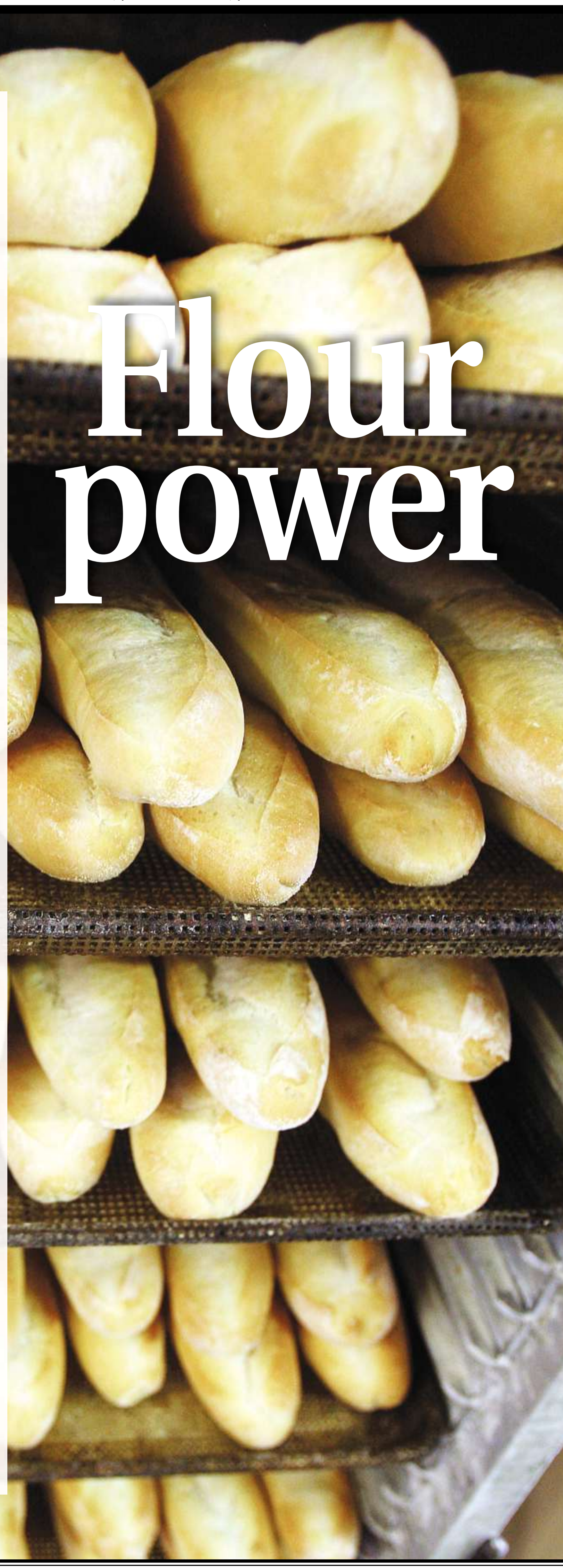
BUSINESS SUNDAY

Section 3 | July 6, 2008 | The Business of New Jersey 4 Your Money 6 Market Watch 7

Sunday Star-Ledger



Flour power

PHOTOS BY ANDREW MILLS/THE STAR-LEDGER

Frank Formica, owner of the Formica Bros. Bakery in Atlantic City, says baking is in his blood.

Atlantic City bakery perseveres amid high costs, changing times

BY JUDY DeHAVEN
STAR-LEDGER STAFF

Frank Formica is a bread baker, down to the core.

Sure, he had his moments. After high school, he toyed with the idea of moving to L.A. to become a rock star, although he didn't get much farther than the carnies in Cape May. And he did leave baking — once — for a stint at Resorts International.

But he always returned to Ducktown, once the "Little Italy" of Atlantic City, to a quaint bakery on Arctic Avenue across the street from the legendary White House Sub Shop.

There, the Formica Bros. Bakery still uses the recipe his grandparents created nearly a century ago to churn out 45,000 pieces of bread a day, along with tomato pies, biscotti and cannolis.

