

MARKETS

January 18, 2007

Dow Industrials	S&P 500
12,567.93 -9.22	1,426.37 -4.25
Bloomberg Midlands	NASDAQ
400.40 -0.72	2,443.21 -36.21

Gold & Currency

	New	Previous
Gold per ounce	\$627.10	\$632.10
30-year Treasury	4.84%	4.87%

Euro and British pound are values in U.S. dollars. Others are expressed in units per U.S. dollar.

	New	Previous
Japanese Yen	121.26	120.67
European Euro	\$1.2959	\$1.2932
British Pound	\$1.9733	\$1.9691
Canadian Dollar	1.1728	1.1730
Mexican Peso	10.9343	10.9463

NATION & WORLD

Tyco starts breakup

Tyco International Ltd. filed the official documents to spin off its health care and electronics divisions, the first step in Chief Executive Officer Edward Breen's plan to break up the conglomerate.

The company said Thursday it filed documents for the businesses with the U.S. Securities and Exchange Commission.

Global lift

Harley-Davidson said Thursday that strong international sales of its iconic motorcycles helped drive its fourth-quarter profit up 9.7 percent — just a touch above Wall Street expectations — but sales in the United States were flat.



Net income for the quarter ended Dec. 31 totaled \$252.4 million, or 97 cents per share, compared with a profit of \$230 million, or 84 cents per share, a year ago. Revenue climbed 11.9 percent to \$1.50 billion from \$1.34 billion last year. — AP

DEVELOPMENTS

Cell-phone cachet

South Korea's LG Electronics Co. said Thursday that it is launching a new mobile phone that incorporates a buttonless touch-screen that resembles the much-hyped Apple iPhone — and that it will be in stores next month.

LG's Prada Phone is being produced in partnership with the Italian fashion brand. It is set to go on sale in late February for \$780 at mobile phone dealers and Prada stores in Britain, France, Germany and Italy, and comes to Asia in March.

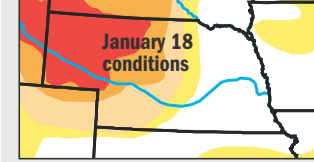
The no-button interface with the entire phone face covered by a touch-sensitive screen resembles the Apple iPhone, announced earlier this month.

Drought monitor

The U.S. drought monitor map reflects several sources, including drought indexes and forecasts. It represents a consensus of federal and academic scientists.

Drought severity classifications

- Abnormally dry
- Moderate drought
- Severe drought
- Extreme drought
- Exceptional drought



SOURCES: National Drought Mitigation Center, University of Nebraska-Lincoln; National Oceanic and Atmospheric Administration; National Weather Service, Climate Prediction Center

Fed chairman warns Congress

■ Bernanke says the strain from retiring baby boomers could weaken the economy.

WASHINGTON (AP) — Federal Reserve Chairman Ben Bernanke warned Congress Thursday that the economy could be gravely hurt if Social Security and Medicare aren't revamped.

He urged lawmakers to tackle the nation's thorny fiscal issues sooner rather than later.

"If early and meaningful action is not taken, the U.S. economy could be seriously weakened," Bernanke told the Senate Budget Committee.

It marked the Fed chief's most forceful warning to date on the potential problems facing the United States with the looming retirement of 78 million baby boomers, the oldest of whom will start retiring next year.

This huge wave of retirees will hit the U.S. budget as well as the economy, he said.

Washington (AP) — Federal Reserve Chairman Ben Bernanke warned Congress Thursday that the economy could be gravely hurt if Social Security and Medicare aren't revamped.

He urged lawmakers to tackle the nation's thorny fiscal issues sooner rather than later.

"If early and meaningful action is not taken, the U.S. economy could be seriously weakened," Bernanke told the Senate Budget Committee.

It marked the Fed chief's most forceful warning to date on the potential problems facing the United States with the looming retirement of 78 million baby boomers, the oldest of whom will start retiring next year.

This huge wave of retirees will hit the U.S. budget as well as the economy, he said.



Bernanke

"The longer we wait, the more severe, the more draconian, the more difficult the objectives are going to be. I think the right time to start was about 10 years ago," he told lawmakers when questioned about the urgency of the situation.

Absent policy changes by Congress and the White House,

rising budget deficits are likely in the years ahead to increase the amount of federal debt outstanding to unprecedented levels, Bernanke said.

That could propel interest rates for consumers and businesses upward, which would be a worrisome development, he said.

"Thus a vicious cycle may develop in which large deficits lead to rapid growth in debt and interest payments, which in turn adds to subsequent deficits," he said. Ultimately, a big expansion of the nation's debt "would spark

a fiscal crisis, which could be addressed only by very sharp spending cuts or tax increases or both," Bernanke warned.

After a bitter election season both Democrats and Republicans on the Senate panel have promised to try to deal with the spiraling costs of federal entitlement programs.

Sen. Judd Gregg of New Hampshire, the committee's top-ranking Republican, called Bernanke's warning "right on, and a clarion call that I hope folks will listen to."

See Strain: Page 2

For Omaha home builders, extras aren't always extra



RUDY SMITH/THE WORLD-HERALD

All Celebrity Homes in the Stoneridge development near 163rd and Fort Streets come with an appliance package included in the base price, with stainless steel optional. The company's marketing director said the company's fourth-quarter sales rose 19 percent after the new pricing was introduced.

