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Wealthy Kingdom

With Elite Backing, A Catholic Order Has Pull in Mexico

Legion of Christ Targets Rich And Has Friends in Rome; Priests as Society Stars

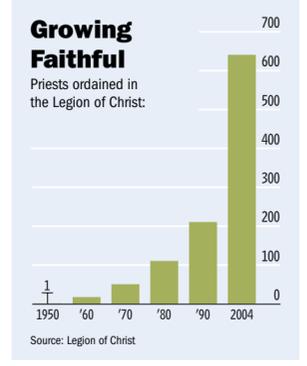
1,000 'Consecrated Women'

By JOSÉ DE CÓRDOBA

MEXICO CITY—Two years ago, a handful of Latin American billionaires and some of the world's top financiers gathered at New York's Plaza Hotel. They were honoring Mexican plutocrat Carlos Slim and raising money for schools for poor children run by the Legion of Christ, a fast-growing conservative Roman Catholic order.

Among those giving speeches at the black-tie gala were the Rev. Marcial Maciel, the 85-year-old Mexican founder of the Legion, and Citigroup Inc. Chairman Sanford Weill. Within hours, the diverse group of 500 well-wishers raised \$725,000.

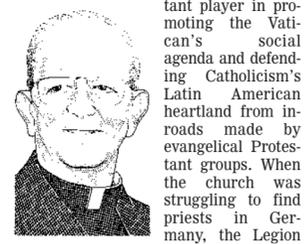
The Legion was in its element. Founded in 1941, the order concentrates



on ministering to the wealthy and powerful in the belief that by evangelizing society's leaders, the beneficial impact on society is multiplied. Like the Jesuits who centuries ago whispered in the ear of Europe's princes, the Legion's priests today are the confessors and chaplains to some of the most powerful businessmen in Latin America.

"The soul of a trash collector is as important as the soul of Carlos Slim, but if Slim is converted, think of the influence and power for good he would wield," says Luanne Zurlo, a former Goldman Sachs securities analyst who organized the benefit. Mr. Slim, Latin America's richest man with a fortune estimated at \$24 billion, says he's not a highly devout Catholic but is helping the Legion create 50 low-cost universities in Latin America.

The Legion has become an important player in promoting the Vatican's social agenda and defending Catholicism's Latin American heartland from inroads made by evangelical Protestant groups. When the church was struggling to find priests in Germany, the Legion recruited German-speaking seminarians from Brazil to fill the gap. In Rome and Mexico City, Legion universities offer advanced degrees in bioethics that stress the limits morality should put on science.



The Legion's critics charge that its focus on the wealthy reinforces the sharp class divides that have long held Latin America back socially and economically. They say the Legion fosters intolerance and social climbing rather than devotion to Christ's gospel. Some in Mexico, instead of referring to the order's followers as Legionnaires of Christ, call them the "Millionaires of Christ."

More troubling for the Legion, Father Maciel, the order's founder, has

Please Turn to Page A13, Column 1

What's News—

Business and Finance World-Wide

NIKE CHIEF William D. Perez is set to step down today after just 14 months as president and CEO, and the athletic-footwear giant will name veteran insider Mark G. Parker to succeed him. The shake-up, which comes despite the fact that Nike flourished under Mr. Perez, shows the continuing influence of co-founder and Chairman Philip H. Knight.

(Article on Page A3)

A deal to acquire Albertson's, the grocery chain, for about \$9.6 billion could be announced as early as today by a consortium of retailers and financial buyers.

(Article on Page A3)

China and Saudi Arabia are expected to sign a broad energy cooperation pact as Beijing aims to secure more energy resources.

(Article on Page A3)

Former New York Fed president William J. McDonough will join Merrill as a vice chairman and adviser to CEO Stan O'Neal.

(Article on Page A3)

Bristol-Myers is close to settling a shareholder suit over a failed experimental blood-pressure drug for more than \$150 million.

(Article on Page B2)

Starwood Hotels' former CEO Barry Sternlicht is launching an ultraluxury brand that will compete with its St. Regis chain.

(Article on Page B1)

Stanford's endowment, lifted by Silicon Valley ties, vaulted past those of Princeton and the University of Texas system last year.

(Article in Column 4)

Amid high oil prices and disappointing earnings, some investors are pulling away from stocks, but others expect renewed gains.

