

AROUND THE REGION

EXECUTIVES

Spectra CFO to become new CEO

Spectra Energy CEO Fred Fowler will step down at the end of the year to be replaced by Greg Ebel, the pipeline company's chief financial officer.

Ebel has also been elected to Spectra's board of directors, effective immediately.

Fowler told the board of his plans to retire "some time ago."

"We are announcing his successor at this time to allow for a smooth transition and to allow Greg the opportunity to develop the company's 2009 budget and underlying strategy for 2009," said Chairman Paul Anderson.

Prior to his current role, Ebel was president of Union Gas Ltd., Spectra's Canadian



EBEL

natural gas distribution company, and was Duke Energy's vice president of investor and shareholder relations.

NATURAL GAS

Marketing deals for LNG terminals

The nation's two newest liquefied natural gas terminals have new marketing agreements to help sell their shipments into the U.S. pipeline system.

Cheniere Energy, developer of the new LNG terminal at Sabine Pass, announced a new marketing agreement with a subsidiary of JPMorgan Chase & Co.

And Mitsubishi Corp., one of the three companies committed to taking deliveries from the new terminal near Freeport, has bought a 34 percent stake in Houston-based CIMA Energy Ltd.

Financial terms were not disclosed.

German company selects Conroe site

Bauer makes machinery for foundation work

By KATHERINE FESER  
HOUSTON CHRONICLE

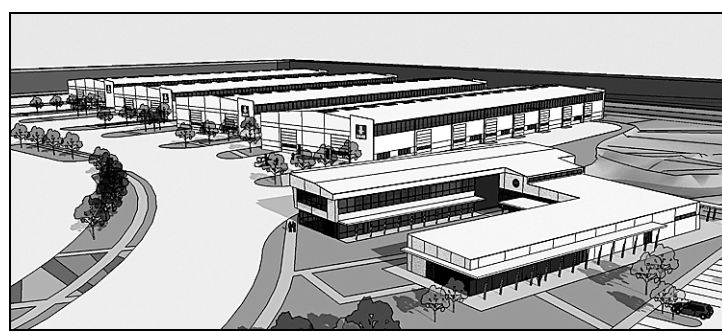
Bauer Manufacturing has signed a deal to buy nearly 80 acres in the Conroe Industrial Park as the site of its first manufacturing plant in the U.S.

The German firm provides machinery for foundation and excavation projects worldwide.

The first phase consists of a 200,000-square-foot plant, which will employ about 300.

Houston-based KDW is the design/builder of the project and Arcon Architects is the architect. The land will be cleared beginning in July and completion is planned a year later.

The deal will enable the firm to make equipment here that is currently shipped from Ger-



FIRST U.S. SITE: Bauer Manufacturing's facility in the Conroe Industrial Park will be its first manufacturing plant in the United States.

many or China. The company serves markets in the U.S., Canada, Mexico and Latin America primarily from Germany.

"We want to open up new markets like South America," said Sebastian Bauer, managing director of the firm's Bauer Maschinen equipment group and head of Bauer Manufacturing.

Bauer chose the Houston area to be near its Pileco subsidiary, which handles sales and service of the company's products.

A U.S. plant will also enable Bauer to be less dependent on exchange rates between the euro and the dollar.

In Conroe, the company will make drilling machines for bored foundation piles used in

projects such as building hotels and casinos, bridges or piers for harbors where oil tankers dock. The firm's equipment was used in drilling the foundation for the world's tallest building going up in Dubai.

As the company grows, the Conroe site could be expanded to 700,000 square feet and employ up to 700 people, Bauer said.

The property, situated just north of downtown Conroe on FM 3083 near the Union Pacific's railroad tracks, was purchased from the Conroe Industrial Development Corp. and marketed by the Greater Conroe Economic Development Council.

Parent company Bauer AG, founded in 1790, is based in Schrobenhausen, Germany and employs 8,000 worldwide. The firm reported revenue of nearly \$1.9 billion in 2007.

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AROUND THE NATION

REGULATION

Navistar finds way back to Wall Street

WARRENVILLE, ILL. — Truck maker Navistar International Corp. has caught up on its quarterly filings with the Securities and Exchange Commission, paving the way for the company's relisting on the New York Stock Exchange.

The Warrenville-based company said Friday its common stock will resume trading Monday under its original ticker symbol "NAV."

