

C Business

REAL ESTATE + GROWTH

+ Dow Jones **+53.58** • 11,613.53
 + NASDAQ **+3.35** • 2,579.46
 + S&P 500 **+5.97** • 1,218.89
 + 10-year Treasury **+0.05** • 2.22%
 - Crude Oil **-\$0.09** • \$88.81
 + Gold (N.Y.) **+\$1.80** • \$1,828.50
Dollar • One U.S. dollar equals:
 + Euro **+0.0033** • 0.6957
 - Peso **-0.199** • 12.333
 - Yen **-0.08** • 76.66



\$22.9 billion

Money spent or pledged so far from a pool for struggling homeowners. About \$45.6 billion in the Treasury Department's Troubled Asset Relief Program, or TARP, was set aside to help homeowners who fall behind on their mortgages. Fewer than 1.7 million loans have been modified under federal programs. But Andrea Risotto, a Treasury spokeswoman, said whatever was left would be used to reduce the federal deficit. *Source: NYT News Service*

LOCAL

CAREFUSION SUES OVER PATENTS: San Diego-based CareFusion sued an Illinois company over patents for drug-delivery systems and is seeking a jury trial, damages and an order barring infringement. Hospira is using protected technology in infusion equipment, CareFusion said in papers filed in federal court in Wilmington, Del. CareFusion itself was sued Monday in federal court in Chicago by rival B. Braun Medical over infusion-pump patents.

ECONOMY

MARKETS RISE: Stocks edged higher Wednesday on a report that factory orders surged in July. The Dow Jones industrial average turned higher for the year.

MANUFACTURING STRENGTHENS: U.S. factory orders rose in July by the most in four months, boosted by demand for motor vehicles and aircraft that more than made up for a decrease in business equipment. The 2.4 percent increase suggests supply-chain disruptions created by the Japan crisis are easing.

NATION

FORD TIES UP WITH ZIPCAR: Ford will provide up to 1,000 cars to car-sharing network Zipcar at more than 250 U.S. colleges to reach younger consumers accustomed to driving Toyota Priuses, Nissan Versas and Mini Coopers when they use the rent-when-you-need service. The two-year partnership gives Ford a marketing tool it has lacked.

BANK TO SHUT UNIT: In the latest move to downsize, the nation's biggest bank plans to abandon another part of its mortgage business to stanch losses on home loans. Bank of America plans to either sell or wind down its correspondent mortgage business lending division, which fulfills mortgage loans originated by other banks.

BMW TO RECALL SUVs: BMW of North America is recalling up to 2,120 of its X5 xDrive 35d sport utility vehicles from the 2009 model year because its fuel-filter heater — which will be replaced free of charge, starting in October — could overload and possibly cause a fire.

EARNINGS

BROWN-FORMAN: First-quarter profit rose by 6 percent to \$118.1 million, or 81 cents per share, as the liquor company posted strong sales overseas and its flagship Jack Daniel's lineup posted double-digit revenue growth. Net sales rose 13 percent to \$840.3 million.

BOMBARDIER: Second-quarter net profits soared by nearly 53 percent to \$211 million, or 12 cents per share, but economic uncertainty cut aircraft order deposits and trimmed the Canadian transportation giant's free cash.

WORLD

ELECTRONICS MAKERS TEAM UP: Three major Japanese electronics makers, Sony, Toshiba and Hitachi, are combining display businesses to become more competitive in small and medium-sized panels — a sector that's expected to grow because of the popularity of smartphones and tablets.

EU ECONOMY STAYS FLAT: Inflation in the 17 euro countries remained steady at 2.5 percent in August, adding to expectations the European Central Bank will hold off from raising interest rates — and may even consider cutting them — as economic growth slows.

