

BUSINESS

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GM reports \$2B more lost

Shares fall 99 cents on news accounting report shows different '05 estimate

By SARAH KARUSH
THE ASSOCIATED PRESS

DETROIT

General Motors Corp.'s disclosures that it lost \$2 billion more last year than previously reported and needs more time to sort out accounting errors in the finance business it wants to sell gave investors fresh reasons to worry about the world's biggest automaker.

They sent GM's shares price down 4.5 percent Friday, shaving more than a half-billion dollars off its market value.

Despite the market's reaction, one analyst saw a silver lining, saying the hefty new charges GM is taking related to a bailout of Delphi Corp., its former auto parts subsidiary, suggested the companies were getting close to a deal with the United Auto Workers union.

"That increase to me suggests that the three-way negotiations among the autoworkers union, Delphi and GM are progressing," said David Healy, who follows the auto industry for Burnham Securities.

GM said after the market closed Thursday that it now estimates it lost about \$10.6 billion in 2005 compared with its preliminary report of a loss of \$8.6 billion.

The company also said it was delaying filing its annual report with the Securities and Exchange Commission for up to two weeks after uncovering accounting problems.

The disclosures come as GM is



Armin Perseghin, of Banc of America Specialist Inc., directs Exchange on Friday. GM shares dropped after a report trades at the General Motors post at the New York Stock showed a \$10.6 billion loss for 2005, instead of \$8.6 billion.

losing market share at home to Asian automakers and is trying to find ways to cut its costs that are swelled by rising health care and pension liabilities.

GM shares fell 99 cents to \$21.23 in afternoon trading Friday on the New York Stock Exchange, where they have traded as low as \$18.33 over the past 52 weeks.

The drop in share price cuts GM's market capitalization by \$560 million to \$12 billion.

The delay in filing the annual report and the disclosure of accounting errors undermines management's credibility with investors, Morgan Stanley ana-

lyst Jonathan Steinmetz wrote in a research note. GM had stated last week that it would file its annual report on time, he noted.

GM said the accounting errors relate to transactions at ResCap, the residential mortgage subsidiary of its finance arm, General Motors Acceptance Corp. The company said the problems could affect earnings from prior years.

GM is trying to sell a controlling stake in GMAC. Such a sale would hurt GM's profits but improve the finance division's ability to borrow money by separating its debt rating from the non-investment, or junk, rating

that has been assigned to parent GM. Some major investors are prohibited from buying securities that carry a high-risk rating.

"The presumption is with this kind of news it gets harder to sell GMAC. It adds to uncertainty about whether and when the deal gets done," said John Tierney, a credit strategist at Deutsche Bank Securities in New York.

The biggest reason for the increase in GM's 2005 loss was an increase in the charge for its exposure relating to Delphi's Chapter 11 bankruptcy case by \$1.3 billion to \$3.6 billion.

Detroit-based GM is attempting to negotiate a revised labor

agreement with Delphi and the UAW.

The Troy-based supplier has asked the UAW and other unions to agree to pay cuts of more than 60 percent for its 34,000 unionized hourly workers. The unions have refused.

GM relies heavily on Delphi for parts and says it could be contractually liable for up to \$12 billion in benefits promised to Delphi workers.

As part of its 1999 spinoff of Delphi, GM guaranteed some pension and post-retirement costs in the event of bankruptcy by the supplier.

Moody's Investors Service said the delayed filing increases the risk of default and warned Friday that it could further downgrade the long-term debt ratings of GM, GMAC and ResCap.

Concerns over the potential for default by GM were also reflected in the credit default swaps market, where investors can effectively buy insurance protection from defaults. Wider credit default swap spreads suggested an increased perception of risk in GM debt.

But some analysts said the financial impact of Thursday's announcement was minimal and consisted largely of shifting charges from one period to another.

"It's a list of housekeeping items," said Healy of Burnham Securities. "I hate to disappoint the people who want to panic over all this."

MARKETS

The Associated Press

Indianapolis grain

Estimated grain prices Friday at Indianapolis-area elevators: Corn: cash \$1.93, new \$2.23. Soybeans: cash \$5.55, new \$5.83. Wheat: \$3.30.