"Flour is in my blood," he said.

Not that it's been easy. The Formicas have weathered wars, expensive government regulations, the Atkins diet craze and the advent of big-name casino chefs, who initially turned up their noses at the A.C. baker.

"Atlantic City is famous for its breads and its subs," said Sen. Jim Whelan (D-Atlantic). "Formica Bros. Bakery is an institution in Atlantic City, and Frank has managed to keep it going."

Now comes the latest challenge: The one-two punch of rising wheat and fuel prices.

His fuel costs have nearly doubled, to $104,000 a year. But the real problem is the wheat. Flour has gone to 40 cents a pound, from 16 cents a pound. For Formica, that's $20,000 a week, or $1 million a year. He blames the high prices on government policies to pump up ethanol production.

[See **BREAD,** Page 2]

Rising to the occasion

1919: Francesco Formica opens bakery with his wife, Rosa.

1928: Francesco moves bakery to its current location at 2310 Arctic Ave., building a brick oven that burns continuously until 1988.

1929: During Great Depression, Rosa invites neighborhood women to bake in the ovens, since the coal has to keep burning.

1941: Business takes off during World War II, when soldiers traveling through Atlantic City make the "submarine sandwich" popular.

1946: White House Subs opens in A.C., and soon Formica is supplying hoagie rolls to the legendary sandwich shop.

1987: Frank Formica, the current owner, buys the bakery business from his uncles.

1988: Brick coal ovens upgraded to brick-lined, gas-fired ovens.

2006: The Arctic Avenue storefront goes upscale, with WiFi, Seattle's Best coffee and jazz on weekend nights.

Oil's rise helped by loopholes

Crude, other commodities now easier to manipulate

BY SAM ALI
STAR-LEDGER STAFF

ICE. Dark markets. The Enron loophole. Swap dealers. The London-Dubai loophole. No-action letters. These are not words that roll off your tongue when you fill up your car with $4-a-gallon gas.

But they should be.

Testimony from nearly 40 congressional hearings held so far this year shows investors, such as hedge funds and investment banking firms, are using loopholes in commodities laws to manipulate the market and drive crude oil, heating oil, gasoline and diesel fuel prices to new heights. Just last week, oil surpassed $145 a barrel for the first time.

"Money goes wherever it is invited, and it has been invited into the commodities market by lax regulations," said Mark Cooper, director of research at the Consumer Federation of America.

The exact role speculative trading is having on soaring oil prices remains a topic of hot debate. But one oil analyst said deregulation of the commodities markets since 2000 has created "the world's largest gambling hall."

"It's open 24/7," said Fadel Gheit, a senior oil analyst at Oppenheimer, the Wall Street securities firm. "Unfortunately, it is totally unregulated. This is like a highway with no cops and no speed limits, and everybody is going 120 miles an hour."

So far, lawmakers have introduced nine different bills designed to tackle escalating fuel prices and limit or ban speculators from the markets that could ultimately transform how oil is traded, affecting everyone from Wall Street investment banks to consumers at the gas pump.

THE ENRON LOOPHOLE

It happened one day in Washington, just before the 2000 Christmas recess, said Michael Greenberger, a professor at the University of Maryland and a former board member of the Commodities Futures Trading Commission.

A 242-page bill drafted by Enron lobbyists and co-sponsored by Texas Sen. Phil Gramm — then chairman of the Senate Finance Committee — was inserted into an 11,000-page appropriations bill without the benefit of a floor debate or any hearings, Greenberger said.

The effect of the Commodities Futures Modernization Act of 2000 has been far-reaching.

Before this law, trading of oil futures and other commodities in the United States was limited to exchanges such as the New York Mercantile Exchange, or Nymex, which are regulated by the Commodities Futures Trading Commission to guard against price manipulation.

Futures are contracts where one party agrees to buy or sell a certain commodity, such as a barrel of oil, at a certain price at

[See **OIL,** Page 4]

For retired Rutgers professor, new role not lost in translation

BY JEFF MAY
STAR-LEDGER STAFF

When it comes to corporate gobbledygook, William Lutz shares your pain.