(Article on Page C1)

Markets—

Stocks: DJ industrials stand at 10667.39, ▼-292.48 last week; Nasdaq composite 2247.70, ▼-69.34; S&P 500 index 1261.49, ▼-26.12.

Bonds: 10-yr Treasury yield stands at 4.355%; 30-yr Treasury yield 4.525%.

Dollar: 115.26 yen, +0.99 last week; euro \$1.2137, +0.02 cents vs. dollar.

Commodities: Oil futures stand at \$68.35 a barrel, ▲+\$4.43 last week; Gold (Comex) \$553.50 per troy ounce, ▼-2.60; Dow Jones-AIG Commodity Index 170.431, ▲+2.566.

ONE IRAQ TRIAL ENDED in the U.S. as Hussein's is due to resume. A military jury in Colorado found an Army interrogator guilty of negligent homicide when he suffocated an Iraqi general in 2003, but not guilty of murder. Members of Hussein's ousted regime may testify when his trial resumes tomorrow, a U.S. official said. Police discovered the bodies of 23 recruits killed following an ambush last week. At least 23 Iraqis were killed in separate attacks over the weekend. There was no word on the fate of kidnapped American journalist Jill Carroll after a deadline set by her captors. Iraq's Justice Ministry said it expects U.S. forces to release six female Iraqi detainees despite U.S. policy not to negotiate with kidnappers.

(Article on Page A3)

West Virginians mourned two miners found dead Saturday after a fire. The accident raised the death toll at mines in the state to 14 in January.

(Article on Page A3)

Explosions hit Russian natural-gas pipelines, cutting supply to Armenia and Georgia. A separate explosion in Russia interrupted electricity to Georgia, whose president accused Moscow of "sabotage." Meanwhile, a cold snap that has killed at least 40 in Russia spread to Eastern Europe. (Page A15)

(Article on Page A15)

Israel's Olmert told aides to draw up contingency plans should Hamas dominate the Palestinian vote. Fatah sent mixed signals on the possibility of working with the militant group.

(Article on Page A4)

Iran denied it was moving money out of Europe, as U.S. and EU lobbying for sanctions continued. (Page A4)

(Page A4)

Kosovo President Rugova, 61, died of lung cancer Saturday, leaving no clear successor. Talks on Kosovo's future were postponed until February.

(Article on Page A4)

Kuwait's cabinet initiated a process that could unseat the new emir if he is deemed too ill to rule. Sheik Saad, 76, is due to take the oath tomorrow.

(Article on Page A4)

The Portuguese elected conservative Anibal Cavaco Silva as president, in a blow to the ruling Socialist Party.

(Article on Page A4)

Canada's Conservatives led by up to 12 points but looked short of a majority in opinion polls going in to voting today that could oust the Liberals.

(Article on Page A4)

Eyes on the Road: The waiting list for a Ferrari is long, and that's just fine with the luxury car maker. Plus, results from the "Build It or Bag It" poll.

(Article on Page A4)

Real Time: Jason Fry wonders why a NASA probe is carrying a message that's little more than space spam.

(Article on Page A4)

Big Case: A Mississippi pollution suit involves more than 1,000 plaintiffs and evidence dating back 100 years.

(Article on Page A4)

What's Ahead—

People & Events to Watch in the Coming Week

MONDAY, Jan. 23

Ford will announce details of its restructuring plan, including job cuts and plant closures. The auto maker is also expected to report that 2005 earnings dropped about 50% from 2004. (See article on B1.)

(Article on Page B1)

Amid the earnings deluge this week, Bank of America and American Express report today.

(Article on Page B1)

Index of leading economic indicators for December is expected to inch up about 0.1% or 0.2%, after rising 0.5% in November.

(Article on Page B1)

An FDA panel considers Glaxo's request to sell obesity drug Xenical without a prescription.

(Article on Page B1)

TUESDAY, Jan. 24

The Senate Judiciary Committee votes on whether to recommend Samuel Alito as the next Supreme Court justice. The full floor vote is expected by Jan. 31.

(Article on Page B1)

Adidas is likely to garner the blessing of European regulators for its \$3.8 billion acquisition of U.S. rival Reebok. Today is the deadline for objections. U.S. regulators have already given their go-ahead.

