

# THE WALL STREET JOURNAL

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★★★★ \$2.00

DJIA 11502.51 ▲ 89.64 0.8% NASDAQ 2382.46 ▲ 0.9% NIKKEI 12752.96 ▼ 0.2% DJ STOXX 50 2868.82 ▲ 0.3% 10-YR TREAS ▲ 2/32, yield 3.776% OIL \$118.15 ▲ \$1.88 GOLD \$828.10 ▲ \$5.90 EURO \$1.4722 YEN 109.61

## What's News—

Business & Finance

World-Wide

**The SEC kicked off a process** that could ultimately require all American companies to follow international accounting standards. The agency's proposals could eventually cut costs for companies and smooth cross-border investing. But investors worry it will create confusion, especially during the transition. **A1**

**Fannie Mae shook up its top ranks**, announcing its chief business officer and two others are leaving as it moves to save capital. **A3**

**The Dow industrials rose** 89.64 points to 11502.51 as financial shares strengthened. Treasuries rebounded after an early selloff. **C1, C3**

**Oil rose \$1.88 to \$118.15** a barrel as energy companies braced for a possible threat to facilities from Gustav. **C12, A3**

**A growing number of record companies** are starting to think Apple's iTunes service is crimping overall sales. **B1**

**CBS is launching a new version** of its CNET.com Web site this week, providing a glimpse at how it hopes to integrate CNET Networks. **B1**

**Durable-goods orders rose** 1.3% in July, thanks to a dollar-fueled export boom and stronger aircraft demand. **A2**

**Talbots joined Dillard's and Charming Shoppes** in reporting quarterly losses, but it forecast a profit for the year. **B8**

**Lehman has apologized** to clients for issuing a report on the chip industry that "closely resembled" two 2007 reports by a Bernstein analyst. **C3**

**Many Chinese companies** are turning to debt amid an ailing stock market, as they attempt to raise money. **C1**

**Alcatel-Lucent has compiled a short list** of contenders to be its next CEO, including former manager Mike Quigley. **B2**

**Heineken's net jumped 35%**, aided by an acquisition, but U.S. sales slumped. The brewer also warned of rising costs. **B2**

**Xcel agreed** to expand its disclosures about the possible impact of climate-change laws on its business under a settlement with New York state. **B4**

**Exxon suffered a legal setback** after a U.S. judge cleared for trial a suit by Indonesian villagers over alleged killings and torture by soldiers. **B4**

**The credit crunch** squeezing U.S. auto makers is spreading to some of their dealers. GMAC stopped financing for a large Chevrolet dealer. **B1**

**Security contractor MVM** has lost the bulk of a CIA contract in Iraq after failing to provide enough armed guards. **B1**

**The economic slowdown** is still hurting the global handset market as consumers delay purchases, a report found. **B6**

**World-wide spending** on servers is showing signs of slowing down. Manufacturers are resorting to price cuts. **B6**

**Sony is betting** that a new safari game that has little action will impress PlayStation 3 users with its graphics. **B6**

**American Media reached a deal** with creditors for a new bond offering to refinance \$570 million in debt. **B4**

**The FBI arrested** a man on copyright-infringement charges for posting on his Web site songs from an unreleased album by Guns N' Roses. **B6**

**The Democrats officially made Obama their nominee.** As the roll call reached New York, Hillary Clinton asked that the vote be suspended so the Illinois senator could be chosen by acclamation. Her motion to make Obama the first African-American presidential nominee of a major party was seconded with a roar from the delegates. Later, Bill Clinton gave a full-throated endorsement of Obama, and Joe Biden was nominated as the candidate for vice president. **A1, A4**  
*Obama's acceptance speech will focus on the economy, outlining plans for middle-class tax cuts and job creation.*

**Russia's recognition** of two separatist regions of Georgia received a frosty reception from China, which has often sided with the Kremlin. **A8**

**Tropical Storm Gustav** is expected to regain hurricane strength as it enters the Gulf of Mexico. Gulf Coast residents and officials braced for landfall. **A3**

**The FAA said it is overhauling** an error-prone computer system that caused hundreds of delayed flights Tuesday. **A3**

**Pakistani troops clashed** with militants as fighting spread to a third tribal area along the Afghan border. **A8**

**A Japanese aid worker** kidnapped in Afghanistan was found dead. Over 30 suspected Taliban fighters died in clashes. **A8**

**Three Pakistani terrorists** crossed into Indian-controlled Kashmir and took hostages, killing six people, police said. **A8**

**The U.S. is expected to return** Anbar province to Iraqi control, opening the door to further American troop cuts. **A8**

