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BUSINESS C

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>>Ticker	Dow Jones	NASDAQ	S&P 500	10-year bond	Oil	Gold	Euro	Soybeans	Corn
	11,388.44	2,273.90	1,255.08	3.81%	$104.55 bbl.	$864.70 oz.	$1.4470	$11.435 bshl.	$5.4225
	+368.75	+74.80	+48.57	+0.18	+$6.67	-$32.30	+$0.01	+$0.275	+$0.15

Where the credit crunch hits hardest

Small businesses find financing harder to come by as lenders pull back to boost their cash reserves.

By Nicole Garrison-Sprenger
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A week ago, Ryan King's latest rehab project was running smoothly. But by Wednesday, things started to fall apart.

King buys foreclosed properties, fixes them up, and rents them out. Most recently, he bought a duplex in Richfield with money from a private investor, who charges him 15 percent interest. Usually, he quickly refinances into a 30-year fixed mortgage at a lower rate.

But on Wednesday, King discovered the line of credit he uses to pay contractors and other bills had been slashed 30 percent. Though his bank told him it sent a notice a month ago, he says he never saw it.

"I'm pretty sure I would have noticed that," he said.

King also said he got an e-mail this week from his bank letting him know that it changed its rules on the number of mortgages it allows per person. It used to be 10, now it's four. King's Richfield project puts him over that limit.

"If I can't get this property refinanced, I'll have to sell it at a discount to get out from under this investment financing," King said.

Welcome to the front lines of the credit crunch: small business.

As lenders pull back, either because of their own problems or because regulators force them to put more money into reserves to cover potential losses, capital becomes harder to come by, said Patricia Hines, a research director for market research firm TowerGroup.

Small businesses are heavily dependent on bank financing. About 39 percent of small businesses in the United States have lines of credit, Hines said.

The sweeping moves announced by the federal government Friday are designed in part to open up those credit channels, but how that will all

CREDIT CRISIS, 4C ›

VeraSun to explore options after axing stock sale

Stressed ethanol maker hires Morgan Stanley

By Tom Webb
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Its finances teetering, the nation's largest ethanol producer, VeraSun Energy, canceled a planned stock offering late Thursday to search for an angel, a buyer or a partner.

VeraSun has turned to investment adviser Morgan Stanley, seeking "strategic alternatives," as it staggers under at least $63 million in corn-hedging losses, and questions about its ability to service some $1.5 billion in debt.

Only last November, Sioux Falls, S.D.-based VeraSun bought rival Inver Grove Heights ethanol startup US BioEnergy. At the time, the purchase had a value of some $476 million. But VeraSun's stock has plummeted since.

VeraSun closed Friday at $1.72, up 26 cents. Shares are down 85 percent from a year ago.

Farm and energy cooperative CHS Inc. was an initial partner in US BioEnergy, and still holds an 8 percent interest in VeraSun. When the acquisition of US BioEnergy closed April 1, Inver Grove heights-based CHS was barred from selling VeraSun stock for six months.

While all U.S. ethanol producers have faced tight margins, VeraSun's woes multiplied in July after it made some disastrous hedging decisions in an explosive corn market. Based on its regulatory filings, it's paying nearly $7 a bushel for corn that now sells for closer to $5 a bushel. Potential hedging losses could top $100 million.

This week brought a scramble for cash and a downgrade Wednesday by Moody's Investor Services to VeraSun's credit rating. The company first announced plans to raise $100 million with a new stock offering, and then scrapped it Thursday night "in light of strategic interest expressed by multiple parties," according to a news release.

Piper Jaffray analyst Michael Cox said in a client note that asset sales could be the most likely option, the Associated Press reported.

VeraSun's assets include 16 ethanol plants. Two are in Minnesota: a newly constructed plant in Welcome, and another under construction in Janesville. Both are huge plants, by industry standards, capable of producing 110 million gallons of ethanol a year.

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>> Markets

One bleak week

ASSOCIATED PRESS: HENRY RAY ABRAMS

Bank of America specialists Peter Giacchi, right, and Michael Bonanno keep an eye Friday on the numbers where Goldman Sachs is traded on the floor of the New York Stock Exchange. Goldman shares rose 20 percent in Wall Street's end-of-the-week rally.

