Los Angeles Times

BUSINESS

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DOW 11,215.13 ▲ 26.41 | S&P 500 1,197.96 ▲ 4.39 | NASDAQ 2,540.27 ▲ 6.75 | GOLD $1,337.10 ▼ 19.30 | OIL $84.69 ▲ 0.79 | EURO $1.410 ▲ 0.006 | U.S. T-NOTE (10-yr.) 2.62% ▲ 0.03

GINA FERAZZI Los Angeles Times

WEIGHING ANCHOR: Bert Dezzutti, senior vice president at 7+Fig landlord Brookfield Office Properties, and Carmen Moch, group vice president at Target, had welcome news for downtown L.A. residents.

RETAIL

Move to downtown site right on Target

A not-so-big-box store at the 7+Fig mall reflects the discounter's new urban strategy

ANDREA CHANG AND ROGER VINCENT

Los Angeles Times

Retail giant Target Corp. is heading to downtown Los Angeles, part of a growing trend of big-box retailers taking advantage of a beaten-down urban real estate market.

The 7+Fig mall — which has been without an anchor tenant since Macy's left early last year — will get the new Target, which will be smaller than most and carry a different merchandise mix, with a heavy emphasis on food and household basics.

"It's really about trying to magnify the relationship that we have had with those urban central core guests," said John Griffith, Target's executive vice president of property development. "We believe that as we offer them an alternative that is immediately adjacent to where they work, where they live, that we can increase the depth of that relationship."

Expected to open in 2012, the store will be located in a combined space on one floor formerly occupied by Macy's and Bullock's department stores, with offices and storage on other levels.

It will also give downtown denizens the major retailer they've long been waiting for, and retail analysts say Target — which is perceived as a cool place to shop by consumers despite its discount label — is the right fit.

Christine Baisez, 41, moved downtown seven years [See Downtown, B5]

COMPANY TOWN

MGM, in deal, files for Chap. 11

Investor Carl Icahn backs a plan in which Spyglass executives *will* run the studio.

BEN FRITZ AND CLAUDIA ELLER

Metro-Goldwyn-Mayer, the fabled studio whose origins go back to Hollywood's earliest days, filed for bankruptcy protection, sagging under a mountain of debt.

The filing, made Wednesday morning in New York, came after MGM's leading creditors struck a deal with corporate raider Carl Icahn, who had amassed about 15% of the company's debt and was previously pushing for a merger between MGM and rival studio Lions Gate Entertainment.

Instead, Icahn agreed to support a plan under which the chief executives of film production and finance company Spyglass Entertainment will run MGM when it exits Chapter 11, which could occur as quickly as next month.

Under the prepackaged bankruptcy plan, MGM's $4 billion in debt will be swapped for more than 99% of the equity in the reorganized company. Spyglass principals Gary Barber and Roger Birnbaum will become co-chief executives and co-chairmen, managing a smaller studio with lower

ELECTION 2010

Business' new friend: Congress

Future GOP leaders in the House pledge less meddling and a closer review of regulations.

JIM PUZZANGHERA
REPORTING FROM WASHINGTON

The Republicans' big election gains will make the new Congress more business-friendly, with incoming leaders in the GOP-controlled House pledging less government involvement in the private sector and more scrutiny of new regulations.

President Obama also appeared to get the message, promising Wednesday to change his approach on business issues after his party took what he called a "shellacking" by voters.

He signaled he was ready to compromise on a temporary extension of the Bush-era tax cuts — a major concern for many businesses. And he acknowledged that he had not found "the right balance" between increasing regulation to protect consumers and setting "the right tone publicly" to encourage businesses to expand.

"There's no doubt that when you had the financial crisis on Wall Street, the bonus controversies, the battle around healthcare, battle around financial reform, and then you had [the] BP [oil spill], you just had a successive set of issues in which ... business took the message that well, gosh, it seems like we may be always painted as the bad guy," Obama said at a news conference.

