Identify your money mistakes, and then correct them / H3

BUSINESS

PERSONAL FINANCE

SUNDAY
January 11, 2004

H

THE SAN DIEGO UNION-TRIBUNE

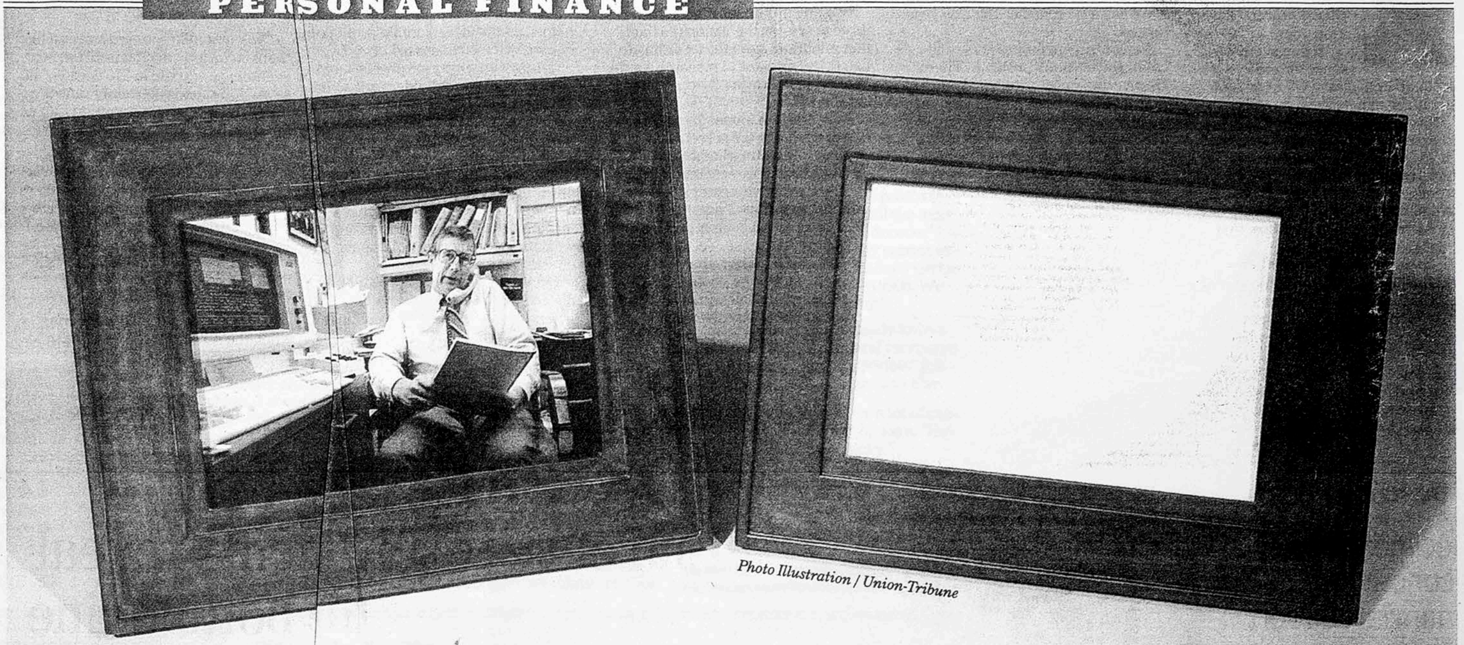


Photo Illustration / Union-Tribune

The sucess of the late Bill Otterson still looms large as the founding director of UCSD Connect ... ... many wonder if anyone can assume the role that he came to embody at the UCSD-based organization.

Connect at crossroads

By Bruce V. Bigelow
STAFF WRITER

Marco Thompson accepted an award from UCSD Connect last month, and the telecommunications executive used his moment in the limelight to pay homage to his mentor.

"I want to encourage all of you to remember Bill Otterson and what he did for this community," Thompson told the luncheon crowd. "He introduced me to all the people who helped to make my company a success, and he taught a lot of us in this room how to network."