The exchange delisted Navistar a year ago because of its failure to file timely reports after accounting problems.

ADVERTISING

H&R Block to pay over contest details

H&R Block, the largest U.S. tax preparer, must pay \$245,000 to settle claims it used deceptive advertising in promotional sweepstakes to increase business, according to New York Attorney General Andrew Cuomo.

The Kansas City, Mo.-based company conducted two scratch-off card sweepstakes games in 2006 and 2007 without providing adequate information that consumers could enter the contests without purchasing a product, Cuomo said Friday in a statement.

SECURITIES

Morgan Stanley's rating may go down

Morgan Stanley, the second-biggest U.S. securities firm, may have its Aa3 long-term credit rating lowered by Moody's Investors Service.

"Since the onset of the credit crisis one year ago, Morgan Stanley's financial performance and risk management has been inconsistent, and below the levels expected of a Aa3-rated financial institution," New York-based Moody's said in a statement.

AIRLINES

Pilot negotiations move forward

Leaders in the pilot union at Northwest Airlines Corp. approved a tentative joint contract with Delta Air Lines to

take effect after the two airlines combine.

The next step is a vote by rank-and-file pilots at both airlines.

The Northwest branch of the Air Line Pilots Association says its Master Executive Council voted unanimously to send the proposed contract to pilots for a vote.

They still need to work out a merged seniority list, and that can be the toughest part of combining two pilot groups. They have agreed on a process for doing the seniority list, and negotiations are expected to start later this summer.

EARNINGS

KB Home posts 5th quarterly loss

KB Home, the Los Angeles-based homebuilder founded by Eli Broad, reported its fifth straight quarterly loss as rising mortgage rates and falling prices reduced demand for homes.

KB reported a loss of \$255.9 million, or \$3.30 per share, for the three months ended May 31. A year ago, it lost \$148.7 million, or \$1.93 per share.

The latest results included a \$176.5 million charge to cut the value of its unsold homes and to abandon some land option contracts.

Revenue plunged to \$639.1 million from \$1.41 billion in the year-ago period.

BREWERS

Anheuser outlines growth prospects

NEW YORK — Anheuser-Busch Cos. on Friday detailed its plan to make the company more valuable than the \$65-per-share offer it rejected from InBev, and gave 2008 and 2009 profit guidance above analyst expectations.

In a conference call with investors, Anheuser-Busch executives reiterated that InBev's proposal, which it rejected on Thursday, undervalued the St. Louis, Mo.-based company and its growth prospects.

Anheuser-Busch said it expects low-double digit earnings per share growth in fiscal 2008, with a target of \$3.13 per share.

Analysts polled by Thomson Financial, on average, predict a profit of \$3.01 per share.

For fiscal 2009, the company expects earnings of \$3.90 per share, while analysts predict \$3.29 per share.

was the top shareholder in Fuji, but sold its entire 20 percent stake in 2005.

IN OTHER NEWS...

■ Mexico's bolsa index rose for the second time in three days, gaining 95.06, or 0.3 percent, to 29,295.00 but the weekly decline of 0.8 percent was the fourth in a row.

■ China's foreign reserves, already the world's largest, grew by 40.3 billion in May to \$1.8 trillion but was well below the April increase of \$75 billion, the China Securities Journal newspaper said.

ENERGY

Who are the speculators in crude oil? Maybe you

Some analysts worry about the stability of retirement savings

By MATTHEW PERRONE  
ASSOCIATED PRESS

WASHINGTON — All those speculators getting the blame for driving up the price of oil — just who are they? For part of the answer, look in the mirror.

The retirement savings of workers across the country, entrusted to pension fund managers, are being plowed into one of the few investments that has delivered phenomenal returns in recent years.

For decades, futures contracts were mostly traded by commodity producers and the people who used the actual products, such as crude oil, corn and soybeans. Agreeing to a price today for a commodity to be delivered in, say, two months is a way to smooth out price fluctuations for those supplies.

But large investors faced with the threat of inflation have used them as protection against the falling dollar. That includes pension funds, along with investment banks, mutual funds and private hedge funds.

Research firm Ennis Knupp and Associates says \$139 billion had been funneled into energy commodities, primarily crude oil, by the end of March — and it estimates more than half of that is from retirement money.