"And so I've got to take responsibility in terms of making sure that I make clear to the business community, as well as to the country, that the most important thing we can do is to boost and encourage our business sector and make sure that they're hiring."

Changing the rhetoric will be easier than passing legislation. Although Republicans took the majority in the House, Democrats still control the Senate and the White House.

Business desperately wants the tax cut extension and approval of foreign trade agreements, but a legislative stalemate on other issues wouldn't be all bad, said Bruce Josten, the chief lobbyist for the U.S. Chamber of [See Congress, B5]

AUTOS

GM FILES PRICING FOR IPO

The $13-billion plan comes as data show October sales rose 13.4% in the U.S.

JERRY HIRSCH

Amid more signs of recovery in the U.S. auto industry, General Motors Co. detailed plans to sell shares on the stock market that would sharply reduce the U.S. government's stake in the nation's largest automaker.

GM said in a filing with federal regulators Wednesday that it would float a $13-billion public offering this month. It said the price of the shares would be $26 to $29, depending on investor demand for the stock.

The offering will reduce the government's ownership to minority status, taking it to about 43% of the company from the current 61%. Taxpayers became the majority owners of the automaker during its bankruptcy reorganization and federal bailout last year. The offering will also trim the stakes of two other large shareholders, the United Auto Workers union and the Canadian government.

The filing with the Secu-

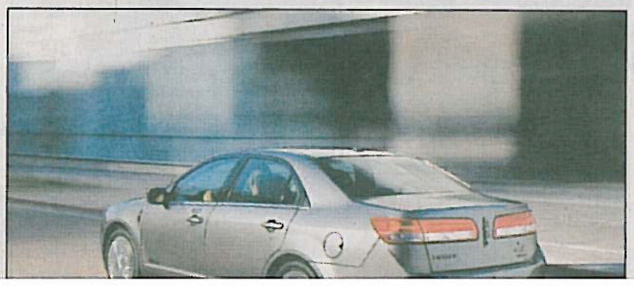
CAR REVIEW

Lincoln's MKZ hybrid: Quietly eco-friendly and still true to form

There's nothing bare-bones about this substantial and square-jawed vehicle.

SUSAN CARPENTER

Driving eco is often



Health insurers post profit gains

WellPoint and Aetna, which both posted higher third-quarter earnings, said reduced healthcare costs aided the bottom line. B2

Facebook's new Deals program

The company says the feature would allow merchants to deliver coupons and specials to Facebook users' phones. B3

Business gains new friend: Congress

[**Congress**, from B1]
Commerce.

"Sometimes 'no' is a good answer," said Josten, whose organization pledged to spend up to $75 million this year to elect more business-friendly candidates. "Gridlock has always proven to be more effective at reducing government spending and deficit than anything else."

Rep. John A. Boehner (R-Ohio), who is expected to become House speaker when Republicans formally take control in January, said Wednesday his party would "renew our efforts for a smaller, less costly and more accountable government."

The Bush-era tax cuts expire at the end of the year unless Congress acts. Republicans want to extend them all, while Obama wants to allow the cuts to expire for joint filers earning more than $250,000 a year.

About 3% of businesses that file personal returns, which account for about half the business income reported individually, would be hit with a tax increase under the Obama plan. Republicans and business groups have said the uncertainty over the future of the tax cuts has hindered new hiring.

Boehner said Republicans "continue to believe that extending all of the current tax rates for all Americans is the right policy for our economy at this time."

Obama and Senate Majority Leader Harry Reid (D-Nev.) said they were open to a deal, with the priority to keep tax rates on average Americans from going up Jan. 1.

Obama said he wanted to meet with Republican and Democratic congressional leaders in the next few weeks. He wants to reach an agreement "that extends those tax cuts that are very important for middle-class families [and] also extends those provisions that are important to encourage businesses to invest, and provide businesses some certainty over the next year or two."

Boehner has called for repeal of the healthcare reform law and the overhaul of financial regulations. But analysts said wholesale repeal of either is highly unlikely given Democratic opposition.

