly Jewish immigrants.

Last year, the bank agreed to be bought by Warren, Pa.-based Northwest Savings Bank, which has more than 150 branches in five states. Maryland Permanent's two branches will

[Please see BANKS, 5C]

Control tower rift widens

FAA faces showdown with controllers over pact

BY MEREDITH COHN
[SUN REPORTER]

In August 1981, the nation's airlines, already battered by a recession, faced the grim prospect that air traffic controllers would shut down air travel if their demands for better pay and work rules weren't met.

Those fears were realized when 12,000 union workers went on strike and were fired days later by President Ronald W. Reagan. The outcome was a turning point for the fortunes of organized labor and also fulfilled the airlines' fears: Flight delays and losses were common for years due to short staffing and as new controllers learned the ropes.

Now, a quarter-century later, history threatens to repeat itself.

The Federal Aviation Administration is battling with the replacement controllers over many of the same issues. While no strike is being considered, a stalemate threatens again to hamper aviation, which is going through economic pangs in spite of record numbers of air travelers.

"It's quite a game of chicken," said Robert Mark, a controller before the 1981 strike and an FAA supervisor after. "The traveling public probably remembers sitting on an airplane in Washington or Kansas City or Los Angeles and hearing that it can't go anywhere because the air controllers were on strike. Nobody wants that again, but the same stuff is at stake."

The concern now is how many of the 14,000 controllers will choose to retire if they don't like the provisions of their new contract. The FAA says it is training new workers and is prepared. But the controllers say there aren't enough replacements in the pipeline for technical and stressful positions that require years of on-the-job training.

Now, as then, the debate centers on pay and work rules.

The controllers' union wants pay to match the longer days, as airplane departures have more than doubled since the early 1980s to 11.5 million. It also wants a continuation of extra pay for supervising or working in the busiest airports.

The FAA wants to rein in pay increases that have far outpaced inflation and use the money to upgrade technology.

Average annual pay for air traffic controllers is about $113,000. In 1981, when the controllers union struggled to muster public support, average pay was $33,000 (or about $80,000 adjusted for today's dollars). With the two sides at an impasse, Congress has until June 5 to impose a solution or the FAA's latest proposal will take effect.