Broader base package helps company's sales

BY DEBORAH SHANAHAN
WORLD-HERALD STAFF WRITER

Omaha's Celebrity Homes is offering prospective buyers the chance to shop for a new house without a calculator handy to add the costs of features that don't come standard.

The company's "it's all included" campaign, launched a few months ago, was a response to a softer housing market that kept prices relatively stable but still caught the attention of prospective buyers, said Shawn McGuire, Celebrity's sales and

marketing director. "We thought it was an opportunity to get value into the homes and bring a more complete product to the customer," he said. "The model homes are now the showcase of what your new home will look like, not just a demonstration of what it could look like."

The result of the new pricing, McGuire said, was a 19 percent boost in fourth-quarter sales, or 42 more houses and town homes sold. Traffic through Celebrity model homes in 17 subdivisions was up 18.75 percent, and the number of hits on the company's Web site tripled, he said.

When sales slowed and inventories swelled in 2006, some builders cut prices two and three times, but Celebrity decided to take a different ap-

proach. "We thought it was an opportunity to get value into the homes and bring a more complete product to the customer," he said. "The model homes are now the showcase of what your new home will look like, not just a demonstration of what it could look like."

The result of the new pricing, McGuire said, was a 19 percent boost in fourth-quarter sales, or 42 more houses and town homes sold. Traffic through Celebrity model homes in 17 subdivisions was up 18.75 percent, and the number of hits on the company's Web site tripled, he said.

When sales slowed and inventories swelled in 2006, some builders cut prices two and three times, but Celebrity decided to take a different ap-

proach. "We thought it was an opportunity to get value into the homes and bring a more complete product to the customer," he said. "The model homes are now the showcase of what your new home will look like, not just a demonstration of what it could look like."

When sales slowed and inventories swelled in 2006, some builders cut prices two and three times, but Celebrity decided to take a different ap-



Celebrity Homes, priced from just below \$130,000 to \$240,000, now come with standard features including a gas fireplace, more cable and phone locations and two-inch decorator blinds.

GE to buy diagnostic unit from Abbott

■ The operation sells \$2.7 billion worth of blood protein testing machines annually.

BLOOMBERG NEWS

General Electric Co., the world's biggest maker of medical-imaging machines, agreed Thursday to buy part of Abbott Laboratories' diagnostic-equipment unit for \$8.13 billion to expand its line of testing devices.

GE gets operations with \$2.7 billion in annual sales of machines that test blood proteins for conditions including HIV and heart disease, the companies said.

The purchase fuels Chief Executive Officer Jeffrey Immelt's efforts to build GE Healthcare after the 2004 purchase of Great Britain-based Amersham Plc for about \$10 billion. Abbott keeps its fast-growing diabetes monitoring and genetics testing units, allowing Chief Executive Miles White to focus on higher-profit pharmaceutical units that treat disease rather than diagnose it.

The deal "fits with Amersham and extends the geographic reach," said William Batcheller, director of investment at Butler Wick & Co. in Youngstown, Ohio, which owns about 700,000 GE shares. "There are some cost savings to be had to lever it up and get some sales growth, but more importantly you get faster earnings growth."

The deal continues a busy month for Immelt. GE agreed to buy Smiths Group Plc's aerospace unit for \$4.8 billion, drilling-equipment maker Vetco Gray Inc. for \$1.9 billion and a real estate property fund in Germany for \$546 million. GE also plans to auction its plastics unit for as much as \$10 billion, people with direct knowledge of those plans said last week.

The businesses target a global market of about \$25 billion to \$30 billion growing at 6 percent to 8 percent a year, GE Healthcare Chief Executive Joseph Hogan said in an interview.

The blood protein testing unit, called amino assay testing, is the

See GE: Page 2

Regulator: Fannie Mae, Freddie Mac still shaky

WASHINGTON (AP) — Fannie Mae and Freddie Mac have made progress toward correcting financial weaknesses, but tight government supervision is needed as the mortgage giants emerge from accounting scandals, a federal regulator said Thursday.

James B. Lockhart, director of the Office of Federal Housing Enterprise Oversight, also disclosed that Fannie Mae, which last month announced a restatement of \$6.3 billion in profit for 2001 through mid-2004, had a

Tight government supervision is needed to strengthen the mortgage companies, the head of a federal oversight office says.

loss in the third quarter of 2006. He did not specify the amount.

"They unfortunately have very, very large problems," Lockhart said in a meeting with reporters, referring to the government-sponsored companies that are the two biggest financiers in the \$8 trillion home-mortgage market. "They have a long way to go; there are still significant worries."

Lockhart noted that the companies' financial results continue to be volatile from quarter to quarter, saying both lost money in the July-September period last year. Freddie Mac, the smaller of the two, recently forecast a loss of about \$550 million for the quarter, mainly because of declines in interest rates, compared with a profit of \$880 million in the third quarter

of 2005.

Fannie Mae has not reported or forecast its results beyond June 2004. The company, which is the second-largest U.S. financial institution after Citigroup, is not expected to return to timely reporting until 2008.

With the Democrats now in control of Congress, prospects have improved for compromise legislation tightening the gov-

ernment's reins on Fannie Mae and Freddie Mac. Accounting scandals at both companies in recent years brought demands by Republicans in Congress and the Bush administration for cuts in their mortgage holdings, a move both companies opposed.

Rep. Barney Frank, D-Mass., new chairman of the House Financial Services Committee, is proposing legislation that wouldn't mandate such reductions but would give the director of housing enterprise oversight discretion to reduce holdings.