(Article on Page B1)

Earnings: Johnson & Johnson, Sun Microsystems, McDonald's.

(Article on Page B1)

WEDNESDAY, Jan. 25

The World Economic Forum opens in Davos, Switzerland, a five-day confab of global business and political leaders. Among this year's

themes: the emergence of China and India, the changing economic landscape and tapping creativity to solve world problems.

(Article on Page B1)

Existing-home sales are forecast to have slowed to an annual rate of about 6.9 million in December from 6.97 million, another sign of a cooling market. New-home sales, out Friday, also are likely to be down.

(Article on Page B1)

Earnings: Abbott Labs, Bristol-Myers, BellSouth, WellPoint, others.

(Article on Page B1)

Microsoft wants an extension on today's deadline to respond to European Commission charges that it is still not complying with a 2004 EU antitrust ruling.

(Article on Page B1)

THURSDAY, Jan. 26

GM is expected to post a loss of about \$4.17 a share for all of 2005, in contrast with a profit of \$6.40 a share in 2004. The pressure is on to stanch red ink pouring from the North American auto operations.

(Article on Page B1)

Microsoft earnings after the bell.

(Article on Page B1)

Durable-goods orders—a gauge of business capital investment—are expected to edge up between 1% and 2%. Forecasters differ on expectations for airplane orders.

(Article on Page B1)

FRIDAY, Jan. 27

The Commerce Department will provide its first estimate of fourth-quarter GDP. Economic growth is projected to slow sharply, to an annual rate in the 2%-3% range, reflecting a drop-off in consumer spending. For most of 2005, GDP was growing at a rate of about 4%.

Doctor-Birdwatcher Finds His 2 Callings United by Avian Flu

Metehan Özen Sees Patients, Pursues Hobby and Frets About Infected Wild Fowl

By PHILIP SHISHKIN

MALATYA, Turkey—On a recent Sunday, Metehan Özen—one of Turkey's foremost birdwatchers—trained his \$1,500 Leica telescope on an orange-chested Merlin falcon and watched it devour a smaller bird in a flurry of claws, flying feathers and blood.

A few days earlier, two boys played with a dead crow, developed a fever and were brought to Dr. Özen's pediatric hospital ward. There, the specialist in infectious diseases monitored them closely for signs of bird flu.

For years Dr. Özen's hospital job and his hobby existed in unconnected worlds. As Turkey grapples with the bird-flu outbreak here that has quickly infected at least 21 people and killed four, the doctor's two callings have put him in the middle of the quest to understand the virus and contain its spread.

Fellow doctors used to tease him about birdwatching. His wife, he says, was annoyed with his frequent Sunday absences. A week ago, after appearing on a television talk show about avian flu, Dr. Özen sipped a beer and said: "People used to make fun of me."

Not anymore. Over the past two weeks, as the virus rolled out across Turkey, the 37-year-old Dr. Özen briefed the country's top public-health officials about the epidemiology of avian flu and about the migratory routes of wild birds. They are suspected of introducing the virus to domestic poultry, which in turn can infect people. He took a long bus drive amid heavy snowfall and howling wolves to get to the scene of the first human cases near the Southeastern town of Van. There, he saw infected children and their chest X-rays, and visited the parents of three who had died. He helped draft the government's measures to combat the virus, including culling poultry and isolating domestic birds from humans and wild birds, and persuaded officials to ban the hunting of all wild fowl.

In September, Dr. Özen warned colleagues at a medical congress that wild birds could bring avian flu to Turkey during the winter migratory season, and that is now an accepted theory. Trade in

Please Turn to Page A15, Column 3



Metehan Özen

Game Over

How Amazon's Dream Alliance With Toys 'R' Us Went So Sour

Online, Retail Powerhouses Clash in Court Over Tie-Up; Selection Vs. Exclusivity

Talks at Bezos's Mom's Place

By MYLENE MANGALINDAN

In August 2000, Amazon.com Inc. and Toys "R" Us Inc. signed a groundbreaking agreement: For 10 years Amazon would devote part of its Web site to Toys "R" Us's toy-and-baby-products. The toy retailer would choose the hot products to stock and buy the inventory for the virtual shelves.