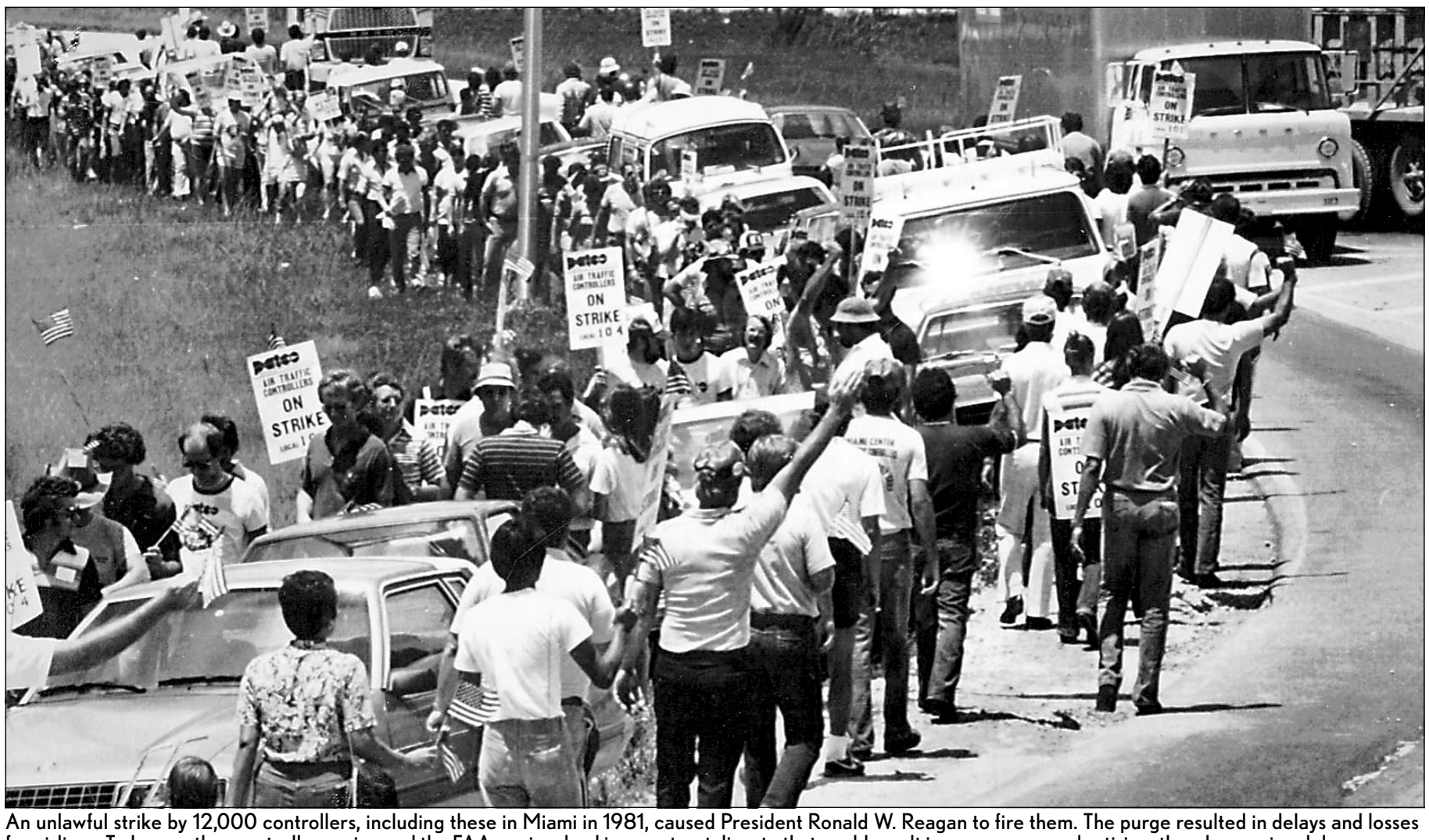
Lawmakers in the House and Senate have introduced bills to force arbitration, against the wishes of the FAA and the airline industry's trade association, which said cuts are needed to finance a modern aviation system. With both sides accusing the other of abandoning negotiations, public appeals have followed.

The controllers as a group haven't been much in the public eye in 25 years, with the exception of Sept. 11, 2001, when the FAA grounded flights immediately after the hijackings.

[Please see FAA, 2C]

An air controllers' slowdown delayed shuttle passengers at National Airport in Washington in March 1970.
ASSOCIATED PRESS

FROM THE COVER



An unlawful strike by 12,000 controllers, including these in Miami in 1981, caused President Ronald W. Reagan to fire them. The purge resulted in delays and losses for airlines. Today, another controllers union and the FAA are involved in a contract dispute that could result in many personnel retiring, thereby causing delays.
ASSOCIATED PRESS

Tower rift threatens flying

FAA [From Page 1C]

Last week, the controllers handed out leaflets to travelers at airports across the country, including Baltimore-Washington International Thurgood Marshall Airport.

The controllers say the FAA contract makes it more attractive to retire and take benefits while they are at their peak, rather than suffer potential cuts in pay, forced overtime and less vacation.

They say there already are shortages of controllers — overtime pay grew to $43 million last year, from about $27 million in 1999, according to the FAA — and between 3,000 and 4,000 controllers are eligible to retire by the end of next year. Overtime pay has pushed some top controllers' salaries close to $200,000, the FAA said.

A matter of pay

The pay is the main reason FAA officials say they expect no more than 1,100 controllers to retire regardless of the contract.

Many are eligible to retire after 20 years on the job and must leave at age 56. About 500 have studied at the FAA academy in Oklahoma City this year and others are studying in college programs or seeking to move from military controller assignments, the FAA said.

