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Up Front

Edited by Ira Sager

Talk Show

"You abused your position of trust...and you undermined the public's confidence in the integrity of the financial markets. Then you tried to lie your way out of it." -- U.S. District Judge William Pauley, sentencing former ImClone CEO Sam Waksal to seven years in prison

MAKEOVERS

What's in a Name? Fewer Letters

Barry Diller has been searching for a new name for USA Interactive (**USAI**), the company he has been using to buy up emerging e-commerce stars such as Expedia (**EXPE**), LendingTree (**TREE**) and Hotels.com (**ROOM**). But as the search nears an end, *BusinessWeek* has learned that the media mogul-turned-Web-warlord has decided the best change is nearly no change: The winning name is simply InterActiveCorp.

That name helps Diller downplay USA's identification with the U.S. market as it grows abroad, but it may not create a unified identity for the company he is building. Branding experts say the generic name could hamper efforts to convince investors that InterActiveCorp, which plans extensive cross-marketing, is more than the sum of its parts. "You can't own the word interactive," says Simon Williams, head of New York brand consultancy Sterling Group. "It's fine as long as

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INNOVATION & DESIGN

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you don't want to market the portfolio of brands. I would have thought that was part of the value of the assets." USA declined comment.

By Timothy J. Mullaney

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I-WAY PATROL

Tidy Room, Comfy Bed, Zippy Net

For road warriors, finding reliable high-speed Internet access can be quite the challenge. Even Web-friendly hotels often charge \$10 a night extra for a fast log-on.

Business travelers will soon get a break. Hotels are taking after Wingate Inns -- the first chain to offer free high-speed access. Comfort Suites will offer free broadband at all sites within a year. Hilton Garden Inn ([HLT](#)) says it will do so by 2004. Courtyard by Marriott ([MAR](#)) is considering it.

Hoteliers hope the freebie will be a moneymaker. A 100-room hotel charging for broadband might make \$270 more a month, vs. \$8,000 it could earn via higher occupancy rates with a free service, says Wingate President Keith Pierce. "Offering it for free makes a lot more economic sense." About 30% of Wingate guests use the Net access, vs. 4% at hotels that charge.

In three years, says the American Hotel & Lodging Assn.'s Darrin Pinkham, "every-one will provide high-speed access for free," making business travel a bit less daunting.

By William Symonds

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UP IN SMOKE

America's Edge in Cancer Sticks

If you can't shake your smoking habit, then you might at least consider buying foreign cigarettes. A new study from the Centers for Disease Control & Prevention found that levels of certain carcinogens are far higher in Marlboro cigarettes than in almost any foreign brand. Not only that, carcinogen levels vary widely in Marlboro cigarettes themselves, depending on which country they are sold in. Marlboros available in Bangladesh, China, and Kenya are particularly bad for you, while those in Brazil, India, and Japan are the least dangerous.

The study measured the levels of nitrosamines, a known cause of cancer, in cigarettes bought in 13 countries. Researchers chose Marlboro because it is the world's best-selling brand, but noted that most American cigarettes have similar nitrosamine levels. They compared Marlboro with the most popular local brand. In 10 of the countries, Marlboro had higher amounts of nitrosamines. In fact, much higher -- up to 22 times as many in Chinese Marlboros, for example, as in the local brand.

Researchers say the variations are due to the different types of tobacco used and the way they are blended to create a distinctly American cigarette flavor. Philip Morris, the maker of Marlboro, says that it is working with farmers to develop technology to significantly reduce the levels of nitrosamines in U.S.-grown tobacco.