Even so, Boehner said House Republicans would increase their oversight of the administration, specifically pointing to the hundreds of new rules being drafted by regulators under the financial reform law.

Such oversight, which would slow the rule-writing process, "is important so that not only will the Congress understand but the American people will understand just what this bill will do to our financial services industry," he said.

Wall Street has been pounded by Democrats for its role in the financial crisis. Obama derided executives as "fat-cat bankers" last year and proposed a tax on the 50 largest financial institutions to recoup projected losses in the $700-billion bailout fund. The financial overhaul enacted the most sweeping tightening of regulations on the industry since the Great Depression.

But the major players in pushing the legislation into law will be out of power next year. Analysts already predict the new bank tax is dead with the Republican gains.

Rep. Spencer Bachus (R-Ala.) is in line to supplant Rep. Barney Frank (D-Mass.) as chairman of the House Financial Services Committee, but Rep. Ed Royce (R-Fullerton) said Wednesday that he also would seek the post. Both fought hard against the financial overhaul.

Bachus said Wednesday he would pursue "vigorous oversight" of the financial reform law and would try to revise new regulations on complex securities known as derivatives, which financial firms, especially, use to hedge their risks. Those new regulations, he said, reduce a company's available cash and cost the economy jobs.

"There are a lot of things we can accomplish in a short time if we have some bipartisan cooperation from moderate Democrats, and the message the American people sent to them ... is either get off the train or get with this idea of resisting Obama's over-reaching, expansionist policy," Bachus told CNBC.

In the Senate, retiring Banking Committee Chairman Christopher J. Dodd (D-Conn.) is likely to be replaced by Sen. Tim Johnson (D-S.D.). South Dakota is home to Citigroup Inc.'s credit card operation, and Johnson is viewed as more friendly to the industry than Dodd was.

Johnson said Wednesday that lawmakers should wait to see the proposed derivatives rules before seeking revisions. "I am willing to consider changes where there is consensus, but I don't see the votes in place for any wide-ranging repeal or reductions in transparency of this critically important market," he said.

Republicans also are expected to push aggressively to dismantle the seized housing-finance giants Fannie Mae and Freddie Mac.

Regulators took over the former government-sponsored enterprises in September 2008 amid mounting losses from the collapse of the real estate market. Taxpayers now own 80% of the firms, and their combined bailout has cost about $148 billion so far.

Their regulator warned last month that the losses could more than double if the economy falls into a deep, double-dip recession. Federal Reserve action Wednesday to pump more money into the economy was designed in part to avoid a lapse into recession.

On Wednesday, Freddie Mac reported a net loss of $2.5 billion from July through September and requested an additional $100 million in bailout money.

Democrats also want to overhaul the housing-finance system, and the administration is required under the financial reform law to produce a plan by January. Experts said that is one business issue on which the parties could find common ground.

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Target to move to cozy downtown quarters

[**Downtown**, from B1]
ago because she liked the big-city feel, the growing art scene and the walkable neighborhood. But she grew frustrated at having to leave downtown to go grocery shopping and buy household staples for her loft.

"We don't have anything. I have to drive to Silver Lake or South Pasadena," she said. Target "is a must."

Target's agreement to rent more than 100,000 square feet at the corner of 7th and Figueroa streets is one of the largest retail leases in decades downtown, easily surpassing the 50,000 square feet taken by a Ralphs supermarket in 2007.

It's also the first step in a large-scale makeover of the 7+Fig shopping center, said Bert Dezzutti, senior vice president of landlord Brookfield Office Properties.

The 330,000-square-foot mall opened in 1986 and was intended to cater primarily to downtown office workers. Since then, thousands of residents have moved into the neighborhood, and the multibillion-dollar Staples Center and LA Live developments have opened a few blocks away.

"LA Live has food, but no place to shop," Dezzutti said. Brookfield plans to turn 7+Fig into a more sophisticated center to complement the improvements on nearby streets. "There will be a lot of exciting apparel and consumer retailers as well as iconic brands and signature eateries."