As a consultant to promote the use of plain English in financial documents, the retired Rutgers professor managed to plow through 58 mutual fund prospectuses before crying "uncle."

"My brain was turning to pablum," he said.

Imagine the strain on his cerebral cortex now.

Lutz, author of "The New Doublespeak: Why No One Knows What Anyone's Saying Anymore," has been put in charge of a Securities and Exchange Commission effort to fundamentally revamp the way companies provide information to the investing public.

LUTZ

It took 75 years for regulators to come up with an eye-glazing collection of 10-Ks, DEF14As, SC-13G/As and other arcane reporting documents. Lutz, named to his post two weeks ago, has six months to assemble a plan to reshape disclosure from the ground up.

"The technical term is 'blow up all the forms,'" he said.

A professor emeritus of English at Rutger's Camden campus, Lutz was enjoying retirement when SEC chairman Christopher Cox asked him to lead the first phase of the agency's "21st Century Disclosure Initiative." Lutz had worked on a few projects for the federal agency before, including the SEC's "Plain English Handbook," but this was a challenge of a different sort — and not just because of the tight deadline.

"If I pull this off, I can have a significant effect on disclosure not just in the United States, but in all those countries that follow the United States," he said. "Wow."

One advantage Lutz has in his new role: He's a securities lawyer, as well as a language expert. Exploiting a loophole that has since been closed, the professor was able to earn a law degree for free at Rutgers, taking classes at night while teaching English during the day.

"(Supreme Court) Justice Brennan once wrote an article that said the best preparation for law school is the study of poetry," he said, adding he had the same revelation in torts class.

"Law is close, careful precise reading of language, which is what poetry is," he said. "The other thing you do in law is you understand the slipperiness of language."

Lutz has been tracking the growing currency of doublespeak — language that is deliberately fuzzy or insincere — in public life, often to humorous effect. The title of one article he wrote takes Ben Franklin's famous phrase about death and taxes and translates it into the form's maddeningly opaque language: "Nothing in Life Is Certain Except Negative Patient Care Outcome and Revenue Enhancement."

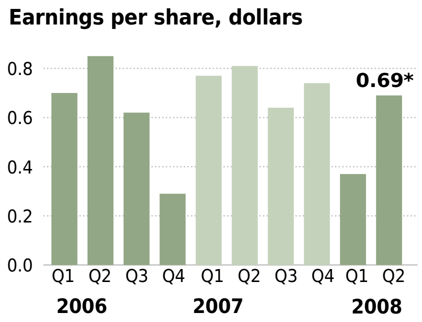
When it comes to corporate America, Lutz is particularly unsparing. Alan Greenspan is ridiculed for his inscrutable utterances as Federal Reserve chairman. In "The New Doublespeak," the field of

[See **LUTZ,** Page 2]

WHAT TO WATCH

The Q2 earnings season gets under way this week when Alcoa — traditionally the first company in the Dow Jones industrial average to report financial results — releases its earnings for the second quarter. Interest on Wall Street is higher than usual; investors want to know whether the weakening economy and lagging consumer confidence are hurting companies' bottom lines. As for Alcoa, the economic climate has been a double-edged sword for the No. 1 aluminum producer: Record commodities prices, including for metals, have been a boon, while rising energy prices have pushed up costs.

Earnings per share, dollars



* Consensus forecast of Wall Street analysts
SOURCE: Reuters.com THE STAR-LEDGER

WINNERS + LOSERS

RICHARD GRASSO

Not bad for a guy who started out as a New York Stock Exchange clerk. Last week, the New York Supreme Court tossed two claims against former Exchange chairman Richard Grasso, ruling he could keep his $190 million pay package.

STARBUCKS' BARISTAS

Once a hot commodity, coffee-shop giant Starbucks is losing its perk. Last week, the Seattle-based company said it was closing 600 of its stores and saying bye-bye to thousands of baristas.

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