Though he died in November 1999, Otterson still looms large as the founding director of UCSD Connect. In his 14 years at the helm, the unabashed business booster created what was arguably San Diego's most effective catalyst for starting new companies, especially technology ventures.

But with the abrupt departure in September of Fred Cutler, who served three years as director of Connect, some business leaders are asking if the university-based nonprofit group has lost its way.

"To be honest with you, I don't know where their rudder is right now," said Scott McClendon, a former executive at Hewlett-Packard and Overland Storage and a longtime supporter of Connect.

Even before Cutler was named to lead the organization, many business leaders quietly wondered if anyone could step into the bigger-than-life role that Otterson came to embody at Connect. That question still lingers today but with an added sense of urgency.

To some, it's a bit like asking if Intel can continue without Andy Grove.

The intuitive answer is yes and no. An established institution can flourish without its founder if the new leader can preserve a sense of continuity with the past and maintain a vision that resonates internally and with the community it serves.

"There is no way Bill Otterson was the only reason why Connect was so successful," said Carole Ekstrom, who worked closely with Otterson as Connect's chief fund-raiser.

To many observers, Cutler was not the right person for the job, although people often sought the high road when asked about Cutler's tenure.

"Fred made a substantial commitment in time and energy to take Connect to the next level," said Paul Kreutz, a San Diego partner with the law firm Gray Cary Ware & Freidenrich. "I'm not sure that he was successful."

As Cutler moved to expand Connect's programs to serve a broader spectrum of companies, Kreutz said other industry groups such as Biocom and the San Diego Telecom Council began offering similar services and seminars.

In a recent interview, Cutler said a combination of factors led to his resignation.

One was the decline of the technology economy, which began to slide off a cliff as he took over in late 2000.

Another was a move by the

SEE Connect, H2

Key dates through the years

1985: Founded as the UCSD Program in Technology and Entrepreneurship. It soon was renamed Connect.

1988: Connect hosts first Most Innovative New Products Awards Luncheon.

1989: Connect sponsors first Corporate Partnership Forum, providing early-stage companies an opportunity to solicit investments and corporate partnerships by presenting business plans to corporate executives.

1989: Connect holds first Meet the Researchers seminar, a program to showcase academic research.

1990: Financial Forum, which provides early-stage companies an opportunity to present business plans to venture capital and banking executives, rolled into Connect.

1991: Connect helps organize BioCom to lobby on behalf of local biotech companies.

1994: Connect holds its first Springboard Program, in which executives help entrepreneurs refine strategic business plans and their "pitch" to solicit financial backing.

1995: Connect helps establish program

UCSD CONNECT

in technology and entrepreneurship in Vladivostok, Russia. Programs were later established in Scotland and Sweden.

1999: Bill Otterson dies.

2000: The Tech Coast Angels, a group of private individuals who provide funding for promising technologies, moves into Connect, which takes over administrative functions.

2000: Fred Cutler, an Internet entrepreneur with a doctorate in marketing and social psychology, hired as Connect's director.

2001: Pentagon funds a Center for the Commercialization of Advanced Technology in San Diego. The center is supported by a consortium that includes Connect.

2001: Connect launches its Translational Medicine program to help UCSD commercialize promising medical research and technologies.

2003: Fred Cutler resigns as director.

Ann Perry

Peace of mindon sale now at bargain prices

If you need life insurance, now's the time to get some.

If you have some and want more, load up.

Peace of mind is on sale.

Over the past decade, the price of life insurance has gone down dramatically.

Consider that in January 1994 the typical rates for a 26-year-old, non-smoking man on a 10-year term, $1 million policy ranged between $780 and $1,595 annually, according to AccuQote (www.accuquote.com), ne of the national's largestfe insurance brokerages.

Todathat same man, 10 years der and in good health could ly the same policy for as littles $300 a year.