He declined to identify potential tenants but said other retailers were in discussions to rent space. The leases of some existing tenants expire at the end of the year and will not be renewed, he said. Among the largest businesses now are Morton's Steakhouse, Gold's Gym and California Pizza Kitchen.

With its emphasis on food, Target is expected to offer competition to the nearby Ralphs.

Executives at Target and Brookfield declined to discuss financial details of the lease, which was signed earlier this week.

Downtown's retail landscape is showing signs of improvement after hitting bottom in 2008, said real estate broker Derrick Moore of CB Richard Ellis.

Seventh Street has emerged as a restaurant row, and more upscale eateries are coming, along with other retailers, he said.

"Restaurants and bars still lead the way," Moore said. "Now we have more supermarkets looking for sites, and soft goods retailers including fashion are testing the market."

Target's downtown move signals a new direction for the Minneapolis-based discounter to bring smaller stores to more dense metropolitan markets. The big-box retailer currently has 1,752 stores, predominantly in suburban areas.

Target rented nearly 104,000 square feet downtown; in comparison, the average Target store is 130,000 square feet, and the average Super Target is 175,000 square feet. With a smaller space and a mainly urban customer, the store will offer a reduced assortment of furniture and outdoor items.

Griffith said that, in addition to the downtown L.A. location and a smaller store planned for Seattle, the discount chain is also looking at opportunities in San Francisco, Chicago, New York, Boston, Philadelphia, Miami, Minneapolis and the Washington-Baltimore area.

The small-store format might also be heading to the Westside, where real estate insiders expect Target to take over a vacant space in Westwood that was originally a Bullock's and most recently an Expo store. Target declined to comment on that location.

Wednesday's announcement echoed similar plans recently unveiled by rival Wal-Mart Stores Inc. to open smaller stores that will focus on groceries in urban and small-town markets.

Bill Simon, chief executive of Wal-Mart U.S., said at the company's annual meeting last month that there were "hundreds, if not thousands, of opportunities in the U.S. for small formats."

Historically, discount stores have had a difficult time penetrating urban markets, said Bill Dreher, senior retail analyst at Deutsche Bank Securities. With the recession opening up a glut of large commercial real estate spaces around the country, retailers have begun to focus on untapped opportunities.

"Both the major discount stores — Target and Wal-Mart — have recognized that to finish 'storing up' the United States they need to have a format which addresses the urban market," he said, adding that city dwellers "tend to have a higher disposable income and higher taste level."

Even warehouse behemoth Costco Wholesale Corp. has begun eyeing opportunities in more crowded areas, announcing over the summer that it would open a handful of stores in malls, including one at the Village at Westfield Topanga.

"The markets that are underserved or attractive these days are urban areas," said David Messner, vice president of real estate at Costco. "As we look at where our holes are, a lot of times it turns out to be those close-in, downtown areas that have high barriers to entry from a real estate perspective.

"With the market downturn, we're seeing more opportunities. But things are still expensive — no easy deals out there."

Downtown workers said that having a Target nearby would add convenience to their busy schedules.

"A Target would be fantastic — it would be a welcome addition," said Natalie Stone, a research attorney who lives on the Westside but works downtown. "I'd love to be able to pick up basics on my lunch break or on my way home."

With Target on its way, there's only one thing missing from the neighborhood, downtown resident Baisez said: "Trader Joe's."

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EARNINGS ROUNDUP

NEWS CORP.

Political ads, hard dealing boost profit

News Corp. benefited from political ad spending and a hard-nosed bargaining strategy with pay-TV operators, as gains in its TV and cable segments helped net income grow in the latest quarter.

The New York-based media giant controlled by Rupert Murdoch said Wednesday that net income in the fiscal first quarter, which ended Sept. 30, rose 36% to $775 million, or 30 cents per share, from $571 million, or 22 cents, a year earlier. Revenue grew 3% to $7.43 billion.

Analysts polled by Thomson Reuters expected earnings of 24 cents a share on revenue of $7.42 billion.