Wall Street is bruised, transformed amid tumult

By Ellen Simon
Associated Press

NEW YORK — One of the most tumultuous weeks in the 216-year history of Wall Street closed with a dramatic two-day rally as investors celebrated an unprecedented government plan to cleanse banks of the bad mortgages that last year touched off a crisis in world finance.

The details of the rescue — not to mention how many hundreds of billions of dollars it will cost — remained a mystery, but investors snapped up stocks anyway in hopes the end of the credit crisis was near.

The Dow Jones industrials shot up about 370 points, giving the index a two-day gain of about 780. The week also included a drop of more than 500 points on the Dow on Monday and nearly 450 points on Wednesday.

You would never have known it from the anxiety that gripped Wall Street and Washington, but stocks ended the week virtually unchanged, with the Dow Jones industrial average down 33.55 points for the week, or 0.3 percent.

As the closing bell sounded at the New York Stock Exchange, traders could finally pause and reflect on a week of operatic reversals of fortune and federal intervention that remade Wall Street itself.

Among the highlights:

Lehman Brothers declared bankruptcy early Monday and spooked Merrill Lynch, which fled into the arms of Bank of America in a planned all-stock deal valued at roughly $55 billion based on Friday's stock prices. By Tuesday, Lehman had sold off its North American operations to British bank Barclays PLC.

Then late Tuesday, the Federal Reserve extended an $85 billion loan to insurer American International Group, in exchange for a nearly 80 percent stake in the company. AIG, which was on the verge of going under, was booted off the Dow industrials index of 30 companies, and will be replaced by Kraft Foods on Monday.

Then on Thursday night, the government announced it was preparing to take

WALL STREET, 4C ›

Here are steps for easing worries over your investments, job, other concerns

Don't dump stocks, do reduce risk

By Ron Lieber
New York Times

Every piece of your financial life involves at least a bit of risk. What made this week extraordinarily rare, and so terribly frightening, was that all of the threats were on display at once.

Sure, investing for retirement involves some ups and downs. But this week, the stock market took the biggest one-day fall in seven years (though it bounced right back as the week ended). And yes, plenty of people worry about job security from time to time. But with the economy threatening to slow further, you had to wonder whether your job might be next.

Then there was insurance. Maybe once a decade, a big insurance company is on the brink. This week, the global giant American International Group had a near-bankruptcy experience, leading scores of people to worry themselves sick over their annuities and life insurance policies from that company and others. And as Treasury Secretary Henry Paulson reminded everyone in his remarks on Friday morning, all of these developments have the mortgage mess at their root, leaving anyone who owns a house (or wants to) wondering whether real

SURVIVING THE CRISIS, 2C ›

Ameriprise sues fund manager over early Lehman disclosure

By Nicole Garrison-Sprenger
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Ameriprise Financial of Minneapolis filed a lawsuit Friday accusing a New York money manager of secretly warning some investors that its money-market fund was exposed to losses in the wake of Lehman Brothers' bankruptcy.

The lawsuit accuses Reserve Management Co. — manager of the Primary Fund, a money-market fund in which Ameriprise and a subsidiary had placed $3.2 billion in assets on behalf of more than 300,000 retail clients — of contacting certain investors about its Lehman exposure shortly after news of Lehman's bankruptcy filing broke on Monday.

Investors who were left in the dark found out a day later — when the shares were worth as little as 95 cents, the lawsuit said.

The tip "regarding the fund's substantial exposure to Lehman securities and the likelihood of the fund's 'breaking the buck' was to the great detriment of plaintiffs and the other non-tipped shareholders," Ameriprise said.

On Tuesday afternoon, Reserve Management released a statement notifying investors that its net asset value had fallen to 97 cents a share because of losses on debt issued by Lehman Brothers. By then, assets in the Primary Fund, which were about $64 billion before the selective notification, according to Ameriprise, had fallen to $23 billion.

The suit, which Ameriprise filed to protect the interests of its retail clients, claims individual investors were not given the same opportunity as large institutions to withdraw their money and avoid the losses associated with the fund's reduced net asset value.

Reserve Management said it had no comment.

Bloomberg News contributed to this report. Nicole Garrison-Sprenger can be reached at 651-228-5580.