

DIGEST

EARNINGS

Berkshire posts a big rebound

OMAHA, NEB. — Berkshire Hathaway, led by Warrant Buffett, said Friday it benefited from an improving economy and investment gains related to its acquisition of BNSF railroad in the first quarter as it rebounded from last year's loss to deliver \$3.6 billion in net income.

That's after last year's loss of \$1.5 billion as it wrote down the value of its ConocoPhillips investment.

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INSURANCE

AIG makes 'real money'

CEO Robert Benmosche, who promised to rebuild units of bailed-out insurer American International



Group, told investors the company made "real money" after posting a \$1.5 billion profit compared with a loss of \$4.4 billion in the corresponding period last year.

Benmosche, 65, took charge in August of a company reeling from almost \$100 billion in 2008 net losses and a government rescue that swelled to \$182.3 billion. AIG is still nearly 80 percent government-owned.

BLOOMBERG NEWS

REAL ESTATE

Simon drops its bid for rival

Simon Property Group on Friday withdrew its \$6.5 billion bid to acquire rival shopping mall owner General Growth Properties after a bankruptcy court ruling that Simon said would have made the deal too expensive.

The plan approved in New York would enable General Growth to emerge from Chapter 11 bankruptcy protection as a stand-alone company. General Growth would receive \$6.5 billion from an investor group led by Canadian property manager Brookfield Asset Management. But the deal also included a provision that would give the Brookfield consortium stock warrants worth potentially more than \$500 million if General Growth went with another bidder. Simon Property said that would make any acquisition too costly. General Growth said it will continue to consider offers.

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BP asks if devices have been modified

■ Partners urged to check on blowout preventers

By TOM FOWLER
HOUSTON CHRONICLE

BP investigators are trying to determine whether any modifications to the blowout preventer that apparently failed to halt the Gulf of Mexico oil spill may have affected its operation or provided false data.

BP, which leased the

Transocean drilling rig Deepwater Horizon to drill the Macondo well about 40 miles from the mouth of the Mississippi River, sent a letter to its drilling partners this week asking them to check the operations of the key piece of safety equipment on all its projects.

The letter, which the Chronicle obtained, also asked that companies check if a blowout preventer or other equipment "has been modified from the original design in any way."

If a piece of equipment Please see **SPILL**, Page D2

Traders still shaky a day after wild ride

■ Regulators have no answers yet for Thursday's roller coaster

By CHRISTINE HAUSER
NEW YORK TIMES

It was The Day After on Wall Street — the uneasy end to a hair-raising week that, for a few terrifying moments, left the financial world stunned.

After Thursday's near panic, shaken traders re-

turned to their desks Friday morning to grapple with the aftermath of one of the wildest days in Wall Street history.

But even as the exact cause of the 1,000-point plunge on Thursday remained unclear, many traders seemed to put the episode behind them — if only to confront some ter-

rible "ifs" now weighing on the world's market.

Can Greece pay its debts? What about Portugal or Spain? Can a new prime minister reduce Britain's gaping budget deficit? Will the crisis rocking Europe spread? And what about the American economy?

Investors hate uncertainty, but uncertainty — lots of it — is what they are facing. Add to that Thurs-

Please see **MARKETS**, Page D2

REAL ESTATE

Jonathan Farb, the grandson of famed apartment developer Harold Farb, is building on the legacy with his own complex in the Midtown area



NICK de la TORRE: CHRONICLE

HOMAGE TO GRANDFATHER: Jonathan Farb's first big apartment complex project, City Place, will have some of Harold Farb's ideas, including his and her closets.



FARB APARTMENT HOMES

CITY PLACE: The developer wants the complex to have a boutique hotel feel with a 24-hour concierge and other services.

A FAMILY TRADITION

By NANCY SARNOFF
HOUSTON CHRONICLE

One of Jonathan Farb's earliest memories is driving in the back seat of his mom's car past the apartment

complexes along Braeswood that his grandfather built.

She would point to the signs, which depicted a silhouetted image of Harold Farb holding a set of blueprints and say, "That's your grandfather."

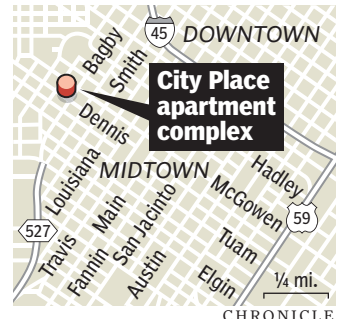
"My first memory of my grandfather was that sign," said Jonathan Farb, 37. "I knew that man-with-a-plan silhouette before I knew my grandfather."

