

# BUSINESS HUNG UP

SOFTWARE GLITCH TROUBLES SKYPE. 3D



▼ DOW: 12,845.78 (-15.69) ▲ S&P 500: 1,411.27 (+4.57) ▼ NASDAQ: 2,451.07 (-7.76) ▼ OIL: \$71.00/bbl. (-\$2.33) ▼ 10-YR NOTE: 4.66% (-0.06%)

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MARKET WATCH 2 • BUSINESS TOPICS 3 • STOCKS 4 • MUTUAL FUNDS 5

## BRIEFING

STAFF REPORTS, BLOOMBERG NEWS AND THE ASSOCIATED PRESS

### Mortgage rates reverse trend, creep upward

Rates on 30-year mortgages edged up slightly this week after falling for three straight weeks. **Freddie Mac**, the mortgage company, reported Thursday that 30-year, fixed-rate mortgages averaged 6.62 percent. That was up from 6.59 percent last week, which had been the lowest level since early June. This week's rate is the highest since 30-year mortgages averaged 6.73 percent four weeks ago, a level that was near the high for the year of 6.74 percent set in mid-June.

### Group urges legislators to save no-fault coverage

Hospitals, safety officials, health insurer **Blue Cross & Blue Shield** and others urged Florida legislators on Thursday to preserve mandatory automobile insurance coverage for drivers. The group, the Coalition to Protect Florida's Drivers, wants Gov. Charlie Crist and the Legislature to extend Florida's 37-year-old, no-fault auto insurance law that's set to expire Oct. 1. Legislators will meet in a special session next month, and although it's not on the agenda the auto law could be debated. The coalition is asking to either reform and extend the current law, which requires all drivers to carry minimum mandatory personal-injury protection coverage as part of their auto policies, or to replace it with alternative mandatory coverage.

### Dell to reduce earnings after internal inquiry

Computer maker **Dell Inc.** said Thursday it will reduce more than four years' worth of earnings by up to \$150 million after an internal inquiry found the company misled its auditors and manipulated results to meet performance goals. The struggling company said its net income for the restatement period will be reduced by between \$50 million and \$150 million, or 2 cents to 7 cents per share. The largest reductions in quarterly profits were expected to be in the first quarter of fiscal 2003 and the second quarter of fiscal 2004, each lowered between 10 percent and 13 percent. In total, it will restate all of fiscal 2003 through 2006 and the first quarter of fiscal 2007.

# Countrywide on the brink

## Giant mortgage lender forced to borrow billions; Wall Street stunned

BY ALEX VEIGA  
THE ASSOCIATED PRESS

LOS ANGELES • The credit mess forced **Countrywide Financial Corp.**, the nation's largest mortgage lender, to borrow \$11.5 billion Thursday, shocking financial markets already reeling from the growing credit crunch and threatening to make home loans harder to get. Countrywide said it borrowed the cash from a group of 40 banks so it could keep making home loans. The news from the giant lender triggered a relentless downward spiral on Wall Street early in the day, as investors' fears that credit problems

are spreading were confirmed. The Dow Jones industrial average dove more than 340 points by early afternoon, before pulling off a dramatic late-session turnaround after bargain hunters lured by weeks of massive declines came back to the stock market. The Dow ended a wild Thursday down 15.69 points, or 0.12 percent, to close at 12,845.78. For much of the day, investors shrugged off the Federal Reserve's injection of \$17 billion into the banking system, and appeared to be angling for a rate cut instead. The market clawed back with a bounce in blue-chip stocks, with a

leadership role going to the down-trodden financial sector. In spite of the big comeback, most of which came in the final hour of trading, Wall Street is still an uncertain place, having been pounded by weeks of losses including triple-digit slides in the Dow. All three of the market's big indexes reached levels Thursday where they were down 10 percent from their mid-July highs — the definition of a stock market correction. Some analysts are hopeful. "The fundamental buyers are coming back into the market, and typi-