"We don't think they'll leave hundreds of thousands on the table just to make a point," said Geoff Basye, a FAA spokesman. "Saying the contract will cause mass retirements is a scare tactic."

The FAA reports that labor makes up 80 percent of its operating budget of $2.4 billion, up from $1.4 billion in 1998. A new contract struck that year gave controllers a 75 percent raise over five years, which was on top of the 50 percent raises given to other federal workers who were seeking parity with private-sector jobs.

If the FAA can slow the payroll growth, it can invest in a more efficient satellite-based traffic management computer system, the agency says. Basye, the FAA spokesman, said there is no timetable for the upgrades.

And a recent report from the Government Accountability Office said the FAA faces challenges in implementing a new system — among them the prospect that it would need to hire thousands of air traffic controllers.

The new contract calls for paying recruits $31,000 to start, with the salary nearly tripling in five years. Raises for existing workers would grow at a small fraction of that rate, Basye said.

Darryl Jenkins, an aviation consultant, who prepared a report on potential consequences of the FAA's proposed contract for controllers, said the FAA does need new technology but it also needs controllers.

Jenkins said a conservative estimate is that 15 percent of controllers will retire in the next five years, but the number will be higher if the FAA imposes its contract. And he said the agency isn't doing a good job of hiring.

"It's amazing how little has changed," he said. "The FAA still can't get along with its labor. If history is any guide, the issues again will be delays and costs, passed on to consumers in the form of higher fares."

In 1981, the controllers were led by the Professional Air Traffic Controllers Organization, a union that decided a strike was needed to win concessions. President Reagan said the controllers were not legally allowed to strike and fired those who did not return to their jobs in 48 hours, which was the bulk of them.

The FAA and President Reagan believed they could use the mass exodus to transform the agency. The plan then also was to modernize the system with automation, rather than replacing all of the controllers. The current FAA leadership acknowledges that did not happen and blamed past administrations. Critics said funding was wasted.

As the union was being decertified, military controllers and FAA supervisors, as well as some controllers who chose not to strike or came out of retirement, kept air traffic from completely shutting down until new controllers could be trained.

Federal controllers in airport towers typically manage airplane traffic within five to seven miles from an airport by communicating with pilots and monitoring such things as radar and weather systems. Ground crews that help airplanes in and out of the gates are employed by the airlines.

Similarities echo

Jenkins, the consultant, said the 1981 labor crisis came with a price. Planes that normally were spaced about five miles apart were spaced 50 miles apart to ensure safety. The government didn't track delays at the time, but runway backups and cancellations were common, Jenkins said. For the airlines, losses mounted and layoffs followed.

Some similarities echo across the 25 years. While the economy is stronger today than in 1981, the airline industry is just as fragile as it copes with high fuel prices and intense competition.

The impact could resonate at BWI.

Seven of 26 controllers there will be eligible to retire next year and 17 will be eligible over the five-year length of the proposed FAA contract, controllers said.

"A lack of experience will cause delays," said John Dunkerly, who has been at BWI nearly half of his 20 years as a controller and is a leader in the controllers' successor union, the National Air Traffic Controllers Association. Even if the trainees are going through the academy, years of regional training are necessary, he said.

BWI spokesman Jonathan Dean said airport officials are "confident that the FAA has a plan to provide the necessary positions."

One of those controllers eligible to retire in August, Kemp Dawson, 50, said he'd like to stay for six more years because he likes his job and because he has three kids to put through college.

But he said it's more than a financial issue and he hasn't made up his mind if he'll stay or go. He fears new work rules could mean a change in shifts, or unpredictable shifts.

"It's unsettling for everyone," he said.