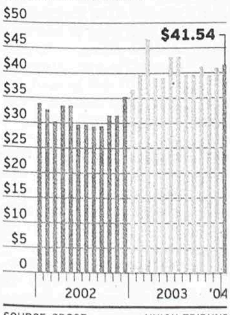
"It's ;od news for consumers says Byron Udell, chief executi officer of Wheeling, Ill.-base AccuQuote, which last week rorded its biggest sales day in i 18-year history. He creditethe volume in part to custonrs discovering that life

SEE Perry, H8

Deja vu for natural gas industry

Gas pains

Monthly natural gas bills seasonally adjusted for typical residential customers of SDG&E:



SOURCE: SDG&E UNION-TRIBUNE

Recent price spikes prompt familiar calls for inquiries

By Craig D. Rose
STAFF WRITER

When California's natural gas prices spiked sharply late in 2000 — in lockstep with the state's electricity crisis — consumer advocates and state officials immediately raised questions of market rigging.

Despite industry protests that market forces had driven up costs, El Paso Corp. eventually paid $1.6 billion to settle charges that it manipulated shipments of the essential commodity to California. Other investigations into the surging prices continue to this day.

Four years later, consumers are again facing gas prices far higher than those of the 1990s. And again there are calls for investigations, this time emanating from Washington, D.C.

Republican Sen. Orrin Hatch of Utah and Democratic Sen. Joseph Lieberman of Connecticut have called for investigations into recent price spikes. At least one prominent consumer advocate said gas producers are seeking to lock in permanently higher prices and are resisting policies that could push costs lower.

In the meantime, the high prices are taking a toll on business and residential gas customers.

Four years ago, typical residential customers of San Diego Gas & Electric paid $280 a year to heat their homes. This year, they will pay $500 or more.

The higher prices are prompting more consumers to seek help in paying their bills, SDG&E said. Inquiries regarding assistance through one of the utility's programs have

SEE Natural gas, H8

Michael Kinsman

Jobs remain the missing link to an economic recovery

On Thursday, 19 months after he last had permanent employment, Jack O'Leary turned down a job offer.

"It doesn't make sense for me to work for $15 an hour," says O'Leary, "not with all the experience I have."

The Hillcrest man questions the vibrancy of the rebounding economy from a specific point of view. Sure, he knows the stock market has surged in recent months, corporate profitability is robust and worker productivity has soared, but he doesn't see how that translates to jobs.

Like other job seekers, O'Leary says the jobs that are available are low-paying or entry-level positions.

Two years ago, O'Leary was earning nearly six figures in information technology. He acknowledges he won't find a job that pays that well in today's market, but he still thinks he should be able to find something paying more than $35,000 a year.

"I'm not sure where the jobs are," he says. "I talk to people coast to coast, and I'm just not sure that things are as good as everyone says they are. I don't see it any sweeter since the new year turned."

Long-term unemployment is becoming everyone's problem. There are an estimated 1.9 million Americans who have been out of work for more than six months, according to U.S. Bureau of Labor Statistics. But some people think that number is greatly understated.

About 300,000 people are estimated to have dropped out of the labor force in December. Where did they go? Did they suddenly win the lottery and no longer need jobs? Did they retire? Did they decide they no longer needed to work?

No one seems to have a good explanation for this phenomenon, other than to suggest that some workers have simply become discouraged by the job market and given up hope of finding employment.

Over the past three years, 2.3 million American jobs have been abolished. The economy needs to generate 150,000 jobs a month just to keep pace with population growth.

Not one month during the past three years has the nation reached that minimum growth, according to Lee Price, director of research for the Economic Policy Institute, a Washington think tank.

Even with a national unemployment rate dropping to 5.7 percent, can anyone say with a straight face that our economy is in recovery mode?

"You can't have a complete recovery without jobs," says Price. "You have to have job creation sooner or later."

That makes sense. Yet our economy is shedding jobs rather than creating them, and some people are audacious enough to call this a recovery.

At the core of this phenomenon is an evolution in the corporate world. Businesses used to understand there would be periods when the economy would climb steadily and times it would slow down. Businesses planned for that as part of a normal cycle.

But in the early 1990s, businesses decided to minimize their exposure to these economic swings by downsizing at the hint of a downward economy. It was this ruthless cost-cutting that has helped companies maintain profitability even when business isn't good.

That's why corporate profits seem so strong and shareholders are so hap py these days. It's also why many experienced workers have been laid off from good jobs they may never get again.