**COMING SUNDAY**  
Help Team Columnist Harriet Johnson Brackey gives tips on keeping your cool in a jittery market.

**INSIDE**  
Persistent worries over U.S. home lending problems rock world markets. 3D

LENDER CONTINUES ON 2D

## Pompano Beach inventor envisions a future powered by his Cyclone Green Revolution Engine



**GREEN POWER:** Inventor Harry Schoell demonstrates a fuel injection tester for his engine. "You can burn any combination of fuels all in the same container and it has no smell," Schoell says. Staff photos/Colleen K Cummins

# A COMBUSTIBLE IDEA

BY ARLENE SATCHELL  
STAFF WRITER

For more than 35 years, Harry Schoell has built a reputation for design and innovation in the marine industry. The Pompano Beach businessman has had a knack for invention since childhood.

At 12, he carved boats out of packing crates and plywood. By 16, he was the lead designer in his father's boat-building company. Two years later, Schoell helped design a hull shape used by boat-builder Wellcraft. And by 22, he had patented a design for speedboats.

"Talent is an art that you're born with, you either have it or you don't," Schoell said in a recent interview.

With no formal engineering or design training, natural talent and skills learned from his father launched his boat-building career and shelved plans for college.

Today, Schoell is busy with his latest invention, the Cyclone Green Revolution Engine, developed by **Cyclone Power Technologies Inc.**, a company he formed in 2004.

The Cyclone is an external combustion, heat-regenerative engine. With low emissions and exhaust, it is environmentally friendly and more efficient than traditional internal combustion engines, Schoell said.

Given market demands for alternative fuel sources and fuel-efficient vehicles, Schoell said it's



**BIG PLANS:** As an external combustion engine, the Cyclone could run on ethanol, biofuel, diesel, gasoline or kerosene — or a combination of those fuels.

the right time for the new engine.

The Cyclone could reduce dependence on petroleum and fossil fuels with its ability to run on ethanol, biofuel, diesel, gasoline and kerosene, said Wilson McQueen, Cyclone Power's vice president of sales.

"You could even mix them together in the same tank with no ill effects and you can even run this engine on vapor fuels like propane, methane and natural gas," he said.

With no oil pump, radiator or catalytic converter, the engine should cost less to make, operate and maintain and is beyond the "proof of concept stage" said Schoell, who is now focused on licensing the technology to manufacturers primarily in the transportation, agricultural and heavy equipment sectors.

When Amir Abtahi first learned of the engine he didn't

### CYCLONE POWER TECHNOLOGIES INC.

CEO: Harry L. Schoell, 65

Based: Pompano Beach

Business: Developing an energy-efficient engine

Company ticker: CYPW on Pinksheets.com

Web site: cyclonepower.com

### TIMELINE

1997: Idea for engine invention germinates.

2004: Schoell founds Cyclone Power Technologies; FAU does technical evaluation of Cyclone engine.

2006: Granted U.S. patent in July.

2007: Licensing deal pending for U.S. Postal Service to use engine.

CYCLONE CONTINUES ON 2D

## Housing starts at lowest level in a decade

BY MARTIN CRUTSINGER  
THE ASSOCIATED PRESS

WASHINGTON • Construction of new homes fell to the lowest level in more than a decade in July as builders continued to struggle with the steepest housing slump since 1991.

The Commerce Department reported Thursday that construction of new homes and apartments dropped 6.1 percent last month to a seasonally adjusted annual rate of 1.38 million units. That was down 20.9 percent from the pace of activity a year ago and represented the slowest pace since January 1997.

The housing industry, which had enjoyed a prolonged boom until 2006, has been struggling this year with a deepening slump as builders are slashing prices and throwing in various incentives in an effort to unload record levels of unsold homes. The problems have been worsened by rising home foreclosures, especially in the subprime market, a development that is dumping even more homes onto the glutted market.

Home builders in South Florida have been hit particularly hard. **Lennar Corp.** of Miami and Fort Lauderdale-based **Levitt Corp.** have seen rising contract cancellations as demand for new homes wanes.

Last week, Levitt announced a \$58.1 million loss for the quarter ended June 30, compared with a \$737,000 loss for the same period a year ago. In the past year, the builder has laid off at least 70 employees, about 10 percent of its work force.