Eastern Cornbelt direct hogs

Eastern Cornbelt Lean Value Direct Hogs report for Friday:

Trend: Barrows and gilts were 34 cents higher compared with previous day's close.

Base-market carcass basis plant-delivered: 0.9 to 1.1 square inches of back fat, \$46.00-\$59.00; weighted average \$56.62.

Net prices, including premiums: 0.9-1.0, \$46.00-\$60.50; 1.0-1.1, \$46.00-\$59.00; 1.1-1.2, \$46.00-\$57.63.

Daily movement estimate: 6,148.

Wall Street

NEW YORK — Lower oil prices and a rebound in manufacturing activity helped Wall Street extend its rally Friday, lifting the Dow Jones industrials and the Standard & Poor's 500 index to a fresh five-year high for the fourth straight session. The major indexes each gained about 2 percent for the week.

Investors cheered a Federal Reserve report that the nation's industrial production grew 0.7 percent in February after sliding 0.3 percent the month before, with the onset of cold weather driving an upswing in utilities output.

The promising economic report overshadowed downbeat earnings news from General Motors Corp., which said its 2005 loss was \$2 billion more than originally reported. Insurance firm American International Group Inc. also posted a steep drop in profit from settling regulatory charges.

But stocks' gains were limited as the day's headlines did little to address Wall Street's persistent worries about inflation and more interest rate hikes from the Fed, said Ken Tower, chief market strategist for Schwab's CyberTrader.

"I think the question the market is struggling with is whether we are concerned about inflation and too strong an economy, or if the Fed is raising interest rates too much and cooling things off," Tower said.

"So we have a little pause in the market today as it tries to work this question out."

At the close of trading, the Dow climbed 26.41, or 0.23 percent, to 11,279.65, its highest level since reaching 11,301.74 on May 21, 2001.

Broader stock indicators also gained ground. The S&P 500 index rose 1.92, or 0.12 percent, to 1,307.25 — its highest close since it reached 1,309.38 on May 22, 2001 — and the Nasdaq composite index added 6.92, or 0.3 percent, to 2,306.48.

Bonds cooled following this week's rally, with the yield on the 10-year Treasury note edging up to 4.67 percent from 4.64 percent late Thursday. The dollar was mostly higher against most major currencies, and gold prices inched upward.

Trading was volatile amid sharply higher volume as four types of options and futures contracts expired, known as the quarterly "quadruple witching" day. Advancing issues led decliners by 6 to 5 on the New York Stock Exchange, where preliminary consolidated volume of 2.6 billion shares beat the 2.34 billion shares that changed hands on Thursday.

Crude futures pulled back from this week's after the Organization of Petroleum Exporting Countries cut its projected global demand by 110,000 barrels a day.

A barrel of light crude fell 81 cents to settle at \$62.77 on the New York Mercantile Exchange.

The market also weighed a mixed assessment of consumers from the University of Michigan. Its consumer-sentiment index for March came in at 86.7, unchanged from February but below economists' prediction of 88.

Friday's advance left the major indexes with sturdy gains this week as traders showed optimism about recent economic data on inflation, housing and retail sales.

For the week, the Dow rose 1.84 percent, the S&P 500 gained 2 percent and the Nasdaq ended 1.96 percent higher.

Utilities help industrial production bounce back

By JEANNINE AVERSA
THE ASSOCIATED PRESS

WASHINGTON

Without the vagaries of changing weather patterns, the growth rate in America's industrial production sector last month likely would have been negligible.

But Mother Nature's weather flip-flop — a return of more-normal winter cold in February after an unusually warm January — caused this significant economic measure to increase by 0.7 percent. This is because of a big pickup in output at utility companies. As this was happening, factory production was flat.

The sharp increase reported for overall industrial activity by the Federal Reserve on Friday came

"In anything, this is a pause. My impression is that manufacturing is doing better than the flat reading suggests."

Ken Mayland
President of ClearView Economics,
on manufacturing output being flat

after a 0.3 percent dip in January.

The January dip reflected a huge decline in production at gas and electric utilities due to unusually warm weather. And the 7.9 percent increase in utility output registered in February reflected just the opposite, the Federal Reserve said.