FROM UNION-TRIBUNE NEWS SERVICES

IN DEPTH: DAILY TOPICS

TUESDAY: Small Business & Retail
WEDNESDAY: Biotech & Health Care
THURSDAY: Real Estate & Growth
FRIDAY: Energy & Technology
SATURDAY: Tourism & Restaurants
SUNDAY: Economy



Construction company DPR took a drab industrial space and made it green by installing operable windows, fans, photovoltaic cells and sustainable materials, and reconfiguring a typical office space into an open office plan. JOHN GASTALDO • U-T

Cities search for intelligence

San Diego conference will explore how to foster innovation

IN DEPTH C3

ROGER SHOWLEY • U-T

The 20th century was all about cities competing with one another for corporate headquarters, ports and airports, highway connections and brag-

ging rights for sports teams, symphonies, universities and other municipal baubles. Now comes a more difficult challenge for the 21st century: how to stay competitive when it's not the physical but the intellectual capital that will drive the new economy.

What kind of people do for-

ward-thinking cities need to attract and retain, and what kind of work will they do to boost the job base and economic wealth of the region when they're no longer an aerospace manufacturing center (San Diego), the steel capital (Pittsburgh) or the only auto town around (Detroit)? What role do the arts and other creative pursuits play?

All these questions have prompted the local chapter of

the Urban Land Institute to hold a two-day conference, "Powering Innovation Economies," today and Friday as part of the weekend Art San Diego Contemporary Art Fair at the Hilton San Diego Bayfront hotel.

The governor of Colorado, former mayor of Pittsburgh and chairman of the Urban Land Institute on Friday will focus on the big picture of what cities

SEE INNOVATE • C3

TOP-RANKED DEFENSE CONTRACTORS HAVE S.D. TIES

GARY ROBBINS • U-T

Defense News' recently released list of the world's top defense contractors includes eight firms that have significant holdings in San Diego County, including Northrop Grumman and BAE Systems.

The eight firms finished among the top 15 in 2010 defense revenue. Lockheed Martin remains the world's biggest defense contractor. The firm has just over 600 employees here, but it is in the process of adding 150 workers so that Lockheed can expand its work in C4I, equipment and systems that allow for the rapid gathering, assessment and distribution of information.

Lockheed also builds a lineup of littoral combat ships, including the Freedom, which is homeported in San Diego.

BAE Systems, which is based in the

SEE DEFENSE • C2



The Medgar Evers, a Lewis and Clark-class dry cargo ship, was built at NASSCO in San Diego. U-T FILE PHOTO

Defense News: 2010 rankings

Company	Rank	2010 worldwide defense revenue
Lockheed Martin	1	\$42.8 billion
BAE Systems	2	\$33.1 billion
Northrop Grumman	3	\$31.1 billion
Boeing	4	\$30.9 billion
General Dynamics	5	\$26.6 billion
Raytheon	6	\$23.4 billion
L-3 Communications	9	\$13.0 billion
SAIC	12	\$8.7 billion

U.S. FILES SUIT TO BLOCK MERGER OF AT&T, T-MOBILE

Predicts higher prices, fewer choices after acquisition

NYT NEWS SERVICE & BLOOMBERG

The Department of Justice on Wednesday sued to block AT&T's proposed \$39 billion acquisition of T-Mobile, a deal that would create the largest carrier in the country and reshape the industry.

"The department filed its lawsuit because we believe the combination of AT&T and T-Mobile would result in tens of millions of consumers all across the United States facing higher prices, fewer choices and lower-quality products for their mobile wireless services," said James Cole, deputy attorney general.

AT&T said it would "vigorously contest this matter in court" and that it will ask for an expedited hearing in the matter.

The Justice Department's complaint, which was filed in U.S. District Court in

SEE MERGER • C4

HIGHER NETFLIX PRICES COULD BE BOON TO REDBOX

Disgruntled customers may turn to in-store kiosks

MICHAEL LIEDTKE
ASSOCIATED PRESS

Netflix is giving Redbox a golden opportunity to gain some ground.

Beginning today, Netflix, the largest U.S. video subscription service, will hit its nearly 25 million U.S. subscribers with rate increases of as much as 60 percent. The sticker shock is expected to make Redbox, which rents DVDs for \$1 per day through kiosks, even more enticing to movie lovers.

"We are very cognizant of the value of the dollar," said Gary Cohen, Redbox's senior vice president

of marketing and consumer experience. "Redbox is all about simplicity, convenience and value."