More than three years after the death of his grandfather, Farb is officially following in his footsteps and building an apartment complex of his own.

Located in Midtown at 306 McGowen, the development — called City Place — is well under way.

Farb is using his own money on the project, which is being financed through a bank loan insured by the U.S. Department of Housing and Urban Development.

It's under construction at



CHRONICLE

a time when few developers are building.

Only about 5,000 new units will be added to the Houston area this year — the fewest number of apartments to be built in a year since the mid- to late 1990s, according to Apartment Data Services. Construction peaked in 2008, when developers built almost 21,000 apartments.

The multifamily industry has suffered along with the single-family housing market amid a weak economy.

Even so, Farb — who Please see **FARB**, Page D2

Climate change bill to roll out next week

■ Energy measure won't have support from key Republican

By JENNIFER A. DLOUHY
WASHINGTON BUREAU

WASHINGTON — Even without their top Republican partner — and with an oil spill in the Gulf of Mexico darkening prospects for suc-

cess — the chief architects of a climate change and energy bill plan to unveil their measure on Wednesday.

The bill, by Sens. John Kerry, D-Mass., and Joseph Lieberman, I-Conn., aims to cut greenhouse gas emissions nationwide 20 percent from 2005 levels by 2020 and 83 percent by 2050, while spurring nuclear power and investing in so-called "clean coal" technology designed to trap carbon dioxide spewed by coal-burning power plants.

The two senators had planned to roll out their legislation two weeks ago, with the help of Sen. Lindsey Graham, R-S.C., who has been working with them for months to craft a bill that could win support — or at least mute opposition — from the oil and gas industry and has a chance of passing the Senate. But Graham pulled out of the tripartisan alliance days before the unveiling because Democratic leaders said they planned to advance contentious immigration leg-



KERRY | LIEBERMAN

islation that has long odds of passage before the climate change bill.

Kerry, Graham and Lieberman had been planning on using provisions to ex-

Please see **CLIMATE**, Page D2

ECONOMY

More than a 'Mancession'

A report says that while the bulk of recession job losses hit males, the trend reversed. **PAGE D4**



MARKETS AT A GLANCE

Dow	Nasdaq	S&P	Oil	Natural gas
10,380.43	2,265.64	1,110.88	\$75.11	\$4.015
-139.89, -1.3%	-54.00, -2.3%	-17.27, -1.5%	-\$2.00, -2.6%	+8.6 cents, +2.2%

FCC backs bid to block copying of movies

Public interest group calls it a victory for 'big media companies'

By JOELLE TESSLER
ASSOCIATED PRESS

WASHINGTON — Federal regulators are endorsing Hollywood's efforts to let cable and satellite TV companies

turn off output connections on the back of set-top boxes to prevent illegal copying of movies.

The decision by the Federal Communications Commission, announced late Friday,

is intended to encourage studios to make movies available for home viewing on demand soon after they hit theaters or even at the same time.

'Greater access'

Bob Pisano, head of the Motion Picture Association of America, said the FCC's action will give consumers

"far greater access to see recent high-definition movies in their homes."

But critics warned that the FCC order could prevent 20 million Americans with older, analog TVs from seeing these new-release movies at all. That's because the order allows the studios to limit delivery of new movies to only those households with newer digital sets.

Analog weakness

In addition, critics say the blocking technology could prohibit legal recordings on some video recorders and other devices with analog connections.

"We are unsure when the FCC has ever before given private entities the right to disable consumers' products in their homes," the Consumer Electronics Association said in a statement.

"The fact that the motion picture studios want to create a new business model does

not mean that functioning products should be disabled by them."

Public Knowledge, a public interest group, said the FCC "has succumbed to the special-interest pleadings of the big media companies."

The FCC prohibits the use of so-called "selectable output control" technology, which encodes video programming with a signal to remotely disable set-top box output connections.

The FCC granted a waiver from those rules on Friday at the request of the MPAA.

Going home sooner?

Allowing movie studios to temporarily prevent recording from TVs could pave the way for movies to be released to homes sooner than they are today.

The FCC said the waiver is therefore in the public interest, because the studios are unlikely to offer new movies

so soon after their theatrical release without such controls.

Companies such as the Walt Disney Co. have been trying to shorten the time between theatrical and home video releases, partly to benefit from one round of marketing buzz and partly to head off piracy.

With DVD sales declining, studios are looking for new ways to deliver their content securely while still making money.

Important conditions

In its decision Friday, the agency stressed that its waiver includes several important conditions, including limits on how long studios can use the blocking technology.