**The U.S. military said it** captured a suspected Shiite militant thought to be behind a deadly Baghdad bombing. **A8**

**Hijackers who took control** of a Sudanese plane released all hostages and surrendered to authorities in Libya. **A8**

**Scientists transformed** one type of cell into another in mice, a big step toward a goal of growing tissues to treat disease. **D3**

**Alaska's sole congressman** narrowly led his rival in a GOP primary. Republican Sen. Stevens easily won his primary. **A5**

**Thai authorities stepped up** pressure on protesters occupying the grounds of the prime minister's office. **A8**

**Zimbabwe's opposition** accused President Mugabe of abandoning talks aimed at forming a unity government. **A8**

**Arctic sea ice has fallen** to its second-lowest level in 30 years, in another sign of global warming, scientists said. **A8**

**Canada moved to firm up** its control of the Northwest Passage by requiring stricter registration rules for ships. **A8**

**A spate of roadside bombs** has targeted Algerian forces, an official said, amid reports of a sweep against Islamic militants. **A8**

**Prosecutors asked judges** to slash Jack Abramoff's prison sentence, citing the lobbyist's work in an FBI probe. **A8**

**Scientists in Israel** have started a project to digitally photograph the Dead Sea Scrolls and post the images online. **A8**

**A court said a pilot** whose HIV-positive status was disclosed by the government can't recover for emotional harm. **A2**

**The Dalai Lama, battling** exhaustion, has canceled two planned trips to undergo medical tests, his office said. **A8**

## Democrats Nominate Obama, As Clinton Delegates Fall In



**ROLL CALL:** New York's delegation celebrates after Democratic presidential candidate Barack Obama is nominated.

By LAURA MECKLER AND AMY CHOZICK

DENVER—The emotional and divisive Democratic contest came to an end as Sen. Barack Obama became the first African-American nominee of a major party, sending him into a tough fall battle against Sen. John McCain.

In a dramatic moment befitting the historic 2008 race, Sen. Obama's rival for the nomination, Sen. Hillary Clinton, stepped to the floor of the Democratic National Convention here as her home state of New York was called upon to cast its votes. As her face appeared on giant video screens, the crowd let out a roar. She asked that the state-by-state vote be suspended so Sen. Obama could be chosen by acclamation.

Later in the evening, her husband, former president Bill Clinton electrified the crowd with a full-throated endorsement of Sen. Obama, shedding the hesitance he

had shown in recent months toward the man who had defeated his wife. The night was capped with an address from the new vice-presidential candidate, Sen. Joe Biden, who spoke of his working-class roots—an effort to appeal to the pivotal blue-collar Democrats who supported Sen. Clinton and are not yet in the Obama camp.

Sen. Biden described a "dad who fell on hard economic times, but who always told me: 'Champ, when you get knocked down, get up...get up.'" As Sen. Obama watched the proceedings from a nearby hotel, Sen. Clinton took center stage halfway through the roll call of the states.

"In the spirit of unity, with the goal of victory... let's declare together in one voice, right here and right now that Barack Obama is our candidate and he will be our president," she proclaimed, surrounded by a cluster of fellow New Yorkers. Her motion was

seconded with a thunderous boom from the delegates.

It was a carefully scripted—and carefully negotiated—bit of political stagecraft meant to continue her campaign for unity as the Democrats gird for the battle ahead.

The delegates were brought to their feet again when her husband took the stage to "Don't Stop Thinking About Tomorrow," his 1992 campaign anthem.

He had been parsimonious in his support of Sen. Obama but held nothing back Wednesday night.

He said flatly and repeatedly that Sen. Obama is ready to be president and, launching into a withering critique of President George W. Bush and Sen. McCain, said the Illinois senator is the one to restore American

Please turn to page A6

Please turn to page A12

Please turn to page A12



Barack Obama

## Nonprofit Hospitals Flex Pricing Power

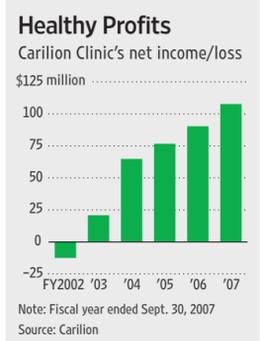
In Roanoke, Va., Carilion's Fees Exceed Those of Competitors; the \$4,727 Colonoscopy

By JOHN CARREYROU

ROANOKE, Va.—In 1989, the U.S. Department of Justice tried but failed to prevent a merger between nonprofit Carilion Health System and this former railroad town's other hospital. The merger, it warned in an unsuccessful antitrust lawsuit, would create a monopoly over medical care in the area.

Nearly two decades later, the cost of health care in the Roanoke Valley—a region in southwestern Virginia with a population of 300,000—is soaring. Health-insurance rates in Roanoke have gone from being the lowest in the state to the highest.