Netflix's higher prices will drive business to video rental chain Blockbuster and other home entertainment rivals, too, but none is better positioned to take advantage of the disruption than Redbox, according to Wedbush Securities analyst Michael Pachter.

That's because millions of people are expected to keep paying for a Netflix service that streams video over high-speed Internet connections, but will look for other places to rent DVDs at a low price.

SEE REDBOX • C2



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IN DEPTH

PROMOTING INTELLECTUAL CAPITAL

Two companies suggest the directions that San Diego County is going in terms of innovation

Voices



Peter Rummell, chairman, Urban Land Institute: "In today's world, we need to push beyond best practices to innovation. There's a difference — one is to not make the same mistake some guy in Indiana did, and the other mindset is to solve a problem in a new and interesting way."

What makes an innovative city? "The things that make a difference, that starts to separate the men from the boys, are things like universities, big teaching medical centers, that attract large groups of people."



Ann Markusen, economist, University of Minnesota: "There's a growing recognition that arts and cultural activities are really important industries for the U.S., not just for exports but for a growing market in the U.S. China and India are full of young people that are crack computer programmers. But one thing the U.S. has that these don't is a creative impulse of encouragement. I've spent a lot of time in Asia, and I was just amazed to see what happens to students all the way through high school with all that rote learning, no encouragement to do something individual or expressive."



Carol Coletta, director, ArtPlace: "Innovation begins with people. If you're going to be an innovative economy at the local level, you have to be able to attract and retain innovative people to power the innovative economy, because that's what it's all about. What we know about attraction and retention is that it depends on the quality of the place and the quality of the opportunity: How can I put my skills to work here, make maximum use of my skills? Are there other people, smart people, who make me smarter? The quality of the place is every bit as important to the equation."

INNOVATE U.S. needs more ambition, speaker says

FROM C1
need to succeed.

Other speakers, such as Carol Coletta, director of ArtPlace, a Chicago nonprofit group aimed at promoting "creative place-making" in U.S. cities, will talk about the competition cities are facing to thrive in the years ahead.

"I just returned from a trip to St. Petersburg, Helsinki and Copenhagen," she said. "The level of ambition in those cities dwarfs anything I see in America. ... You come home and think, my gosh, not only do we have little ambition for our country, there is no ambition for our cities. That should disturb every American and every urban leader."

roger.showley@uniontrib.com
(619) 293-1286
Twitter: @rmshowley



A rooftop garden and patio are leading features of the Co-Merge office spaces in downtown San Diego. EARNIE GRAFTON • U-T PHOTOS

'BUSINESS-ORIENTED INTERNET CAFE' TORE DOWN WALLS

The former bank branch at 330 A St. in downtown San Diego used to be a nighttime hangout for the homeless, who camped out in the 10-foot-deep space from the sidewalk.

Now it's Co-Merge, a 10,000-square-foot hangout for Gen-Xers and downtown residents who are ready to leave home offices for a professional-looking work space rented by the hour in a collaborative rather than a closed-door, secretive setting.

"It's a business-oriented Internet cafe that doesn't compete with Starbucks and Panera," said Co-Merge founder Michael Kenny, who patterned the concept after an office he saw in Seattle.

Unlike executive suites leased by the year, Co-Merge leases space at \$10 per hour and removed the walls separating users to encourage them to network as they pursue individual projects.

"It has a lot of resources for small companies," said Christy Gurga, who



Melani Gordon, a co-founder of Tap Hunter, works out of the Co-Merge office spaces, an alternative to home offices.

was trying the space with colleagues from their Coronado-based StockTwits social networking company for stock traders. "It would be nice to move into a place like this."

Designed by Crawford & Co., Basile Studios, Carrier Johnson and Wimmer Yamada Caughey and Caughey, the \$2 million redone layout offers several innovations: 1,000-square-

foot patio just outside the front door; a 50-seat "collaborative work zone"; 22 private work stations arranged in an open-office layout; a lounge with a big-screen TV and "camp fire" space where comfortable couches facing one another make small meetings friendly and casual, and two conference rooms available at an extra cost; and a lunch room with free coffee. A former bank vault was converted into secure locker space, and there's a 50-seat training room.