The top executive of the nation's biggest luxury home builder delivered an ominous perspective on the regional housing market. Robert Toll, chairman of **Toll Brothers**, last week described South Florida's new-home market as a "flunk minus." Toll has several projects in Palm Beach County.

In other economic news, the Labor Department reported that the number of newly laid off workers filing for unemployment benefits

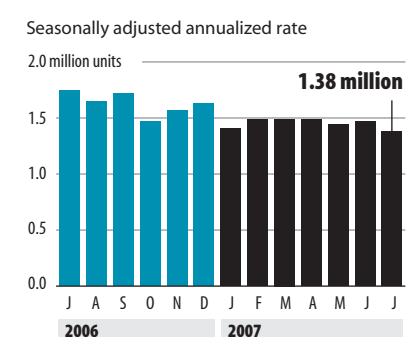
HOUSING CONTINUES ON 2D

### VIDEO REPORT

How will the credit crunch affect the housing market? Find out at [Sun-Sentinel.com/business/realstate](http://Sun-Sentinel.com/business/realstate)

### Housing starts

New homes and apartment units started:



SOURCE: Department of Commerce AP graphic

### THE HELP TEAM GAS WATCH

#### Broward County's lowest gas prices

**BP** \$2.619  
10901 W Oakland Park Blvd., Sunrise

**Sunoco** \$2.639  
8400 W. Oakland Park Blvd., Sunrise

**Chevron** \$2.639  
12607 W. Sunrise Blvd., Sunrise

**BP** \$2.659  
12391 W. Sunrise Blvd., Plantation

**BP** \$2.669  
2300 N. Nob Hill Road, Plantation

#### Palm Beach County's lowest gas prices

**BP** \$2.699  
4567 S. Congress Ave., Lake Worth

**Texaco** \$2.709  
7049 Lake Worth Road, Lake Worth

**Cumberland** \$2.719  
6701 Lake Worth Road, Greenacres

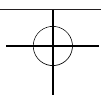
**Cumberland** \$2.739  
627 N. Dixie Highway, Lake Worth

**Cumberland** \$2.739  
929 N. Dixie Highway, Lake Worth

SOURCE: www.autos.msn.com/everyday/gasstations.aspx

**Note to Readers:** Prices do not include all stations in each county and are updated frequently. For up-to-date prices, visit [www.sun-sentinel.com/helpteam](http://www.sun-sentinel.com/helpteam).

-Heather C. McCalla





2D • SOUTH FLORIDA SUN-SENTINEL • SUN-SENTINEL.COM • Friday, August 17, 2007 • NB

# Loan bails out Countrywide

**LENDER**  
CONTINUED FROM PAGE 10

cally trading in the last half hour of the day is where the smart institutional money is going," said Jack Ablin, chief investment officer at Harris Private Bank. "There's a feeling that maybe we've pushed it too far, and this gives us a running start for positive markets worldwide [today]."

Meanwhile, Countrywide's dour announcement shaved 11 percent, or \$2.34, off its stock price, which closed Thursday at \$18.95 a share. And it prompted one credit rating agency to downgrade the lender's rating to near-junk bond status.

Countrywide is the largest mortgage lender by volume, accounting for more than 13 percent of the loan servicing market as of June 30, according to the mortgage industry publication *Inside Mortgage Finance*.

It made the borrowing move

amid a credit crunch that has driven a number of its smaller peers to bankruptcy.

Equity analyst Friedman, Billings, Ramsey Group Inc. said a continued liquidity crunch for more than three months could send Countrywide into bankruptcy.

Other analysts said the credit situation will have far-reaching consequences.

"We're in this situation where one of the biggest home lenders in the country is in significant financial difficulty and is being forced to take fairly extraordinary action to maintain its financial viability," said Tony Hughes, managing director of credit risk for Moody's Economy.com

"This means the threat of a credit crunch is very real. It means that mortgage finance generally will be hard to come by," he said.