The pact was widely heralded as an example of how young Internet companies like Amazon would soon be tying up with "bricks and mortar" retailers to mutual benefit. Instead, the deal has turned into a case study of how quickly promising alliances can turn into acrimonious business disputes as companies adjust to the shifting realities of the Web.

Amazon and Toys "R" Us are facing off in Superior Court in Passaic County, N.J., each claiming it was deceived by the other. Toys "R" Us alleges Amazon violated its promise that Toys would be the sole seller of toys, games and baby products on Amazon's Web site. Amazon claims Toys failed to deliver on its promise to maintain a certain selection of toys.

"We are at a point in the relationship with Amazon where we have no trust whatsoever in dealing with this organization," testified John Eytler, Toys "R" Us's then-chief executive, in the trial, which began last September. Amazon, for its part, argued in the trial that Toys has a different interpretation of what "exclusivity" means.

A ruling is expected shortly. The spat goes to the heart of Amazon's two-pronged strategy. Amazon derived more than 90% of its nearly \$7 billion in 2004 revenue from selling books, CDs and other products, shipping them from its own warehouses, analysts say. But analysts figure it gets nearly a third of its profit from money it collects from a host of other retailers it has lined up to establish shops on the Amazon site. The dual strategy aims to make Amazon a one-stop shopping mall for consumers.

More than one million merchants, from national retailers to part-time one-man operations, now sell on Amazon's

Tangled Web

As Amazon's business matures, it is increasingly relying on sales from other retailers. The company's net sales and operating margins in North America:



Source: the company

site, up 29% from a year ago. Guess? Inc., Eddie Bauer and J&R Music and Computer World have recently agreed to extend their agreements to keep shops on Amazon. "We've been very successful in re-signing merchants who are adding value to the platform," says Cayce Roy, Amazon's vice president of services.

Some retailers suggest that conflicts like the one with Toys "R" Us are inevitable on Amazon's site. Unlike Amazon, other Web shopping malls, such as those of Google Inc. and Yahoo Inc., don't peddle their own wares in competition with the tenants.

"Before anyone gets into bed with them, they need to think about whether they're a successful business, because Amazon or one of its partners one day will compete with them," says Pinny Gnivisch, executive vice president of online jeweler Ice.com.

Ice.com began selling jewelry through Amazon's site in April 2002. In 2004, Mr. Gnivisch says, Ice.com executives noticed that Amazon itself had begun selling pearl necklaces and diamond earrings—some of Ice.com's best-selling products. Ice.com still generates revenue from its presence on Amazon, but Mr. Gnivisch says it's possible that his company will terminate its relationship some day.

Circuit City Stores Inc. ended a pact with Amazon in February 2005, saying in a statement it wanted to focus on its own Web site rather than on "the small amount of sales the relationship with Amazon.com has generated." A Circuit City spokesman declined to comment further. A former Circuit City executive, who was involved in internal discussions about the Amazon partnership, says that, after placing a store on Amazon in 2001, the electronics retailer found itself competing with Amazon's own electronics store on the site.

Amazon's Mr. Roy declines to comment. Please Turn to Page A12, Column 1



Jeff Bezos

Venture-Capital Bets Swell Stanford's Endowment

Alternative Investments Give Wealthy Schools an Edge; Trinity Can't Afford the Risk

By JOHN HECHINGER

Stanford University's endowment, boosted by deep ties to Silicon Valley, vaulted past those of Princeton University and the University of Texas system last year, as fat investment gains at the nation's richest colleges far outstripped what they received in gifts from alumni and other donors.

Though Stanford's endowment ranked No. 3—after Harvard and Yale—the Palo Alto, Calif., school had the fastest-growing investment pool among the nation's 10 wealthiest universities. Its endowment rose 23%, including donations and after spending on programs, to \$12.2 billion in the year ended Aug. 31, according to an annual survey to be released today by the National Association of College and University Business Officers. (Fiscal years at most other schools end June 30.)