The highlight is a 500-square-foot rooftop garden.

Kenny said the Co-Merge concept, which he hopes to take national and international, appeals to a new generation of entrepreneurs who want to share rather than hide their work. Security cameras and access cards ensure that strangers won't get away with stealing laptops and wallets.

"We'd all get more done if we weren't so close-minded," he said, adding, "Working alone is lonely."

WORK NO FUN? THEN 'WE ARE DOING SOMETHING WRONG'

DPR Construction's 24,000-square-foot space in Governor Park just off Interstate 805 shows off new thinking in the traditionally slow-moving world of general contractors: from the much-used 14-foot-long wine bar just beyond the lobby to the automatically operated clerestory windows that let in air and light near the roof.

Four surfboards symbolize the company's four fundamental values: integrity, enjoyment, uniqueness and ever forward. "We believe work should be fun and intrinsically satisfying," the "enjoyment" value says. "If we are not enjoying ourselves, we are doing something wrong."

The clerestory windows near the top of the 14-foot ceiling and ground-floor windows open automatically when the weather is mild — reducing air conditioning use to just a handful of days a year. Ten fans, 8 feet in diameter, keep the air circulating.

"We wanted a healthy environment," said San Diego regional manager Jay Leopold. "Fresh air and light keep us off the doctor's table."

The electric bill, thanks to installation of photovoltaic cells and 36



Construction company DPR won an Orchid award for its \$4 million transformation of an old industrial space. JOHN GASTALDO • U-T

Solatube skylights, has been cut from about \$2,000 per month to only \$200.

Employees don't wear sweaters when it's cool — they got Snuggies as company gifts when they moved in. They turn on the fans when it's warm.

And building materials have included recycled items, like wood pallets as trim, and sustainable

products, such as bamboo-like kiri wood for paneling.

The company won an Orchid last year in the annual Orchids & Onions architectural contest for its striking, \$4 million refurbishment of an old tilt-up industrial building. Callison was the architect and KEMA the sustainable design firm. "All in all, it is a great model for transforming San Diego's inventory of outdated

and suburban office buildings," the contest jury said.

Imagination powers the company's operations, as evidenced in several spaces in the building. There's a retreat with musical instruments where the staff can jam after hours. A 16-seat conference room is outfitted with the latest videoconferencing equipment in a space open to the exterior that makes all-day sessions tolerable. A training room provides a setting for construction workers and managers to update themselves on projects.

And there's an Innovation Room, complete with a mini-shuffleboard, and wall-sized white boards, to which anyone can retreat to ponder new ways to build.

Jim Washburn was moved from the DPR Newport Beach office to San Diego to oversee innovation initiatives at the company's 17 offices with more than 2,000 employees. Recent examples include paperless pay stubs and fog-free construction goggles.

"It takes human capital to offer and manage ideas to implementation," he said.

ROGER SHOWLEY • U-T

Building a city for the future

"Building on Innovation: The Significance of Anchor Institutions in a New Era of City Building," by Tom Murphy, senior resident fellow at the Urban Land Institute and former mayor of Pittsburgh. Some excerpts:

Land use is at the center of these forces. Without thoughtful, sustainable land use that both positions a city to compete and creates a high quality of life, growth will, in a new paradigm, become unsustainable, leading to further pollution, congestion, health issues and a lower, less competitive quality of life.

The elements in building a 21st-century city:

Leadership: Change doesn't happen without a champion, nor will a community reinvent its economy overnight.

Strategy: Any process needs to be reasonably transparent and inclusive while moving expeditiously toward the shared goals.

Institutional capacity: The institutions have to have a professional stability that outlasts terms of office and the professional capabilities in financing, design and other areas to fairly negotiate with governmental and private entities.

Financial infrastructure: To be effective, the public agency needs to be a public entrepreneur with the flexibility to respond as nimbly as the private partner.

Education: A knowledge economy is driven by educated people. Companies that locate or grow in these cities need an educated workforce.

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