That's partly a reflection of Carilion's prices. Carilion charges \$4,727 for a colonoscopy, four to 10 times what a local endoscopy center charges for the procedure. Carilion bills



\$1,606 for a neck CT scan, compared with the \$675 charged by a local imaging center.

Carilion's market clout is manifest in other ways. With eight hospitals, 11,000 employees and \$1 billion in assets, the tax-exempt hospital system has

become one of the dominant players in the Roanoke Valley's economy. Its dozens of subsidiaries include businesses ranging from athletic clubs to a venture-capital fund.

The power of nonprofit hospital systems like Carilion over their regional communities has increased in recent years as their incomes have surged. Critics charge this is creating untaxed local health-care monopolies that drive the costs of care higher for patients and businesses.

"It's a one-market town here in terms of health care," says Sam Lionberger, who owns a local construction firm. "Carilion has the leverage."

Carilion acknowledges its influence in the local community but says there is nothing untoward about it. The hospital says it doesn't have a monopoly over the Roanoke Valley health-care mar-

## SEC Moves To Pull Plug On U.S. Accounting Standards

### Accounting Standards

By KARA SCANNELL AND JOANNA SLATER

WASHINGTON—The Securities and Exchange Commission signaled the demise of U.S. accounting standards, kicking off a process Wednesday that could ultimately require all publicly listed American companies to follow an international model instead.

Introduced in two steps, the shift could eventually cut costs for companies and smooth cross-border investing. At the same time, investors worry it will create confusion, especially during the transition. Others critics worry that the international system offers too much wiggle room for companies, compared with the more precise rules enshrined in U.S. standards.

The SEC's proposal would allow some large multinational companies to report earnings according to international accounting beginning in 2010. The SEC estimates at least 110 U.S. companies would qualify based on their market capitalization, among other factors. The agency also laid out a road map by which all U.S. companies would switch to International Financial Reporting Standards, or IFRS, beginning in 2014, at the expense of U.S. Generally Accepted Accounting Principles, the guiding light of accountants for decades.

The proposals will be open for public comment for 60 days and could be finalized later this year.

U.S. corporations gave the news a qualified welcome. Margaret Smyth, controller at aerospace and building-services conglomerate United Technologies Corp., said the possibility of having one set of books around the world, though still

## Galileo Still Sends Church Spinning As Statue at the Vatican Is Considered

### Project Is Under Way to Honor Astronomer Nearly 400 Years After Inquisition Trial

By GABRIEL KAHN AND ANDREW HIGGINS

VATICAN CITY—The Roman Catholic Church has for centuries commissioned statues of saints and other pious heroes. It's now wrestling with a more sensitive tribute—a monument to a man who may be its most illustrious heretic.

Nearly 400 years after the Roman Inquisition condemned Galileo Galilei for insisting the Earth revolves around the sun, an anonymous donor to the Vatican's Pontifical Academy of Sciences has offered to foot the bill for a statue of the Italian astronomer.

But nothing that revolves around Galileo is ever simple. He has been making waves since the early 17th century. Galileo is "like a Mexican

soap opera; it never ends," says Monsignor Melchor Sánchez de Toca, of the Vatican's Pontifical Council for Culture.

Vatican officials had hoped to keep the statue project quiet, at least until it got beyond the planning stage. They feared its mystery benefactor—a private company—might get skittish. But word of the bequest leaked to the Italian press.

"I'm worried that we'll scare off the donor," says Bishop Marcelo Sánchez Sorondo, the chancellor of the academy of sciences. He won't comment on the identity or the motives of the donor.

For the devout, Galileo has always been a sensitive subject. His 1633 trial and conviction by a church tribunal may be the Vatican's biggest public-relations debacle.



Galileo Galilei



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## TODAY'S AGENDA

### Second-Quarter GDP Could Clock Higher

The estimate for second-quarter economic growth is revised sharply upward, to 2.7% from 1.9% in the preliminary reading, thanks to a smaller trade gap and beefed-up inventories. **Bureau of Economic Analysis, 8:30 a.m. EDT.**

### Dell, Sears, Tiffany Slated to Post Results

Dell Inc. reports earnings after the market close. Investors are hoping positive momentum has continued and falling PC prices haven't put too much of a dent in margins. Meanwhile, a handful of retailers will also post results, including **Sears Holdings, Tiffany and Williams-Sonoma.**

Contents

Letters to Editor	A14
Corporate News	B4
Media & Mktg	B7
Stocks in the News	C5
Heard on the Street	C12
Style	D12
Home & Family	D12
Technology	B6
International Business	B2
Weather Watch	B8
Leisure & Arts	D11
Who's News	B7



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