

WEDNESDAY'S CLOSINGS

▼ Dow Jones 8,813.50 (-282.59) | ▼ Nasdaq 1,346.01 (-35.11) | ▼ NYSE 496.94 (-15.99) | ▼ S&P 500 920.47 (-32.36) | ▼ 30-year bond yield 5.34 (-0.07)

Dow takes plunge below 9,000

The stock market reels after downgrades of Ford and General Motors.

By AMY BALDWIN
ASSOCIATED PRESS

NEW YORK — Investors hit by yet another disappointment, this time brokerage downgrades of General Motors and Ford, bailed out of stocks again Wednesday, sending the Dow Jones industrials down more than 280 points to close below 9,000 for the first time since October.

The Dow also suffered its biggest one-day point loss since September.

The Nasdaq composite and Standard & Poor's 500 indexes hit new five-year lows as the stock market endured a third straight day of heavy selling fed by bookkeeping scandals and poor prospects for earnings growth.

Analysts said investors simply are too downtrodden to buy stocks, even after nearly eight weeks of selling have driven prices lower.

"This market has completely broken the spirit of investors," said Al Mirman, strategist at V Finance in Sarasota, Fla. "It is going to take a good year for investors' confidence to be reinstated."

The Dow plunged 282.59, or 3.1 percent, to 8,813.50, after falling 283.41 over the previous two sessions.

The Dow last closed below 9,000 on Oct. 2, when it stood at 8,950.59 as it still was recovering from its post-Sept. 11 losses.

Before the terror attacks, the Dow hadn't had a lower finish since Dec. 16, 1998, when it stood at 8,790.60.

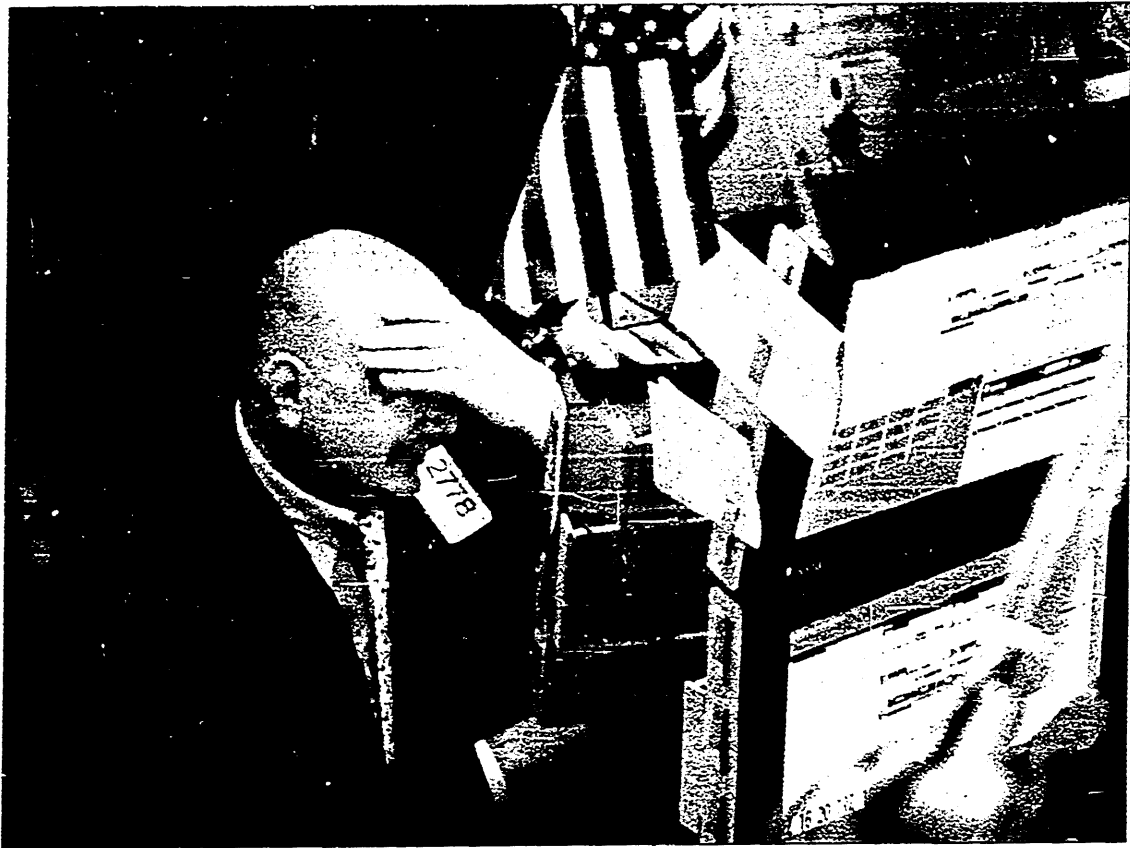
Wednesday's loss was the Dow's biggest one-day decline since Sept. 20, when it fell 382.92.