The report, thus, offered a mixed picture on activity in the various pieces of the economy's industrial sector.

Production at factories was flat in February, after jumping by a strong 0.8 percent in January. February's showing was the weakest since a 0.5 percent decline in factory output in September.

Weakness in the automotive sector was a key factor in February's lackluster showing for factory activity.

Economists, however, believed the flat reading in manufacturing

output was just a temporary lull and not a harbinger of a troubles ahead.

"If anything, this is a pause," said economist Ken Mayland, president of ClearView Economics. "My impression is that manufacturing is doing better than the flat reading suggests."

On Wall Street, the latest economic news helped stocks to extend their rally. The Dow Jones industrials closed up 26.41 points at 11,279.65 — the index's highest close since May 21, 2001.

Output at mines, meanwhile, fell by 0.5 percent last month, following a 2.3 percent increase in January.

The 0.7 percent increase in overall industrial activity in February was slightly weaker

than economists were expecting. Before the report was released, they were forecasting a 0.8 percent increase.

Economists believe the economy snapped out of an end-of-year funk and will log healthy growth in the January-to-March quarter.

The report also showed that the proportion of overall industrial capacity in use in February rose to 81.2 percent. That matched December's figure, which was the highest since September 2000.

Economists look at the capacity utilization figure for clues about the future inflation climate. For instance, if plants were running at full tilt and couldn't crank out enough goods to satisfy customers' demand, then there could be a run up in prices.

BRIEFS

LOCAL

Southside investment advisers honored

Two Raymond James & Associates Inc. investment advisers have achieved certified financial planner status.

James L. Oxley, senior vice president and investments and complex manager, and Craig L. Reed, an associate vice president, investments and financial adviser at the Greenwood office, were honored with the certified financial planner status in recognition of their dedication to clients and continued professional growth.

Oxley has been with Raymond James for more than 20 years.

Reed, who joined Raymond James in 2000, has more than six years of experience in the financial services industry.

Information: The Oxley Financial Advisory Group, 885-0114

Greenwood woman named super lawyer

A Greenwood attorney has



LUCAS



McCLURE

been honored by a national legal magazine.

Kathleen Lucas, a lawyer for Bose McKinney & Evans, was one of 25 lawyers named a "Super Lawyer" by Law & Politics magazine.

Bose McKinney & Evans provides a full range of legal services to privately owned businesses, publicly traded companies, high-tech organizations and governmental entities.

The firm's offices are located in downtown Indianapolis, the north side of Indianapolis, West Lafayette and Washington.

Information: www.boselaw.com

RE/MAX Preferred adds new agent

RE/MAX Preferred has hired a new sales associate.

Karen McClure has joined the office located at 1290 N. State Road 135 in Greenwood.

She was president and co-owner of Executive Edge Properties. She has a bachelor's degree from Purdue University and serves on the board of directors for Wailing Women Win domestic violence shelter and rehabilitation facility.

She has lived in Greenwood for 20 years and has three children.

Information: 885-8840 or www.remmaxindiana.com.

Realtor honored by Century 21

A local sales associate with Century 21 Landtree Inc. was recognized as one of the top salesmen nationwide.

Bob McLaughlin was honored with the emerald level Century 21 Masters award.

The award is given to an agent who has met a minimum sales production of \$130,000 or 40 closed transactions within a calendar year.

He has worked with Century 21 for more than 20 years.

Address: 791 S. State Road 135, Greenwood
Information: 888-3331

Chamber picks location for 2006 expo

The Franklin Chamber Business Expo 2006 will be conducted at Franklin College this year.

The July 29 event will be in the

Branigin Room of the Napolitan Student Center.

The chamber is accepting applications for exhibitors.

The expo will consist of a business-to-business showcase from 9 a.m. to 11:30 a.m., followed by a guest speaker and lunch. The expo will be open to the public from 1 to 6 p.m.

In addition, exhibitors and five guests are invited to a Taste of Towne dining event from 7 to 9 p.m. June 28 in the Johnson Atrium of the Napolitan Student Center.

Information: 736-6334

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