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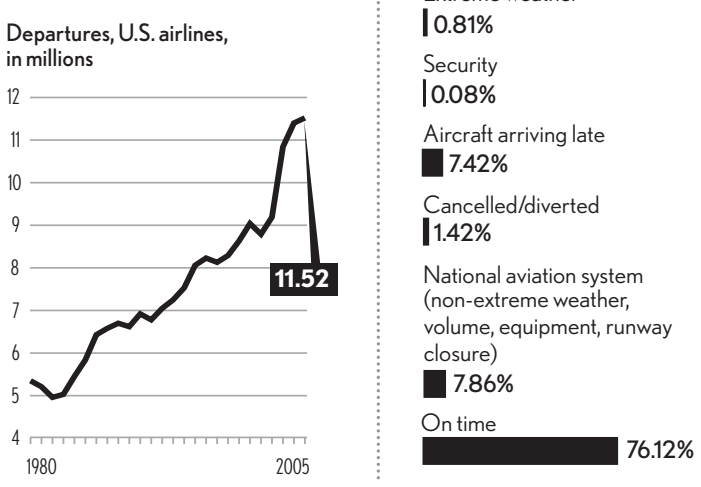
BUSIER SKIES

Over the last quarter century, the number of domestic departures have more than doubled.



Sources: Air Transport Association; Bureau of Transportation Statistics

SHIRDELL MCDONALD [SUN NEWS ARTIST]

Members of the Professional Air Traffic Controllers Organization picket at BWI in August 1981.
RICHARD CHILDRESS [SUN PHOTOGRAPHER]

Nonprofit 'telefunders' should try being honest

HANCOCK [From Page 1C]

The Maryland case was about the Federal Trade Commission's Telemarketing Sales Rule, issued in response to a section of the 2001 USA Patriot Act.

The rule prohibits professional fundraisers from calling before 8 a.m. or after 9 p.m., from blocking caller ID and from using robodialers that sometimes phone with nobody on the line — not even a recording — if computers place more calls than telemarketers can handle.

It also requires professional solicitors to identify themselves and the nonprofit in whose name they are working. And it bans nonprofits from calling you if you ask them not to. (The national "do-not-call" database applies only to commercial businesses. You have to ask nonprofits to leave you alone one at a time.)

Display of nerve

In an impressive display of nerve, the National Federation of the Blind, joined by Special Olympics of Maryland, argued that this violated their free-speech rights under the First Amendment. They also said the FTC exceeded its authority.

Apparently they believe professional "telefunders" should be able to call you any time, even if you tell them not to, without immediately disclosing that they are seeking money and without displaying their information on caller ID.

Nonsense, said U.S. District Judge J. Frederick Motz of Baltimore. Nonsense, agreed the U.S. Court of Appeals for the 4th Circuit, whose ruling was left in place after the Supreme Court refused to hear the nonprofits' appeal.

NFB's and Special Olympics of Maryland's lawsuit forced 4th Circuit Judge J. Harvey Wilkinson to state the perfectly obvious in his written opinion.

"After 9 p.m., family members might, for example, be cleaning house for the night, bathing, paying bills, discussing homework, planning this or that, reading, watching TV, or simply getting ready to turn in," he wrote.

"Before 8 a.m., they might be eating breakfast, dressing, shaving or fixing lunch for spouses or kids. The First Amendment does not require us to interrupt these family moments."

There are limits

No kidding. The First Amendment does not allow people to shout "fire" in a crowded room where there is no fire. It does not permit corporations to disseminate fraudulent information about stock offerings. It doesn't allow stores to falsely advertise.

And it shouldn't allow unfettered solicitation by nonprofits. Ideally, the 1988 case creating a special standard for nonprofits — allowing fundraisers to pretend your money is going to charity when most of it isn't — would be overthrown. Perhaps the 4th Circuit's ruling will lay the groundwork for further reforms.

Meanwhile, you should rarely if ever donate in response to a telephone sales pitch. True, it might come from a volunteer who will direct all your money to the good cause. (And the FTC restrictions do not apply to volunteer solicitors.) But it also might come from a professional who could keep 60 percent of it or more — legally, without having to tell you.