The market's broader indicators also dropped. The S&P sank 32.36, or 3.4 percent, to 920.47, following its two-day loss of 36.20. The S&P last finished lower on Nov. 13, 1997, when it stood at 916.66.

The Nasdaq fell 35.11, or 2.5 percent, to 1,346.01, having lost 67.24 over Monday and Tuesday. The Nasdaq last closed lower on May 19, 1997, when it was at 1,341.24.

Analysts said investors see virtually no reason to buy stocks now, and that they will continue to hold off until earnings show decided progress and companies improve the accuracy of the results they release.

"We're getting into (second-quarter) earnings season, and more than ever, investors are looking for numbers they can trust," said Thomas Lydon Jr., president of Global Trends Investments in Newport Beach, Calif. "The pressure is on for corporations to give as accurate numbers as possible."



KATHY WILLENS/ASSOCIATED PRESS

Trader Salvatore Testa watches prices on the floor of the New York Stock Exchange. The Dow Jones industrials fell more than 280 points Wednesday to close below 9,000 for the first time since October. Meanwhile, the Nasdaq and the Standard & Poor's 500 indexes hit new five-year lows.

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AL MIRMAN
V Finance strategist

While Wednesday didn't see a new accounting fiasco, there was reason to question the strength and pace of a business recovery.

Blue chips, for example, were hurt by General Motors, which slid \$3.53 to \$47.61, and Ford, down \$1.12 at \$13.99, after Banc of America downgraded the stocks to "market perform" from "buy."

The investment firm's move left many buyers feeling that there are few, if any, safe havens in the market. Losses spilled across sectors.

Philip Morris fell \$1.52 to \$45.17, Hon-

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CHARLES BENNETT/ASSOCIATED PRESS

Trader Craig Rheingruber watches the action from the Standard & Poor's 500 Futures pit at the Chicago Mercantile Exchange. The S&P hit a five-year low Wednesday after a third straight day of heavy selling. Confidence is so low that investors are happy keeping funds in a money market account at 1.5 percent, says Thomas Lydon Jr., president of Global Trends Investments.

"He certainly is addressing a problem that needs to be addressed."

GERARD TREANOR, LAWYER

Bush's get-tough proposals lack teeth

Corporate lawyer calls president's measures 'same-old, same-old.'

By ANNE GEARAN
ASSOCIATED PRESS

WASHINGTON — President Bush's proposed fixes for corporate looting and insider deals may do some good, probably won't do much harm but ultimately will be mostly for show, business lawyers and former prosecutors say.

Bush wants longer sentences for some kinds of business fraud and closer federal scrutiny to deter sweetheart deals, corporate back scratching and funny

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accounting. A new federal task force would investigate and prosecute corrupt executives.

"He certainly is addressing a problem that needs to be addressed — the serial failure of any of these corporations to act in a manner consistent with their obligations to shareholders and employees — but I wonder whether any of these proposals indeed have teeth in them," said Gerard Treanor, a Washington lawyer who defends white-collar executives.

Federal penalties for business fraud are already stiff, and prosecutors have not been shy about going after rogue traders and boardroom big shots. Ivan Boesky and Michael Milken are reminders of the corporate abuses of another era, and they too prompted loud

See PRESIDENT/8E

Feds begin criminal probe of Qwest

Shares fall amid worries firm may seek bankruptcy protection.

By DANA CIMILLUCA
BLOOMBERG

DENVER — Qwest Communications International Inc. said federal prosecutors opened a criminal investigation of the money-losing telephone company four months after regulators began probing its accounting.

Qwest's bonds and shares fell on concern the company may seek bankruptcy protection.

The U.S. attorney's office in

Denver didn't disclose details of the inquiry, Qwest said Wednesday in a statement. In March, the Securities & Exchange Commission began investigating Qwest's accounting for so-called swaps of long-distance network capacity with rivals such as Global Crossing Ltd., also the target of a criminal probe. The swaps may have inflated revenue.