Goldman Sachs analyst James Fotheringham said "it would not be in this country's best interest to have its largest

"It would not be in this country's best interest to have its largest mortgage lender cease operations."

James Fotheringham  
Goldman Sachs analyst

mortgage lender cease operations."

Fotheringham said in a research note the country has yet to see the worst of the ongoing mortgage credit crunch.

"Industry trends are not improving," he wrote. "Home prices are 13 percent to 14 percent overvalued [which could take several years to play out]."

Some analysts said Countrywide had bought time with its huge loan.

John Kriz, a managing director of Moody's real estate fi-

nance team, thinks Countrywide now has enough liquidity to meet debt obligations through 2008.

Countrywide President and Chief Operating Officer David Sambol said in a statement the company has "taken decisive steps which we believe will address the challenges arising in this environment and enable the company to meet its funding needs and continue growing its franchise."

The credit agreements require Countrywide to maintain a net worth of at least \$7.68 billion and places some restrictions on the company, including limiting the amount of debt that its mortgage servicing unit can accrue to \$100 million, according to Countrywide's filing with the Securities and Exchange Commission.

Homeowners who make their monthly mortgage payments to Countrywide should not be affected by the company's troubles, experts said.

# Military has shown interest in engine

**CYCLONE**  
CONTINUED FROM PAGE 10

take it seriously.

"We get a lot of calls from people saying the energy crisis is going to be over with their inventions, so we're often very skeptical," said Abtahi, associate professor of mechanical engineering at Florida Atlantic University in Boca Raton.

In October 2004, Abtahi and a colleague did a technical evaluation of the engine and found it to be an "unbelievable improvement on an old idea."

But analyst Phillip Gott, director at Global Insight in Waltham, Mass., warns against buying into "inventor's enthusiasm."

Gott said the external combustion engine concept is fundamentally flawed and there's weakness in its heat transfer process. With 30 years in the automotive industry specializing in technical and competitive advantages, he's skeptical about its viability.

But Gott said they might have uncovered technologies that are of value and with components that have licensing possibilities, the engine should not be discounted.

Last month, Schoell met with parties considering licensing a lawn mower application to run on propane gas.

Other future uses for his engine may include household generators and forklifts.

"We see the future where there is no more internal gas or diesel engines at all," McQueen said.

The U.S. military has shown interest in the engine for tank operations, and a licensee in Coconut Creek, **Advent Power Systems Inc.**, has been working with U.S. Army procurement officials on generator uses, McQueen said.

Advent's CEO and president, Phillip F. Myers, saw the engine on display at a Society of Automotive Engineers trade show and was intrigued by its characteristics.

"It was superior to anything I had seen before and has the realistic potential of replacing diesel and gasoline engines in whatever applications it's used in," said Myers, an industrial and systems engineer with a doctorate from Harvard Business School.

In March 2006, Advent became the exclusive licensee of the Cyclone for U.S. military generator applications and last month signed another license for its use in U.S. Postal Service vehicles.

"We have large and ambitious plans, but the technology and market needs supports this and we are looking forward to a successful outcome," Myers said.

## MOST ACTIVE

NYSE	VSO	Last	Net Chg	Volume
Cntwdfn	28.7	18.95	-2.34	165228700
Citigrp	1.7	47.55	+1.94	85126100
FordM	3.4	7.70	-.30	71159300
Pfizer	0.9	23.39	-.14	63347700
EMC Cp	3.0	18.19	+0.05	62124900

NASDAQ	VSO	Last	Net Chg	Volume
PWSHs QQQ	86.3	45.45	-.45	335523700
SunMicro	4.3	4.72	+0.07	153126300
Intel	1.9	23.10	-.12	112620600
Cisco	1.7	29.30	-.62	100243500
ETrade	21.6	13.55	-.36	91453300

AMEX	VSO	Last	Net Chg	Volume
SPDR	133.8	142.10	+1.06	512185500
iSHR2K nya	340.3	76.75	+1.55	336860400
SP FncI	303.7	33.15	+0.97	161572800
PrUSQQQ	594.9	50.42	+0.73	63799700
DJIA Diam	92.8	129.15	+0.30	51543700