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IRA is a gift for children and grandchildren that gets better with time

AMBROSE [From Page 1C]

And, the $70 billion tax-cut bill signed by the president last week will make it easier for high-income individuals to convert a traditional IRA to a Roth IRA, which has added benefits for heirs.

Like many things about IRAs, the rules on leaving accounts to children or grandchildren are complex. And IRA owners must proceed cautiously.

"Many of the mistakes can't be fixed after death," Slott said in an interview.

The first step

The first step, and a critical one, is to make sure you fill out the beneficiary form on the IRA with the name or names of those you want to inherit the account, Slott said. If you leave an IRA to your estate or to heirs through a will, they won't be able to stretch out the distributions over their lives, like the example above.

"If you designate a beneficiary, then that gives heirs more options," Slott said.

On the form you can name one or more primary beneficiaries, as well as back-ups in case a beneficiary dies before you do. If there's more than one beneficiary, say how you want the money split among them so there is no confusion or dispute, Slott said. "You give a fraction, or percentage or say 'equally,' " Slott said. "Everyone knows who gets what."

Once the account owner dies, a child or grandchild who inherits the IRA must begin taking at least minimum distributions by the end of the next year. So if the IRA owner dies next week, the first distribution must be taken by the end of 2007.

An heir, of course, can always withdraw the entire amount at once. Or, he can take a larger sum than the minimum mandated distribution. But the biggest bang from an IRA comes when heirs take minimum distributions over their lifetime. The IRS lists the life expectancy table in Publication 590.

If there's more than one beneficiary of an IRA, distributions will be based on the age of the oldest. That can largely erase the benefit of stretching out an IRA if one beneficiary is substantially younger than the other — for instance, if one is 10 and the other is 65.

Distribution issues

To avoid this scenario, an IRA owner can split an account before death, designating a single beneficiary for each new IRA. Or, beneficiaries can split an IRA shortly after the owner's death, so that each can take distributions based on his or her own age.

No matter what type of IRA — traditional or Roth — children or grandchildren inheriting the account must take minimum distributions. If they don't, they pay a penalty equal to half the amount they should have withdrawn.

Money coming out of a traditional IRA, though, will be subject to ordinary income tax. Distributions from a Roth IRA are tax-free.

Tax-free withdrawals make the Roth attractive, particularly to those who believe today's growing national debt is a precursor to higher income tax rates in the future.

The new tax law will give more investors an opportunity to own a Roth, and, as a result, pass an account free of income tax onto heirs. "This is a great boon to estate planning," Thompson said.

Under the new law, those with traditional IRAs will be able to convert them to a Roth beginning in 2010 no matter their income. For years, only those with an adjusted gross income $100,000 or less could make such a conversion.

Those who make the switch will have to pay any income tax due on the traditional IRA up front. If they convert in 2010, they can spread the tax bill over 2011 and 2012. If they convert later than 2010, they must pay the entire tax in one year. (This is expected to raise billions in revenue in the short run, lessening the impact of the other tax cuts.)

Conversion can work to the advantage of those who can afford to pay the income tax up front with money outside of the IRA. (Tapping the traditional IRA to pay the tax generally defeats the purpose of the conversion. You would end up with a smaller Roth account balance, and, depending on your age, might have to pay a 10 percent early-withdrawal penalty, too.)

In addition to tax-free withdrawals, the Roth has another advantage over the traditional IRA: account owners do not have to start pulling money out after age 70½. This means investments in the Roth can continue growing untouched throughout the owner's life, and make a big difference on the balance left to heirs, Slott said.

Slott predicts many people will convert to the Roth. Others aren't so sure.

'Mathematical puzzle'

"It becomes more of a mathematical puzzle," said Christine Fahlund, senior financial planner with T. Rowe Price Associates.

For instance, if account owners don't have the cash to pay the tax bill, they may have to sell stocks or mutual funds to raise the money, Fahlund said. They then have to consider what that would do to their portfolio and the tax consequences of selling securities.

Despite those complexities, planning ahead on how an IRA will be distributed once you die can make a big financial difference for your heirs.

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