Last year, Stanford benefited in particular from investments in top-tier private venture-capital funds and other types of

Academic Treasure

Top university endowments:

| SCHOOL | FY 2005, IN BILLIONS | CHANGE FROM 2004 | 2004 RANK |
|-------------|----------------------|------------------|-----------|
| Harvard | \$25.47 | 15% | 1 |
| Yale | 15.22 | 19 | 2 |
| Stanford | 12.21 | 23 | 5 |
| U. Texas | 11.61 | 12 | 3 |
| Princeton | 11.21 | 13 | 4 |
| MIT | 6.71 | 14 | 6 |
| U of Calif. | 5.22 | 10 | 7 |
| Columbia | 5.19 | 16 | 9 |
| Texas A&M | 4.96 | 14 | 10 |
| U. Michigan | 4.93 | 18 | 11 |

Source: National Association of College and University Business Officers

alternative investments that are often out of reach for less-affluent schools. A chunk of its gains came from soaring shares of Google Inc., which it owned through investments in funds run by venture-capital firms Kleiner Perkins Caufield & Byers and Sequoia Capital, the Web-search giant's main backers.

Stanford's achievement illustrates a great divide in higher education that may

only grow wider. Elite schools, already among the nation's richest charitable institutions, are now increasingly able to pair stellar investment returns and wealthy alumni to build war chests that enable them to hire away top professors and give the most generous financial-aid packages to coveted students. The big risk: The college education available to most in the U.S. could end up weaker, especially in relative terms.

Colleges and universities use endowments—funds that include donations and investment gains on those gifts—to support their operating budgets and to pay for special programs.

The institutions, once fusty in their choice of plain-vanilla stocks and bonds, are increasingly using their market clout and alumni connections to gain access to these less traditional and potentially more lucrative types of investments. Stanford was far from the only beneficiary of the trend last year. In a lackluster market, some Ivy League and other elite schools saw their endowments post investment returns in the high double digits—at times doubling the returns of rank-and-file institutions. The disparity has frustrated some of the schools frozen out of the best deals.

Alumni gifts helped Stanford's endowment. Please Turn to Page A10, Column 1

INDEX

| | |
|-----------------------------------|-----------------------------------|
| Abreast of the Market.....C1 | International News.....A15 |
| The Bond Market.....C6 | Investor Insight.....C5 |
| Closed-End Funds.....B6 | Managing.....B1.5 |
| Commodities.....C3 | Media & Marketing.....B4 |
| Connections.....A2 | Monday Morning Line.....C2 |
| Credit Markets.....C6 | Money Rates.....C4 |
| Currency Trading.....C7 | Moving the World's Markets.....C5 |
| Deals & Deal Makers.....C4 | New to the Market.....C4 |
| Directory of Services.....B4 | Politics & Policy.....A4 |
| Earnings Digest.....C6 | Reits.....C7 |
| Editorials.....A16.17 | Stocks in the News.....C3 |
| Fundamentals.....C7 | Technology.....B4 |
| Fund Tracks.....C1 | The Ticker.....C1 |
| Global Stocks & Currencies.....C5 | Trading by the Basket.....C6 |
| Health.....B4 | Variable Annuities.....B6 |
| Heard on the Street.....C1 | Weather Watch.....C8 |
| Hedge Fund Benchmarks.....C4 | World Stock Markets.....C8 |
| Index to Businesses.....B2 | |
| What's News Online.....A12 | |
| Global Business Briefs.....B4 | |
| Classifieds.....B6-7 | |



INSIDE TODAY'S JOURNAL

Focus on Managing

Next-Phase Leadership

The boards of start-up companies get advice on managing the transition from their founding CEOs to ones who can propel expansion. THEORY & PRACTICE, PAGE B1

Potential for Conflicts: To Infinity—and Beyond?

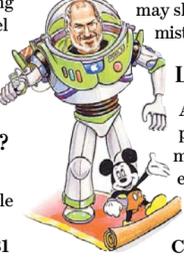
If Disney acquires Pixar, Steve Jobs may have to juggle which hat to wear on the Disney board. MANAGING, B1

Continental Slide

Optimism about Europe's economy is high as the World Economic Forum starts, but the euro zone's flat-job-creation and stagnant wages may slow growth, some economists say. THE OUTLOOK, A2

Laden With Baggage

Analysts worry that auto-parts maker Dana Corp. may stall this year, despite efforts to trim costs and a boom in its key commercial truck market. CORPORATE FOCUS, B3



THE JOURNAL REPORT

ENCORE

A GUIDE TO RETIREMENT



Learning from a Long Life

How to Refuse a Windfall

Menopause Hormones And Your Skin

REPORT BEGINS ON R1