The prevailing corporate philosophy is a short-term fix.

"There's a giant gap with what's happening in the stock market and what's happening to people's paychecks," Price says.

Six months of unemployment bee-fits no longer seems enough. Bene extensions have been granted durig this recession, but there has to be a end at some point. What happens ten to the long-term unemployed? Whn and where are they going to find jobs.

Chicago outplacement counsel. John Challenger says many of the jobs being created are temporary and not the kind to build a recovery around. He recalls that the early 1990s recession included a recovery that created 200,000 jobs a month.

"We are unlikely to see a return to that kind of job creation until the next economic cycle late in the decade," he says. "Job seekers certainly cannot expect a repeat of the tremendous job expansion of the mid- to late-1990s. We are in a transition economy."

Job seeker O'Leary already knows that. He reports that several recruiters have identified him as a "perfect" job candidate only to hire someone else.

"That tells me they have a lot of candidates to choose from," he says. "Employers are being very picky."

In the meantime, he's wondering when the economic recovery will add jobs on a widespread basis and be complete.

Michael Kinsman: (619) 293-1370; michael.kinsman@uniontrib.com

▶ UCSD CONNECT

CONTINUED FROM PAGE H1

Decline in tech economy eroded financial support

University of California San Diego to set a new course for Connect by focusing it more closely on the research and technology under development at UCSD.

"Bob Dynes, who was the chancellor at UCSD at that time, wanted us to find ways to leverage Connect in more direct ways to benefit UCSD," Cutler said. The difficulty with the new directive from UCSD was that Connect is funded entirely by San Diego's business community.

That financial support declined substantially, however, as the recession worsened and Connect's revised focus became less relevant to local businesses.

Among other things, Cutler sharply reduced the frequency of Connect's Springboard events, in which experienced executives coach local entrepreneurs on how to get their start-up ventures going.

"I need Springboard back," said Kevin Carroll of San Diego's AeA, the industry group once known as the American Electronics Association. "I want these little companies to grow up and join my organization."

For these and other reasons, Connect has come to a crossroads.

"Connect has to figure out what its next new thing is," said Otterson's son John, who follows San Diego's tech business as a vice president at the San Diego office of Silicon Valley Bank.

The task of redefining the organization and recruiting a new director has fallen chiefly to Mary L. Walshok, a UCSD associate vice chancellor. Her role is necessitated by Connect's hybrid structure.

While the business community funds Connect, the organization was founded as the UCSD Program in Technology and Entrepreneurship. The university has always housed Connect and administers the payroll and other overhead costs.

"We may have lost our way with Fred," Walshok said in a recent interview. "Probably without meaning to, Connect moved from what most people saw as a service organization to a sales organization."

Walshok said Connect still serves an important role by tying together the diverse interests of San Diego's high technology and biotech communities with legal, accounting and other professional service firms.

"We are in the process of rebuilding the programs that over the last couple of months we have learned are perceived as valuable," Walshok said. "In a sense, we're going back to basics."

The organization was created in 1985 under the auspices of UCSD Extension in part because San Diego failed to land a multibillion-dollar federal program to build a superconducting supercollider.

At the time, there was relatively little contact between San Diego's business and scientific communities. The region also lacked the sophisticated business resources that technology ventures need to get started.

Walshok recalled that local entrepreneurs told her they had to go to San Francisco or New York to get the type of legal and financial support they needed for their technology-based start-ups.

Otterson, who made his fortune at a computer tape drive company called Cipher Data Products, understood those needs. Under his charismatic leadership, Connect promoted the growth of San Diego's business infrastructure and served as a catalyst between academic researchers and the business world.

Under Otterson, Connect took over a financial forum program begun in 1984 to give fledgling companies an opportunity to seek funding.

Gensia, which was one of San Diego's earliest biotechs, began at a Connect marketing seminar when Hybritech's David Hale met doctors Paul Laikind and Harry Gruber, who were at UCSD's School of Medicine.

Such networking became Connect's reason for being, said Martha Dennis, a former wireless executive now at Windward Ventures, a San Diego venture capital firm.

