

BUSINESS

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GRASSO RESIGNS

Big Board May Face Identity Overhaul

By WALTER HAMILTON
Times Staff Writer

NEW YORK — Far from the end of a saga, Richard Grasso's resignation Wednesday night as chairman of the New York Stock Exchange raises the prospect that the world's leading stock market soon could undergo the most wrenching structural changes in its 211-year history.

In the short term, the furor over Grasso's \$140-million compensation may swell further as increasingly vocal critics push for the ouster of the directors who awarded him that sum.



Associated Press

REVOLUTIONIZED TRADING: To his supporters, Chairman Richard Grasso brilliantly marketed the exchange.

RELATED STORY

Out: NYSE accepts Richard Grasso's resignation. **A1**

Beyond that, the NYSE must grapple with a host of issues that define its very nature, including the future of its oft-maligned trading system and whether it should be a regulator as well as a market operator.

"We are about to see a sea change at the NYSE," said Junius Peake, a finance professor at the University of Northern Colorado and an expert on securities markets. "They are going to have to restructure their operation, their culture, their governance and their whole business."

Grasso's departure is likely to speed the NYSE's day of [See NYSE, Page C6]

Exchange Offers Spot to Sonsini

By JOSEPH MENN
AND LISA GIRION
Times Staff Writers

The man asked Wednesday to become interim head of the New York Stock Exchange has been for more than a decade the most sought-after lawyer in Silicon Valley.

Larry W. Sonsini's law firm — **Wilson, Sonsini, Goodrich & Rosati** — is among Northern California's largest, specializing in initial public offerings, mergers and the deal making that is the Valley's lifeblood.

Among its blue-chip clients: **Sun Microsystems Inc.**, **Net-scape Communications Corp.**, **Palm Inc.** and **Apple Computer Corp.**

But Sonsini himself is per-



INTERIM PICK: Silicon Valley lawyer Larry Sonsini sits on the NYSE board.

haps best known for advising **Hewlett-Packard Co.** in its contentious acquisition of Compaq Computer Corp., the largest takeover in Valley history. As part of that \$19-billion battle, Sonsini helped convince Walter Hewlett to vote in his capacity as a director in support of the deal, even though [See Sonsini, Page C6]

Younger Murdoch May Get Key Post

Installing James, 30, as head of BSKyB signals that he could end up at News Corp.'s helm.

By SALLIE HOFMEISTER
Times Staff Writer

In an ascension that could spark a heated rivalry for the **News Corp.** throne, Rupert Murdoch's younger son, James, is poised to take the helm of British Sky Broadcasting, Britain's dominant pay TV provider and a jewel in the family's media conglomerate.

News Corp. declined to comment on potential management changes at BSKyB. But sources close to the situation said Wednesday that the BSKyB board could vote within two weeks to make the 30-year-old its next chief executive.

James is proving to be a rising challenger to his older brother Lachlan, 32. Both men have been working in the ranks for nearly a decade, being groomed to one day run the company built by their father.

Rupert anointed Lachlan several years ago as his heir apparent. But as James has successfully tackled important assignments, his father has given him more prominent tasks.

News Corp. owns the Fox broadcast network and cable channels, a movie studio, newspapers and satellite TV operations around the world, including a 35% stake in BSKyB that gives it board control.

James would replace Tony Ball, a News Corp. veteran and superstar executive in Britain. Subscribers have doubled since he took charge in 1999.

Naming James as head of BSKyB would put him at the top of a publicly traded company that is the centerpiece of News Corp.'s worldwide satellite operation. BSKyB also is seen as a template for DirecTV: News Corp. is awaiting regulatory approval to purchase the U.S. satellite leader.

"James is a star," said one News Corp. executive. Another described James as "impressive" because of his skillful turnaround of StarTV, the troubled [See News Corp., Page C13]

New Zagat Listing: Wi-Fi Hot Spots

By TERRIL YUE JONES
Times Staff Writer

Tonight's menu: Appetizer. Check e-mail. Main course. Surf Web. Dessert. Log off.

Computer chip giant **Intel Corp.** and the leisure class bible **Zagat Survey** have produced a guide to the best restaurants and hotels in America that offer wireless fidelity, or Wi-Fi, Internet access.

The guide includes Zagat's signature, and sometimes snooty, comments on food and decor. It doesn't, however, rate the quality of Wi-Fi hookups on Zagat's traditional 1-30 scale. Or on any scale.

And snagging a listing in the guide doesn't necessarily mean that a Wi-Fi hot spot knows it's hot.

"Nobody brings their computers in here," said Margot Kramer, manager of Breeze in the upscale Century Plaza Hotel & Spa.

"We get a lot of businessmen, lawyers and entertainment people, but they're too busy making deals to go online."

Intel and Zagat released the "2003 Wi-Fi Hotspots" guide this week at the Intel Developers' Forum in San Jose.