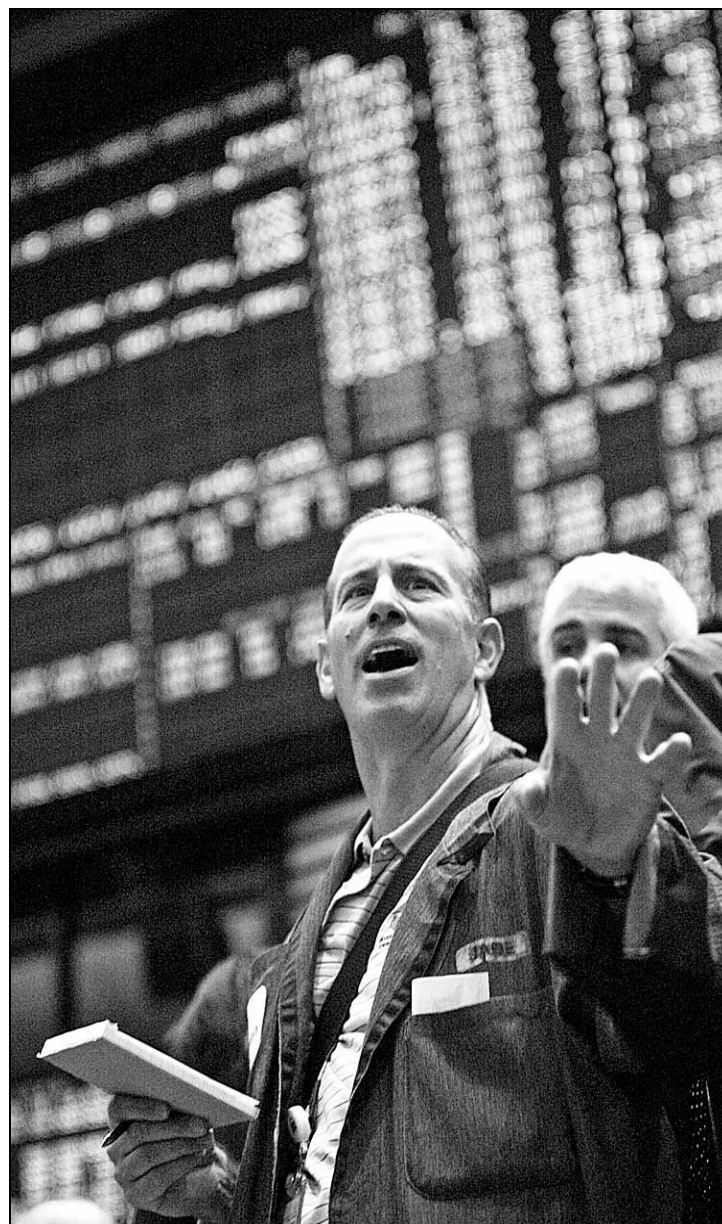
The investments have paid off. The Standard & Poor's GSCI index, which tracks a basket of commodities, is up 19 percent in the past five years, compared with just 9 percent for the S&P 500 stock index.

On Friday oil futures climbed to a trading record as the dollar weakened further against the euro. Light, sweet crude for August delivery rose as high as \$142.99 a barrel on the New York Mercantile Exchange before pulling back in a spate of late-day profit-taking to settle up 57 cents at a record close of \$140.21.

The risk is that if the remarkable run in oil and other futures markets reverses course, billions of dollars of retirement benefits could be wiped out.

"A pension fund is supposed to be investing money in secure, stable investments for the benefit of the people whose money they are investing," said Dan Lippe, an analyst at Houston-based Petral Consulting.

"When we hit that wall and



INVESTMENT FROM PENSION FUNDS: Traders work in the crude oil options pit of the New York Mercantile Exchange on Friday. A reversal in the huge run-up in commodity prices could wipe out billions in retirement benefits.

things start falling," he said, "they will fall very fast, and the pension funds that invested in commodities will see a tremendous loss of value."

The retirement system for public employees in California, the largest in the nation, has \$1.3 billion invested in commodities. Most of it tracks the S&P commodity index.