"Connect's big deal was connecting people," Dennis said. "You'd walk into one of these Connect functions and Bill would clamp his hand around my neck and say, 'Martha, you need to meet this person.' "

In 1988, Connect sponsored its first awards luncheon to promote the "most innovative new products" developed by local companies. Connect sponsored "special interest groups" so local scientists and technology executives could cross-pollinate ideas. It created a Meet the Researcher program as a way to introduce local scientists to the business community and a Springboard program to mentor aspiring entrepreneurs.

Today, San Diego is viewed as a regional capital for technology companies, with more than a dozen venture capital firms and related professional service firms savvy about the needs of high-risk ventures. The region also has become known for a spirit of collaboration that seems lacking in Silicon Valley.

With so much of its original mission accomplished, however, some observers wonder if Connect has become a victim of its own success.

Connect's supporters in the business community say Walshok's involvement is crucial for a variety of reasons.

As the dean of UCSD Extension in the mid-1980s, Walshok recruited Otterson as Connect's founding director. A sociologist by training, she also understands how Connect has changed — and how San Diego's business community has changed — over the past 19 years.

And as a UCSD administrator, Walshok is viewed as a key player in resolving the expectations set for Connect when Cutler was hired.

"Mary has been Connect's champion within the university," said Tyler Orion, president of the San Diego Regional Technology Alliance. "That's important because she does understand the internal dynamics of the university, and maybe that was part of the problem. But she's not looking in the rear-view mirror. She's looking forward, and she wants Connect to succeed 1,000 percent."

But like many observers, she conceded Connect's future could depend on recruiting the right leader. In retrospect, Connect's "culture of personality was more important than we thought it was," Orion said.

Connect fund-raiser Ekstrom recalled that Otterson's personal connections enabled him to persuade top executives and power brokers to participate in Connect-sponsored events — and even to pay for them.

Creating that type of energy and enthusiasm is the key to reviving Connect, said Dennis, the venture capitalist.

The task of hiring a new director and determining the next big thing for UCSD Connect has fallen chiefly to Mary L. Walshok, an associate vice chancellor at the University of California San Diego. *John Gastaldo / Union-Tribune*

Chuck Jaffe

End-of-year statements reveal more than just the bottom line

For the first time in four years, investors actually may be eager to open the year-end account statements from their mutual funds.

But in their rush to see a statement that shows progress and profits, investors may overlook the key things they can find on that paper.

Getting the most from the document that wraps up your year in a fund involves looking at what the statement tells you, at what it doesn't say and at the suggestions it offers for your future.

"What we hear year after year is that people just want to know they are making money, and that's about it," says Michelle Smith, executive director of the Mutual Fund Education Alliance. "But there's a lot more you can learn from the year-end accounting you get from a fund. The statements themselves may not answer a lot, but if you use the information right you will get answers."

Aside from the obvious how-much-money-did-I-make question, here are the things to look for in your end-of-the-year account statement:

Which was higher, your returns or your expectations?

There's not much of a storyline in gross returns or losses. "Making money" may be the goal in a broad sense, but "averaging 10 percent per year" is something that factors into your financial planning.

The year-end statement doesn't say what you expected the fund to deliver, but you can't decide whether you are pleased with performance until you compare the fund'gains to your own hopes. Obvicsly, a fund that falls short of cpectations is one that you miht want to get rid of.

Was the fund an above-avege performer?

Your statement doesot benchmark the fund agnst an appropriate index or itsverage peer. You can wait to sethat information in the prosectus, or you can go check it ct for yourself at a Web site lie www.morningstar.comr www.lipperleaders.con

What's the trend for meetiiexpectations?

This is where you copare a fund to the performancsince you first invested in it. Sme fund companies put pernalized portfolio data on thr statements, most do noBut look at the average costasis of your shares compared the fund's current price.