It lists 12 restaurants and two hotels in Los Angeles and dozens of others in San Francisco, Seattle, New York and Chicago that offer Wi-Fi service. Entries are in alphabetical order. The list also is in the current edition of the New Yorker magazine.

Businesses such as Borders Books, Starbucks cafes and McDonald's restaurants were among the first to offer Wi-Fi to attract compulsively connected customers.

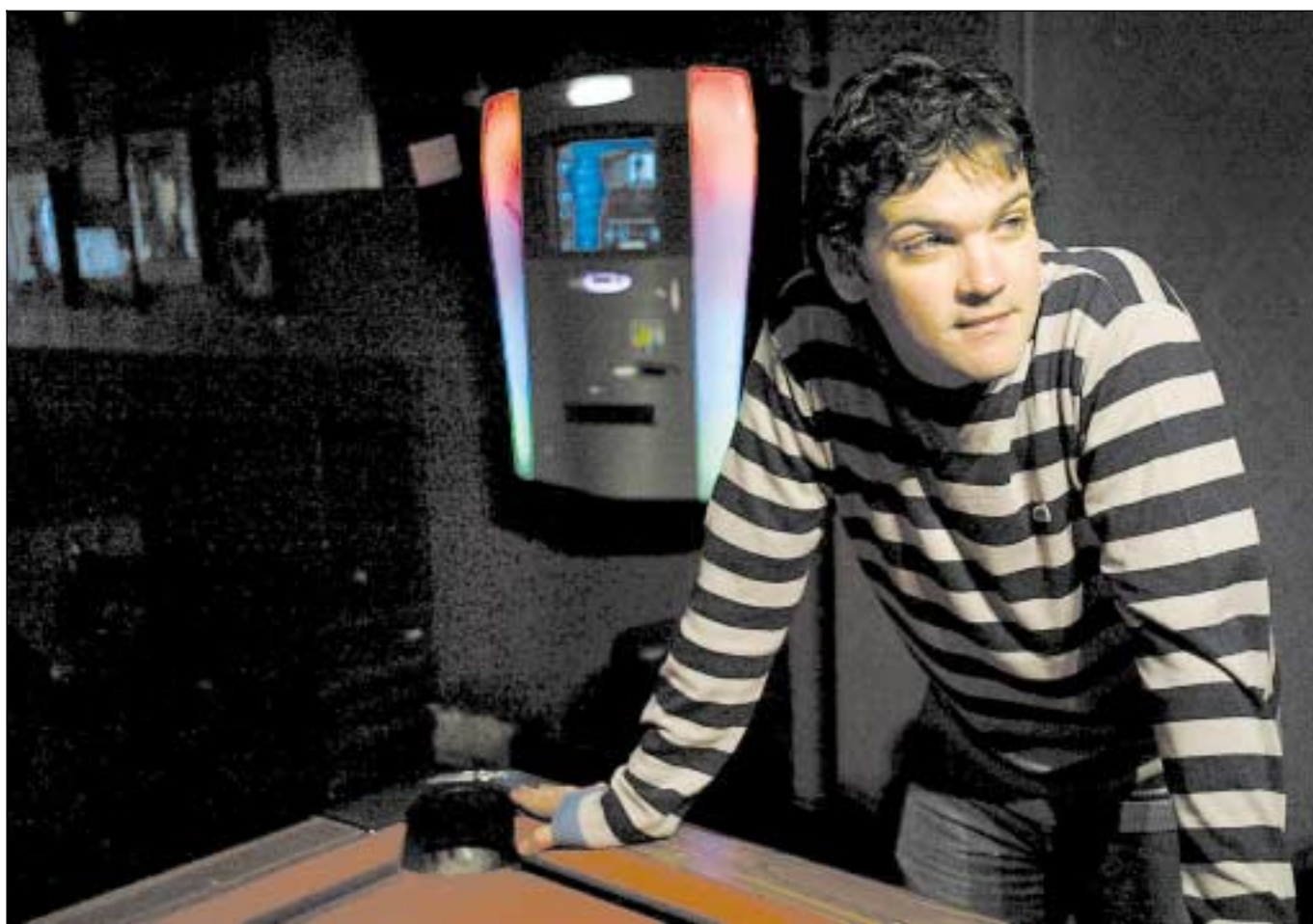
Now joints such as Jan's in L.A. are getting into high-speed access.

Customers who use the service are in "the younger crowd, around 20 to 40 years old," said George Sifaris, who manages the Beverly Center coffee shop. "They usually sit outside with their laptops and a salad or sandwich."

Wireless technology is a fast-growing sector in the sluggish technology industry. There are some 20,000 hot spots worldwide offering Wi-Fi access, a number market research firm IDC forecasts will grow to 120,000 by 2005.

Santa Clara, Calif.-based Intel, the world's largest semiconductor manufacturer, is spending more than \$300 million to promote its Centrino wireless chip technology for laptop computers. The company expects the number of wireless handheld devices — including cell phones and personal digital assistants — to top 2.5 billion by the end of the decade.