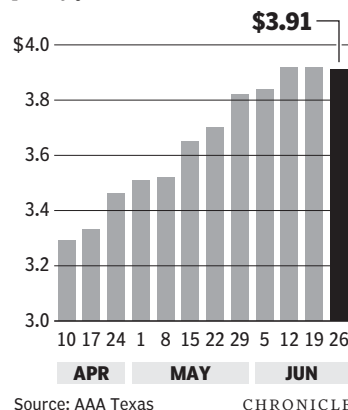
That's still just one-half of 1 percent of the fund's total \$240 billion in assets, said Michael Schlachter, who advises the California pension fund.

He said a collapse in oil or other commodity prices would have little effect on retirees.

Still, a growing chorus of experts is convinced retirement investments are enough to distort prices. Democrats in Congress say they hope to vote by August on restrictions.

AT THE PUMP

Prices edged lower in Texas falling one cent to \$3.93 a gallon, according to the AAA Texas Weekend Gas Watch. The average price of a gallon of regular gasoline in Houston as of Thursday was \$3.91, down a penny for the week.



Source: AAA Texas CHRONICLE

Fed says Bear move to prevent 'contagion'

Documents shed light on March acts now under fire

By JEANNINE AVERSA  
ASSOCIATED PRESS

WASHINGTON — The Federal Reserve was scrambling to prevent a "contagion" from infecting the nation's financial system when it took unprecedented actions to back a Bear Stearns rescue package and provide emergency loans to big Wall Street firms.

The Federal Reserve released documents Friday providing insights into its private deliberations in March that led to those controversial decisions. The Fed's actions came when credit and financial problems were intensifying, threatening to paralyze the entire financial system and plunge the economy into a recession.

Given the financial markets' fragile condition at that time, the Fed said it felt compelled to intervene because an "immediate failure" of Bear Stearns would bring about an "expected contagion."

Fed Chairman Ben Bernanke and his colleagues initially moved on March 14 to provide temporary emergency financing to investment bank Bear Stearns Cos. through an arrangement with JPMorgan Chase & Co. Two days later, as the nation's then-fifth-largest investment bank teetered on the brink of bankruptcy, the Fed agreed to provide backing for up to \$30 billion for a deal in which JPMorgan would take over the troubled company.

That same day — March 16 — the Fed said it would let big Wall Street firms go directly to the Fed for emergency loans, a privilege only commercial banks had previously enjoyed. It was the broadest use of the Fed's lending powers since the 1930s.

The Fed's decision to take this action was "based on recent, rapidly changing developments," the documents said. "These developments demonstrated that there had been impairment of a broad range of financial markets" that Wall Street firms rely on.

There was fear other Wall Street firms could fall into jeopardy, sending problems cascading through the financial system.

Democrats in Congress and other critics contend the Fed's actions are akin to a government bailout and are putting billions of taxpayer dollars at risk.

AROUND THE WORLD

JAPAN

Toyota boosts stake in Fuji

TOKYO — Fuji Heavy Industries Ltd. said Friday it plans to sell shares worth nearly \$300 million to Toyota Motor Corp., boosting the Japanese automaker's stake in the maker of Subaru cars to nearly 17 percent.

Toyota, already Fuji Heavy's top shareholder, will raise its stake in the company to 16.6 percent from the current 9.5 percent.

General Motors Corp. once

Stimulus payments succeed in driving up spending

By MARTIN CRUTSINGER  
ASSOCIATED PRESS

WASHINGTON — Millions of economic stimulus payments sent after-tax incomes surging in May by the largest amount since a similar recession-fighting effort by Gerald Ford 33 years ago.

All the extra money helped to push consumer spending

by the biggest amount in six months, but economists warned the boost would likely prove short-lived given all the other problems now facing consumers.

The Commerce Department reported Friday that after-tax disposable incomes jumped by 5.7 percent in May, the biggest one-month gain since a 6.3 percent increase in May 1975 —

when Ford was fighting a recession with a program to mail individual taxpayers \$50 checks.

Stimulus payments range from \$300 to \$600 with couples getting up to \$1,200. In all, \$48.1 billion in rebate payments were made in May. Through the end of this week, the government announced Friday, payments now total \$78.3 billion, which is three-fourths of the

\$106.7 billion scheduled to be paid to 130 million households. The payments are to be completed by mid-July.

Bolstered by the big 5.7 percent surge in after-tax incomes, spending rose by 0.8 percent last month, the best showing since November. Inflation-adjusted spending rose by a solid 0.4 percent, the best performance since last August.