Qwest, a provider of local-phone service over 17.6 million lines in 14 western states, piled up \$26.4 billion in debt, primarily from acquisitions and building capacity that was never used. Chief Executive Officer Richard Notebaert, who re-

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DAVID ZALUBOWSKI/ASSOCIATED PRESS

Richard Notebaert, CEO of local-phone service provider Qwest, is trying to sell the firm's assets to help pay down debt and avoid a loan default. He succeeded Joseph Nacchio, whose total 2001 compensation package, including options, exceeded \$100 million.

South Park Mall now under new ownership

By ELIZABETH ALLEN
EXPRESS-NEWS BUSINESS WRITER

An Atlanta-based real estate group has purchased South Park Mall and plans to develop it further.

Gregory Greenfield & Associates, a retail real estate company, bought the 790,000-square-foot mall in the name of South Park Partners L.P., Gregory Greenfield announced Wednesday.

South Park Mall is a successful South Side retail property that is 94 percent occupied and generally busy as it sucks up traffic from the bustling South-

west Military Drive.

"The previous owner had invested quite a bit of capital in it," said Amy Kuehn, asset manager for Gregory Greenfield. She declined to disclose the sales price.

Previous owner Archon Group expanded the mall and added a 120,000-square-foot Foley's in 1999.

South Park has broken stereotypes of South Side business potential in recent years. Many national chain retailers have shunned South Side locations in favor of wealthier North

See PROSPEROUS/8E

Feds offer another type of flooding relief — tax deductions



DAVID HENDRICKS

The federal government has two agencies to help flooding victims who have lost property.

The Federal Emergency Management Agency is the one getting the most publicity because of the immediacy of its low interest-rate loan and cleanup/recovery assistance.

The other agency — believe it or not — is the Internal Revenue Service.

Property damaged or lost can be deducted from income taxes if the loss amount, beyond what is reimbursed by insurance, is more than 10 percent of a taxpayer's adjusted gross income plus \$100, said San Antonio accountant Steven Bankler.

For example, if a taxpayer's adjusted gross income is \$100,000, the

first \$10,100 of the individual personal loss is not deductible.

Since many of the South and Central Texas houses damaged in the last 10 days do not have flood insurance, many can deduct their unreimbursed losses from their income taxes.

In some cases, even those with flood insurance may incur enough uncovered losses to declare a deduction.

The income tax deduction savings can help alleviate the taxpayers' losses by the percentage of their tax bracket, Bankler said. In some cases that can be nearly one-third of the loss, sometimes higher.

In a presidentially declared disaster area, taxpayers can amend their previous year's returns for additional refunds of taxes already

paid, Bankler said. The federal disaster declaration therefore can provide more immediate financial help.

In any loss occurring without a federal disaster declaration, taxpayers can deduct the eligible losses in the tax year in which they occur.

So far, 24 area counties have been declared federal disaster areas. They are: Bexar, Atascosa, Bandera, Blanco, Comal, Gillespie, Guadalupe, Hays, Kendall, Kerr, Medina, Travis, Uvalde, Brown, Caldwell, Eastland, Frio, Goliad, Gonzales, Karnes, La Salle, Real, Taylor and Wilson.

Other counties may receive the disaster-area designations, especially as river and creek flooding occurs downstream from the heavy

est rain accumulations.

It makes no difference whether the damage occurred at the primary or secondary houses of the taxpayers, Bankler said. Commercial business casualty losses also can be deducted, including lost or destroyed inventories.

Damage to houses, furnishings, clothing and automobiles all may be declared, Bankler said. The items may be bought by the taxpayer or received as gifts.

Photographs and other items of sentimental value cannot be listed because there is no cost basis, Bankler said. But taxpayers can use "reasonable estimates" of the value of the casualty losses.

When filing an amended 2001 return, individual taxpayers can use Form 1040X and Form 4684 to get

the deduction, said Bankler, who is often quoted by the national financial press on tax and financial matters.

Only insurance reimbursements can be subtracted from the casualty losses declared to the IRS. FEMA assistance, often in the form of low-interest loans, does not reduce the amount of the loss.

Flood victims should pursue this income-tax deduction.

FEMA's low-interest loans, in this period where interest rates already are low, are not as big of a help as they are when interest rates are higher.

The IRS income tax reduction can be a big help in this time of loss and financial pain.

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