## DIARIES

NYSE	Thur.	Wed.
Advanced	1331	548
Declined	2065	2819
Unchanged	47	67
New Highs	8	6
New Lows	1106	698
Vol. (00)	61293478	43056405

NASDAQ	Thur.	Wed.
Advanced	1394	919
Declined	1728	2152
Unchanged	92	105
New Highs	10	10
New Lows	402	201
Vol. (00)	32509616	22191120

AMEX	Thur.	Wed.
Advanced	333	270
Declined	972	984
Unchanged	74	82
New Highs	29	15
New Lows	359	198
Vol. (00)	17302580	8630603

## BIGGEST GAINERS

NYSE	VSO	Last	Chg	%Chg
LamSessn	17.7	25.80	+6.16	+31.4
Impac pfb	...	11.00	+2.60	+31.0
KKR FncI	9.7	13.25	+2.73	+26.0
Fremont If	5.0	3.83	-.77	+25.2
Crvld	0.4	7.26	+1.15	+18.8

NASDAQ	VSO	Last	Chg	%Chg
FstCharter	9.0	27.94	+7.69	+38.0
SalemCm	0.8	9.09	+1.70	+23.0
UTStrcm	4.3	3.33	-.58	+21.1
Marshld	...	3.00	+0.50	+20.0
Santarus	1.8	2.45	-.38	+18.4

AMEX	VSO	Last	Chg	%Chg
Protalix n	0.3	38.20	+13.76	+56.3
LeJYen wt	16.6	5.81	+1.42	+32.3
BackgrMtr	1.3	36.50	+8.12	+28.6
Rentech	1.2	2.60	-.46	+21.5
Sinovac	1.7	3.13	-.51	+19.5

## BIGGEST LOSERS

NYSE	VSO	Last	Chg	%Chg
AAG 2034	...	17.01	-5.24	-23.6
Corpbnca	...	23.74	-6.51	-21.5
ACA Cap n	2.8	6.34	-1.56	-19.7
AAG 2033	18.50	18.50	-4.52	-19.6
E-House	6.0	12.97	-2.42	-15.7

NASDAQ	VSO	Last	Chg	%Chg
Sharpimg	8.3	3.85	-1.80	-31.9
Dalstrik	0.6	2.19	-.05	-1.94
GrillCon	1.3	5.43	-1.27	-19.0
NeptTc n	...	2.95	-.65	-18.1
AtlantSP	0.3	2.02	-.44	-17.9

AMEX	VSO	Last	Chg	%Chg
CapAllit	6.6	5.57	-1.83	-24.7
NwGold g	1.7	4.74	-1.13	-19.3
PrWor	0.2	14.40	-3.45	-19.3
MinesMgt	1.9	2.82	-.54	-16.1
BMB Mun n	0.7	4.59	-.82	-15.2

\*VSO: Percent volume shares outstanding that were traded. Example: 1.5 means 1.5% of the outstanding shares were traded.

## INDEXES

	Open	High	Low	Last	Chg
30 Industrials	12859.52	12885.85	12517.94	12,845.78	-15.69
20 Transport	4690.36	4693.09	4486.60	4,672.35	-19.97
15 Utilities	475.56	477.51	460.68	474.36	-1.27
NYSE Composite	9089.04	9110.58	8811.55	9,087.10	-1.94
AMEX Index	2153.69	2153.74	2074.88	2,125.91	-27.78
Nasdaq 100	1850.17	1865.47	1805.66	1,846.09	-18.83
Nasdaq Composite	2440.91	2460.50	2386.69	2,451.07	-7.76
S&P 500	1406.64	1415.97	1370.60	1,411.27	+4.57

## AFTER HOURS TRADING

New York Stock Exchange N, Nasdaq Q, Amex A

	4pm	After Hours	4pm	After Hours	
	Close	Last Vol(000) Chg	Close	Last Vol(000) Chg	
AppBio	N	31.65	31.84	3031	+19
CSX	N	41.58	42.27	6508	+69
Citigrp	N	47.55	47.58	5067	+03
CompsBc	O	67.11	66.41	2526	-70
Cntwdfn	N	18.95	20.10	5374	+115
Ctrp.com SO	Q	36.55	36.51	2243	-04
FirstData s	N	31.10	30.27	3011	-.83
HarrahE	N	82.49	83.15	2558	+66
HewlettP	N	46.05	46.14	5832	+09
ISH EAFE	N	73.94	73.94	2248	...