The FCC said the technology cannot be used on a particular movie once it is out on DVD or Blu-Ray, or after 90 days from the time it is first used on that movie, whichever comes first.

SPILL: Device details sought

CONTINUED FROM PAGE D1

was modified, the companies are asked to confirm that the modifications were made pursuant to a formal change process, in consultation with original manufacturers and in compliance with regulatory requirements, according to the letter.

Different configuration?

BP, Transocean and Cameron, the manufacturer of the blowout preventer over the Macondo well, have declined to comment on the investigation of the accident, but U.S. Coast Guard Commandant Adm. Thad Allen said the companies told him it appears the blowout preventer involved in the accident was configured somewhat differently from how it was originally manufactured.

The companies are "trying to figure out the configuration of the blowout preventer as they found it versus the equipment Cameron produces," Allen said.

It's not unusual for blowout preventers to be modified between jobs, particularly for one such as the Macondo well unit, which is about 10 years old.

But if paperwork rig operators have on file doesn't properly reflect such changes, it's possible it would not

operate as expected when put into action.

It's also possible that sensors on the blowout preventer that record data such as well pressure and temperature could provide inaccurate information in some cases.

The blowout on the rig occurred as workers were removing heavy mud from the well and replacing it with lighter salt water. The mud and salt water are considered the primary barrier that keeps oil and natural gas from coming up through the pipe to the drilling rig until the well is ready for production. Workers wouldn't remove the mud unless they believed the pressure in the well was low enough to be controlled by the lighter salt water.

Hydraulic plumbing

"Changes will play an important role in piecing together the reason for the malfunction," said Satish Nagarajiah, a professor of civil and mechanical engineering at Rice University.

This is particularly true given BP's comments this week that the Macondo device had several hydraulic leaks, he said.

"Any change in hydraulic plumbing without proper care can have serious consequences on the operation,"

Nagarajiah said.

Allen said he believes Transocean or Cameron, rather than BP, probably would have made any modifications to the blowout preventer. He said he believes the device was tested regularly in accordance with safety rules.

BP removed the control module from the blowout preventer this week and was rewiring it Friday night in order to get pressure readings from it.

With accurate pressure data, the company would be better able to assess the viability of other methods of shutting in the well. This includes injecting massive amounts of rubber and other debris directly into the blowout preventer or installing a second blowout preventer atop the first.

In a news conference Friday BP's chief operating officer for exploration and production, Doug Suttles, said the company no longer is attempting to close the valves on the blowout preventer, having been unsuccessful for the past two weeks in efforts to do that with undersea robots.

Chronicle reporter Monica Hatcher contributed to this story.

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FARB: Developer focuses on upgraded amenities

CONTINUED FROM PAGE D1

has been building smaller townhouse projects for a little more than 10 years—is drawing on wisdom he learned from the man he calls his mentor.

'Markets are cyclical'

"Every time my grandfather started a new project he would tell me: 'There is never a right time in the market. Markets are cyclical. Just because you're starting in a bad market doesn't mean you're going to finish in one,'" said Farb, president of Farb Apartment Homes.

Also like his grandfather, Farb is focusing on services and upgraded amenities.

He's aiming for the complex to have a boutique hotel feel.

It will have a 24-hour concierge, dog walking service, dog run, on-site kiosks delivering healthy meals and a saltwater pool with landscaping designed by the same firm that did the landscaping at the San Jose

Hotel in Austin.

City Place was designed by Houston-based Wallace Garcia Architects.

The general contractor building the project — Davis Brothers Construction — has a place in the Farb family history, too.

Bob and Tom Davis worked for Harold Farb from the late 1970s through the mid-1980s when the real estate market crashed.

Helping out

When it was clear Farb wouldn't be developing for a while, he told the brothers they could use his company's computers and supplies to try to get business from other developers if they finished the work they had under construction.

"If it wasn't for him, we wouldn't be here," said Bob Davis, who remembers seeing a young Jonathan Farb visiting job sites with his grandfather in the late 1970s.

When it's completed this fall, City Place will comprise

three four-story buildings along McGowen at Bagby.

A main building will contain 97 apartments wrapped around a six-story parking garage.

Two adjacent buildings on either side — each with 44 units — will be connected by sky bridges.

The units will range in size from 650 and 1,385 square feet with rents from \$1,100 to \$2,100 a month.

Even though Harold Farb isn't around to see his grandson build his first big project, there will be touches of him in the structure.

The his and hers closets in some of the units were his idea.