The full list of the spots in the five cities is available at www.intel.com/unwire.



RANDI LYNN BEACH For The Times

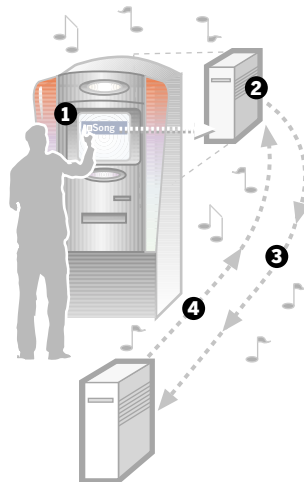
A MAN AND HIS JUKEBOX: Jamie Brown owns the 540 Club in San Francisco which has a hard-drive equipped jukebox. He says patrons are willing to pay up to \$2.50 "a lot more often than you'd think" to hear their selections immediately.

Paying for Music on Demand

Jukeboxes online

Jukeboxes that download music give users quick access to more than 130,000 songs.

1. Song titles are displayed on the touch screen. Albums on the hard drive can be played immediately.
2. A hard drive in the jukebox holds 150 to 300 albums. The collection can be updated daily.
3. A high-speed Internet connection links the jukebox to a central server with more than 130,000 songs.
4. When users select a song from the server, the music is downloaded and can be played within a few minutes.



Source: Ecast Inc.

LESLIE CARLSON Los Angeles Times

Jukeboxes with high-speed Internet connections provide more options.

By JON HEALEY
Times Staff Writer

Patrons at the 540 Club in San Francisco's Richmond district remembered the late Johnny Cash this week by dropping money in the jukebox and filling the bar with his deep, gravelly voice.

The jukebox doesn't hold any of the man in black's 45s or CDs. But it does have a hard drive with room for 200 albums and a high-speed Internet connection. And that means it can download songs on demand from an online vault storing about 10,000 CDs worth of music.

The 540 Club is among more than 1,600 restaurants, bars and other venues with hard-drive equipped jukeboxes powered by **Ecast Inc.**, a privately held Sunnyvale, Calif., company. Since late April, Ecast executives say, its music machines have played 13.2 million songs — a third more than **Apple Computer Inc.** sold in the same period through its highly publicized iTunes Music Store.

Listeners have shown remarkably broad tastes, too, paying to play a range of songs from virtually every album in the vault instead of sticking to the hits.

There's a lesson there for the music industry as it starts using the Internet to distribute tunes, said Ecast Chief Executive Robbie Vann-Adibé. If what the music industry is [See Jukebox, Page C2]

MICHAEL HILTZIK GOLDEN STATE

Bond Deal Gives State an Unhealthy Interest in Big Tobacco

Of the state Legislature's move this summer to backstop the tobacco industry's lousy credit rating with California's lousy credit rating we can say this much: It is a terrible idea, but its timing is impeccable.

The deal involves placing a state guarantee behind a \$2.3-billion bond issue to be floated next week and paid off from California's share of the \$206-

billion settlement Big Tobacco reached with 46 states in 1998. In effect, this means that if a major tobacco company goes bankrupt or otherwise defaults on its legal commitment to California in the next few years, the state's taxpayers are on the hook for what could be billions of dollars owed to the bondholders.

And because cigarette sales are sliding while the threat of

litigation is rising, we're standing up for the tobacco industry just at the moment when its financial condition looks the most perilous.

As my colleagues Myron Levin and James F. Peltz reported this week, Gov. Gray Davis and legislative leaders slipped the backstopping deal across the Legislature — along with another, even more egre-

gious bill capping the size of the appeal bonds that tobacco companies have to post in California courts when they lose big judgments at trial — in the dead of night, at the end of a 29-hour marathon budget-closing session last month.

According to the deal, \$2 billion used to balance the budget will come from the \$2.3 billion in [See Hiltzik, Page C13]

INSIDE

Federal Attorneys Lose Bid in Homestore Case

A judge denies their request to halt depositions in the civil suit against the company. **C2**

Jack in the Box Shares Drop on Profit News

The fast food chain says that it expects to earn less in the next fiscal year. **C2**

United Is Launching a Low-Cost Carrier

The No. 2 airline says the line will serve leisure markets in the West and South. **C2**

House Votes to Bar Internet Access Tax

Nine states will have to repeal existing levies worth as much as \$120 million a year. **C3**

No AOL in Time Warner

The media giant is expected to change its name back to just Time Warner Inc. **C3**

MARKETS

	Change	Close
▼ Dow indus.	-21.69	9,545.65
▼ S&P 500	-3.35	1,025.97
▼ Nasdaq comp.	-4.15	1,883.10
▼ U.S. bond 10-yr.	-0.09	4.18%
▲ U.S. bill 6-mo.	Unch.	1.01%
▲ Gold per ounce	+2.70	\$376.20
▼ Oil per barrel	-0.53	\$27.03
▼ Yen per dollar	Unch.	¥116.15
▲ Euro in dollars	+0.013	\$1.129