The company's Class A shares jumped 46 cents, or 3.1%, to $15.40 in after-hours trading after the release of results. They closed up 23 cents, or 1.6%, at $14.84 in the regular session.

The company recently concluded tough negotiations with Dish Network Corp. and Cablevision Systems Corp. In Dish's case, News Corp.'s Fox blacked out cable channels such as FX and regional sports networks to 14.3 million subscribers for a month. Fox played hardball and cut signals to two games of baseball's World Series to Cablevision's 3 million customers. Deals were reached last week to end both blackouts.

At the start of the year, Fox also ended a noisy fee fight with Time Warner Cable Inc. that threatened college football.

Fox News Channel, meanwhile, said it drew more viewers than CNN, MSNBC and CNBC combined.

Its newspaper business, which includes the Wall Street Journal, also rebounded, benefiting from a 13% gain in advertising revenue.

Losses grew at its "other" segment, which includes its recently revamped social networking site MySpace.

TIME WARNER

Earnings fall but beat forecasts

Time Warner Inc., the media conglomerate behind Warner Bros., HBO, CNN and DC Comics, said its third-quarter profit fell, but adjusted earnings surpassed Wall Street's expectations thanks to growing subscription and ad revenue in its networks business.

Providing more evidence that the advertising freeze has begun to thaw, the company again raised its adjusted earnings outlook for 2010, saying it now expects growth in the high 20% range.

Time Warner said its net income was $522 million, or 46 cents a share, down 21% from $662 million, or 56 cents, a year earlier.

Excluding one-time items, the company earned 62 cents a share, easily surpassing analysts' estimates of 53 cents. Adjusted earnings excluded a charge of $295 million related to debt redemptions.

Revenue climbed 2% to $6.38 billion. Analysts, on average, had expected slightly higher revenue of $6.41 billion, according to a Thomson Reuters poll.

Time Warner's film revenue was flat at $2.8 billion, even with the release of the blockbuster "Inception." That is compared with last year, which had its own big releases such as "Harry Potter and the Half-Blood Prince" and "The Hangover."

Revenue at Time Warner's networks segment, which includes HBO and Turner Broadcasting, grew 9% to $3 billion, boosted by growing ad revenue and higher subscription rates.

QUALCOMM

Results, forecast top expectations

Qualcomm Inc., the developer of chips and technology for cellphones, said results for the latest quarter blew past expectations on strong sales of components for smart phones.

The San Diego-based company also forecast results well above expectations in the new quarter.

Qualcomm said it earned $865 million, or 53 cents a share, in its fiscal fourth quarter, which ended in September. That's up 8% from $803 million, or 48 cents, a year earlier.

Excluding some investment results and other items, Qualcomm earned 68 cents a share, well above the 59 cents estimated by analysts polled by Thomson Reuters.

Revenue rose 10% to $2.95 billion. Analysts were expecting $2.85 billion.

THQ

Loss widens on lack of new titles

Video game publisher THQ Inc. widened its loss in the second quarter as a lack of new releases hurt its sales.

THQ, known for video game franchises such as WWE SmackDown vs Raw and Saints Row, posted a loss of 60 cents a share, compared with a loss of 37 cents a year earlier.

THQ's sales were $77.1 million, down 23% from a year earlier but ahead of Wall Street's target of $66.38 million.

The company had a net loss of about $47 million, compared with a net loss of $5.6 million a year earlier.

WHOLE FOODS

Earnings more than double

Whole Foods Market Inc. more than doubled its fourth-quarter net income as sales rose, prompting the grocer to raise its full-year outlook.

Whole Foods, based in Austin, Texas, said net income rose to $57.5 million, or 33 cents a share, from $28.7 million, or 20 cents, a year earlier.

Revenue increased 15% to $2.1 billion.

The results beat analyst expectations for earnings of 28 cents a share on revenue of $2.07 billion, according to a poll by Thomson Reuters.

— TIMES WIRE REPORTS