The logo

And the iconic logo that Harold Farb's apartments were known for is coming back in a slightly tweaked version for City Place.

"This is just one way I'm paying homage to my grandfather," Farb said.

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CLIMATE: Oil spill may affect bill's chances

CONTINUED FROM PAGE D1

and offshore oil and gas drilling as a sweetener to lure support from Republicans whose "yes" votes could be critical to winning the 60 votes necessary to overcome procedural hurdles in the Senate. But the Deepwater Horizon disaster in the Gulf of Mexico changed the calculus and spurred some Democrats to threaten to oppose the climate change bill if it boosted offshore drilling.

Though Lieberman earlier this week insisted that the oil and gas provisions should stay in the bill, he has signaled that they were being revised in the wake of the oil spill.

More state power?

One of the provisions that might get dropped would have given states more power of drilling decisions near

their shores — well beyond the typical three-mile boundary defining state waters. For instance, states would have the chance to authorize drilling nearby or block it as far out as 75 miles beyond their coastlines.

Nuclear power, coal

Although the oil and gas provisions originally were

viewed as key to luring Republican votes, offshore drilling foe Robert Menendez, D-N.J., said there were other elements of the bill that might attract Republican support, including boosts for nuclear power and clean coal.

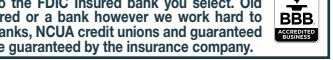
"So I don't think that this is a single-item issue," Menendez said.

Graham said there "are not

nearly 60 votes today" and that he didn't see that threshold reached "until we deal with the uncertainty of the immigration debate and the consequences of the oil spill." Nonetheless, Kerry and Lieberman insisted that they've "made new progress on the path to 60 votes."

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MARKETS: Traders worry about glitch, Greece

CONTINUED FROM PAGE D1

day's white-knuckled ride and the result, for some, is a case of sky-high anxiety that could cause more wild market swings.

"Clearly there is still an aftershock from yesterday," said Uri Landesman, the president of Platinum Partners. "People are scared of the magnitude of the panic that caused, and they are realizing, 'Hey, people are really nervous.'"

The stock market rounded out the week with what was, next to Thursday, a relatively modest decline. The Dow Jones industrial average fell 139.89 points, or 1.33 percent, to 10,380.43, while the Standard & Poor's 500-stock index declined 17.27 points, or 1.53 percent, to 1,110.88. The Nasdaq composite dropped 54 points, or 2.33 percent, to 2,265.64. European indexes closed sharply lower.

It was the culmination of a week in which the Dow lost about 5.7 percent; the S&P 500 fell 6.4 percent, and the Nasdaq 7.5 percent.

Investors remained on edge on Friday, and the stock market continued to be buffeted by bouts of volatility.

The unease was reflected in the VIX — a volatility measure sometimes referred to as the "fear index." On Friday the VIX reached its highest level since March 2009, when the stock market reached its low point.

In such an atmosphere, better-than-expected jobs data that would have normally moved markets were brushed aside, even though the 290,000 jobs added to the economy in April exceeded expectations. Or some adapted their investment strategy to take into account the changed mood.

Gold rose sharply for a second day as investors sought refuge from the volatile stock market. Oil fell \$2 to \$75.11 a barrel.

"People are almost looking at the stock market as a casino, and it turns people off a bit," William J. Schultz, chief investment officer of McQueen, Ball & Associates, said. "They would rather stay on the sidelines or flow into bond funds."

On Friday, uncertainty in the European debt saga eased somewhat when the German Parliament voted to play its part in the Greek aid package.

But the exact answer as to why the market reeled Thursday remained elusive. President Barack Obama, in remarks at the White House, said the authorities were looking into it.

But 24 hours later, Wall Street had yet to receive an official answer as to what caused the stock market's biggest intraday drop on record. The lack of answers, some said, was bound to undermine investors' confidence.

The Securities and Exchange Commission and the Commodity Futures Trading Commission were investigating but on the day after, there were more questions than answers:

— Did a single trader mistakenly punch in the wrong number of shares when making a sell order, maybe mistyping "billion" instead of "million" and setting off a market-wide panic that at one point pulled the Dow down almost 1,000 points?

— Did high-speed computerized trading systems that are supposed to make markets work smoothly go haywire, sending stocks into a nosedive?

"Here is the problem," said Art Hogan, the New York-based chief market analyst at Jefferies & Company. "We don't have the clear explanation for how it happened."

"Two weeks ago we had a raging bull-market mentality," Hogan said. Now, on top of Greece, comes a startling market plunge, possibly one caused in part by a glitch or trader error, he said. "It was a volatile, fragile environment going in."

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