If you have held the fid long enough, the resultmay be better than you woulexpect after the big lossesndured during the last feyears

"You look across a lof funds and their gains ovr the last 10 years are in the 8 o 10 percent per year range,says Christine Benz, editor the *Morningstar FundInvesr* newsletter. "Even thoug the past few years were terble, that return is in line withwhat a lot of people really expeed to get from their funds. If sme-one regained enough th year that their funds are on tck over the whole time thehave owned them, then they oba-bly should not be disappinted if they did not see an eve-bigger bounce back in 200?

If your average cost pr share in the fund showsou with a loss, consider whher you might want to make a switch.

How big were the dividend and capital gains payouts in 2003?

If you hold a fund in a taxable account, the year-end statement will give you a heads-up on your potential tax liability come April. Most funds had losses so big during the bear market that they were able to offset most or all of the gains they accumulated in 2003, but that just makes the few funds with sizable distributions that much more of a surprise.

The wrong time to find out you're facing a big tax bill is when you have to scrape up the cash and beat Uncle Sam's filing deadline.

Are you satisfied with the way the fund has treated you?

The numbers alone don't tell this story. If the fund disappointed you in the down years and has now let you down during the start of the rebound, you should seriously consider what funds might make you more satisfied with your portfolio at the end of 2004.

One thing your statement is not telling you is to throw all your money at the fund that did the best for you last year.

Resist the urge to lavish the new cash on the fund that shot the lights out, because the big winners in 2003 tended to be super-aggressive, concentrated, or small-cap oriented issues. This year is more likely to favor large-caps. Throwing your investment dollars at last year's winners is a good way to buy high and sell low.

Chuck Jaffe is senior columnist at CBS Marketwatch. He can be reached at jaffe@marketwatch.com or Box 70, Cohasset, MA 02025-0070.

CEO bonuses are expected to surge after big gains in profits, share prices

By Daniel Sorid
REUTERS

Soaring bonuses arising from healthy profit and stock gains mean CEOs of most major U.S. companies will have a bundle to take to the bank this year despite cuts in their stock options grants triggered by criticism of "fat cat" compensation.

Indeed, an analysis of chief executive pay at companies that recently reported their financial year results showed that the median, or midpoint bonus, rose 45 percent.

"Most industries have been performing better . . . and some of that is reflected in the stock price," said Paul Hodgson, a compensation analyst at the Corporate Library, a corporate governance research group.

"That's why I'm saying there's not going to be much of a cutback in annual compensation, because that's going to reflect year-on-year improvements in company performance."

While most U.S. companies have yet to report how much they paid executives last year, there are indications that there has been moderation in some parts of their compensation packages.

Grants of options arevidely expected to be sharply ct, and the best paid executivesre expected to see their bas salaries grow only slightly, it all.

Lavish compensatio that came unhitched from copany performance or was bed on unsustainable gains instock prices became one of thdominant themes of the collse in the stock market bubb that formed in the late 1990 It often served as a red lg for accounting trickery orother scandal fodder. Perhas the most egregious examp was telecommunications pvider WorldCom. According a detailed report by RicharBreeden, corporate monitor r the former high-flier, the lvish" compensation of ex-CE Bernie Ebbers and formechief financial officer Scott Sllivan was "far beyond any tional calculation of value addl" by those senior executives.

But now, revenue hasarted growing again. So th new mantra, "pay for perforrnce," means that when stockrices and earnings are climbig, bonuses can look pretty rn. After all, 2003 earnings fccompanies in the Standard &oor's 500 are expected to grow around 18 percent.

The median bonus of the CEOs of 95 large U.S. companies that have already reported fiscal 2003 pay rose to $710,000 from $490,000 in the previous year. The companies concerned all finished their fiscal years between January and September.

For those with smaller bonuses, in the bottom 25 percent of the survey, the gains have been even more impressive. Those CEOs on average got more than triple the money they received in fiscal 2002, according to the Equilar analysis.

The median salary for all the CEO pay disclosures surveyed rose a more muted 9.1 percent to $609,300, and salaries in the top 25 percent rose only around 1 percent, it said.

The median option award, meanwhile, declined 35 percent. Such a drop has been widely predicted by corporate governance analysts, given a growing expectation that companies will soon have to begin counting options grants as an expense, and an increasing number are already doing that voluntarily.