## AT&T SPINOFFS

	52-week	YTD	Hi	Low	Last	Chg		
	Hi Low Tkr Vol	% Chg	Hi	Low	Last	Chg		
AT&T Inc	41.93 29.92	AL	375158	+6.1	38.24	36.53	37.92	-.07
AlcatelLuc	15.43 10.66	ALU	18774	-25.5	10.67	10.10	10.59	-.08
NCR Cp	57.50 32.75	NCR	2044	+11.4	47.79	45.49	47.62	+2.0
QwestCm	10.45 7.41	Q	2425	+4.2	8.78	8.42	8.72	+1.7
VerizonCm	44.10 33.75	VZ	21611	+8.0	40.58	39.27	40.23	-.27

## TREASURY ISSUES

Rate	Matures	Bid	Ask	Chg	Yield	Rate	Matures	Bid	Ask	Chg	Yield
9.25	Feb 16 k	132.07	132.08	+0.28	4.62	7.63	Nov 22 k	128.13	128.14	+1.07	4.95
7.25	May 16 k	118.18	118.19	+0.27	4.64	7.13	Feb 23 k	123.06	123.07	+1.06	4.96
4.88	Aug 16 p	101.27	101.28	+0.26	4.62	6.25	Aug 23 k	113.30	113.31	+1.04	4.97
4.63	Nov 16 p	100.00	100.01	+0.25	4.62	7.50	Nov 24 k	128.31	129.00	+1.07	4.97
7.50	Nov 16 k	121.03	121.04	+0.28	4.66	7.63	Feb 25 k	130.19	130.19	+1.08	4.98
4.63	Feb 17 p	99.31	100.00	+0.25	4.63	6.88	Aug 25 k	122.08	122.09	+1.07	4.99
8.75	May 17 k	131.17	131.18	+0.31	4.68	6.00	Feb 26 k	112.04	112.05	+1.05	4.99
4.50	May 17 p	99.00	99.01	+0.25	4.62	6.75	Aug 26 k	121.14	121.15	+1.08	4.99
8.88	Aug 17 k	133.01	133.02	+1.00	4.69	6.50	Nov 26 k	118.19	118.20	+1.07	4.98
9.13	May 18 k	136.17	136.18	+0.31	4.74	6.63	Feb 27 k	120.08	120.09	+1.08	4.99
9.00	Nov 18 k	136.13	136.14	+1.00	4.77	6.38	Aug 27 k	117.14	117.15	+1.08	4.98
8.88	Feb 19 k	135.21	135.22	+0.31	4.80	6.13	Nov 27 k	114.14	114.15	+1.08	4.98
8.13	Aug 19 k	129.24	129.25	+0.31	4.82	5.50	Aug 28 k	106.22	106.23	+1.07	4.98
8.50	Feb 20 k	133.27	133.28	+0.30	4.85	5.25	Nov 28 k	103.18	103.19	+1.06	4.97
8.75	May 20 k	136.17	136.18	+0.31	4.86	5.25	Feb 29 k	103.17	103.18	+1.06	4.98
7.88	Aug 20 k	136.27	136.28	+0.30	4.88	6.13	Aug 29 k	115.09	115.10	+1.10	4.97
7.88	Feb 21 k	129.00	129.01	+1.04	4.91	6.25	May 30 k	117.14	117.15	+1.11	4.96
8.13	May 21 k	131.24	131.25	+1.06	4.92	5.38	Feb 31 k	105.23	105.24	+1.09	4.96
8.13	Aug 21 k	132.01	132.0								