By Catherine Arnst

THE LIST



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THE LIST STOPPING THE BULL

Help is on the way for those who abuse readers with words like "value-add." On June 17, Deloitte Consulting launches its Bullfighter software, free at www.dc.com/bullfighter. It analyzes writing samples and assigns up to 10 points, with high scores for clear writing. Here's how a sampling scored:

DOCUMENT	SCORE	ANALYSIS
PRESIDENT GEORGE W. BUSH Speech to troops	9.2	Clear. Gets to the point.
BUSINESSWEEK June 23, p. 14 item about SARS	7.7	Mostly clear, with some unnecessarily long words and sentences.
DECLARATION OF INDEPENDENCE	6.9	Teetering on the edge of unclear.
DELOITTE CONSULTING Announcement of a now-canceled spin-off	6.5	Teetering on the edge of unclear.
ALAN GREENSPAN Testimony to Congress	5.7	Overall meaning discernible, but possible to lose oneself.
ENRON November, 2001, press release	3.7	Showers readers with gratuitous, interminable, and... labyrinthine prose.
IBM press release, Telecom product launch	2.5	Overwhelmingly embraces obfuscation. Condition is irreversible.

CONTRIBUTED BY PALLAVI GOGOI



AUDIT HIKE

Percentage that large companies expect their audit fees to increase as a result of the Sarbanes-Oxley Act



Data: Financial Executives International

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WRETCHED EXCESS

Mega Options, Mega Losses

Last year, ceos of dozens of struggling companies received huge option grants -- on the theory that this would provide a personal incentive to boost shareholder value. New research suggests those megagrants are a waste of perfectly good shares.

Compensation researcher Equilar studied 450 companies in the Standard & Poor's 500 and found something curious: The worst-performing companies in 2002 were those that gave their chief executives the biggest option grants in 2001. The median grant for those CEOs was \$9.4 million. Median shareholder return the next year: -50%. CEOs with the best performances received much smaller grants -- the median size was \$3.7 million -- and delivered returns of 17%.

These figures show the futility of awarding CEOs huge option grants to turn a

company around, say compensation experts. Once a company goes into a tailspin, few execs can reverse the damage in less than a year -- no matter how many options they get. "You can't expect a big option grant to result in better performance overnight," says Robin Ferracone, a partner at Mercer Human Resource Consulting ([MMC](#)). But it would be nice if it didn't get any worse.

By Louis Lavelle

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PRODUCT PEEK

These Troops Are Really Moving Out

They're green, gummy, and coming to a candy bowl near you. "They" are Gummi Army Guys, chewy candies shaped like soldiers in two distinct flavors: "artillery apple" and "cherry bomb." Sales of the \$1 candy quintupled when the Iraq war started, and maker Albanese Confectionery Group is now selling 2,000 packages a day. The candy sells out at PXs, and soldiers in Kuwait buy them as souvenirs. "But when it's 124 degrees outside, it's really a better idea not to keep them," says Beth Goodman, who runs a PX in Kuwait.

Stateside, Gummi Guys will soon get a Product of the Year Award, trouncing entries from Hershey Foods ([HSY](#)) and Kraft Foods ([KFT](#)). Not quite a Silver Star -- but, for a soldier made of corn syrup and gelatin, not half bad.

By Kate Hazelwood

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WIRELESS WATCH

Cell Phones: The Fallout from SARS

Chinese officials may be saying SARS is on the wane, but cell phone makers are still reeling from the disease's fallout. On June 9, Motorola ([MOT](#)) which gets about 25% of its wireless sales from China, said quarterly sales would be about \$6 billion, 8% below its April estimate.

Expect other cell-phone makers to follow. With more than 200 million subscribers, China is their largest market. May is typically the best sales month, but consumers this year shunned stores. Analysts say Nokia ([NOK](#)), with \$3.3 billion in annual China revenues, could see quarterly sales there slip by 30%. Nokia says it can't quantify the effects of SARS. Sales of phones using Qualcomm ([QCOM](#)) chips will reach only 10 million units this year in China, analysts say, below earlier estimates of 13 million. But Qualcomm says its expectations are unchanged. "This [SARS] is a significant disruption to the handset market," says Andy Belt, a specialist with consultant Adventis.

The sales shortfall is creating another ailment. Inventory has more than doubled, to 15 weeks of sales. No wonder Motorola is feeling a bit sick.

By Roger Crockett

THE BIG PICTURE

THE BIG PICTURE

FRENCH CONNECTION

Despite diplomatic feuds between France and the U.S., France was the only country with large U.S. holdings to boost its activity last year. The five countries investing the most in the U.S.:



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