

Opinion

International New York Times

ARTHUR OCHS SULZBERGER JR., *Publisher*

DEAN BAQUET, *Executive Editor*
TOM BODKIN, *Creative Director*
JOSEPH KAHN, *Assistant Editor*
RICHARD W. STEVENSON, *Editor, Europe*
PHILIP P. PAN, *Editor, Asia*

STEPHEN DUNBAR-JOHNSON, *President, International*
PHILIPPE MONTJOLIN, *Senior V.P., International Operations*
JEAN-CHRISTOPHE DEMARTA, *Senior V.P., Global Advertising*
ACHILLES TSALTAS, *V.P., International Conferences*
CHANTAL BONETTI, *V.P., International Human Resources*
CHARLOTTE GORDON, *V.P., International Consumer Marketing*
PATRICE MONTI, *V.P., International Circulation*
HELENA PHUA, *Executive V.P., Asia-Pacific*
SUZANNE YVERNÈS, *International Chief Financial Officer*

JAMES BENNET, *Editorial Page Editor*
JAMES DAO, *Deputy Editorial Page Editor*
TERRY TANG, *Deputy Editorial Page Editor*

MARK THOMPSON, *Chief Executive Officer, The New York Times Company*
STEPHEN DUNBAR-JOHNSON, *Président et Directeur de la Publication*

TRUMPWORLD VS. CLINTONWORLD

Hillary Clinton strongly believes in diplomacy, while Donald Trump questions even America’s commitment to NATO.

How might American national security and foreign policy change under Donald Trump, the Republican nominee, or Hillary Clinton, who is set to secure the Democratic nod this week?

Mr. Trump is pushing radical nationalist and isolationist ideas that do not square with his own party’s platform. He has a fallacious view of America as a nation in decline and disrespected abroad, and his plans to disengage from the world, tear up trade deals and use bullying tactics would be irrational and dangerous.

Mr. Trump said last week that under his leadership, America’s seven-decade-long commitment to NATO would be conditional — dependent on his conditions — an approach that would put at risk a Western-led world order.

NATO’s commitment to defend its members against an attack is supposed to be sacrosanct; Mr. Trump’s approach would play into the hands of Russia’s president, Vladimir Putin, who is eager to have NATO unravel.

Mr. Trump has also questioned the merit of deploying troops overseas, including in Japan and South Korea, where a withdrawal of forces would profoundly affect security in Asia. And he has said he would not press President Recep Tayyip Erdogan of Turkey to respect the rule of law. Nor would he make promoting human rights abroad part of his agenda, since he says America has no moral authority to make such a case.

Mrs. Clinton’s long record makes it easier to predict how she views America’s role in the world. As secretary of state, she hewed to President Obama’s policies, but she is somewhat more willing to intervene militarily. She was an early supporter of arming and training Syrian rebels. She has long called for a no-fly zone to protect Syrian civilians. She was a strong proponent of taking a role in the overthrow of Col. Muammar el-Qaddafi of Libya, but there was too little effort afterward to reduce the factionalism that has sent the country reeling into chaos. Mrs. Clinton believes strongly in diplomacy backed by military strength. And she would maintain strong cooperation with NATO allies.

Even when candidates start out untested, one assumes that they will do what is needed to prepare themselves for the presidency. But Mr. Trump seems to care very little about relations between nations. He has boasted that he does not need foreign policy advisers because his own brain is sufficient to guide him. It is unclear, even now, whether he is listening to anyone.

SEEKING JUSTICE IN EL SALVADOR

By striking down a 1993 amnesty law, the country’s top court has opened an important door.

In 1993, just days after the United Nations published a report about the brutal civil war in El Salvador between the military-led government and leftist guerrilla groups, the country’s legislature hastily passed an amnesty law. It absolved all the actors in the conflict, which lasted 12 years, left an estimated 75,000 dead and continues to reverberate in the country’s politics and psyche to this day.

This month, though, El Salvador’s top court struck down key parts of the law in a remarkable ruling that opens the door for relatives of victims of war crimes to hold torturers and killers accountable.

The court found that the law violated El Salvador’s Constitution and international treaties by offering “absolute and unconditional” amnesty for atrocities. The court did not offer a clear blueprint of what the government needed to do in response to the ruling. Human rights groups have long called for the establishment of a special human rights prosecution unit to investigate war crimes.

However, politicians across the political spectrum have questioned the viability of war crimes tribunals at a time when the country’s judicial institutions are overwhelmed by endemic gang violence. President Salvador Sánchez Cerén warned that the ruling threatened the “fragile coexistence” that binds Salvadoran society.

His concern has some merit. Politicians may be tempted to use the case to settle political scores. As a former guerrilla leader, Mr. Sánchez is among the country’s leaders who could be exposed to prosecution. Some of his allies have criticized the decision as a veiled coup.

Carrying out credible and fair prosecutions won’t be easy. But it is not impossible if the government creates a prosecution unit and gives it the tools and independence to pursue the most emblematic cases of the conflict.

Douglas Meléndez, El Salvador’s attorney general, said the government would abide by the ruling. But he has not indicated that his office intends to start building cases any time soon. Unless that happens, the ruling will serve as little more than a reminder of long-ago brutalities for which the country’s leaders refuse to make amends.

Kashmir, and the inheritance of loss

Basharat Peer

SRINAGAR, KASHMIR On July 8, Burhan Wani, a 22-year-old rebel, was shot dead by Indian soldiers and police officers in a small village in the central part of Indian-controlled Kashmir. News of his killing spread as fast as the bullets that had hit him. Cellphones, emails, social media went wild: “They’ve killed Burhan! They’ve killed Burhan!” Everybody called Burhan by his first name.

He had become an internet sensation over the past year, first in Kashmir, then in India and Pakistan, after putting together a small band of Kashmiri militants. Barely out of their teens, they had taken to the forest and social media to challenge the Indian government. Photos they posted on Facebook show them in military fatigues and with stubbly chins, posing with AK-47s against backdrops of apple orchards or mountains. In one video, Burhan plays cricket.

A dozen boys with a few guns — they were no threat to the Indian army, one of the largest in the world. There is no record of Burhan and his crew waging any attack. Their rebellion was symbolic, a war of images against India’s continuing occupation of Kashmir, where about half a million of its soldiers, paramilitary and armed police are still stationed.

According to top police officials, Burhan and two other militants were killed on the evening of July 8 in a gun battle that broke out after Indian soldiers and Kashmiri police surrounded the house in which they had sought shelter.

Protests erupted on the day of Burhan’s funeral and were repressed by Indian troops with indiscriminate force, including pellet guns: As of Monday, about 50 people had been killed and 3,100 injured, nearly half of them Indian troops but also children as young as 4. Instead of opening political negotiations to address Kashmiris’ calls for independence, India continues to unabashedly use military force to maintain a status quo that for years has suffocated millions in the region.

When I first saw the photos of Burhan and his boys, I thought: another generation of young Kashmiris about to be consumed. Those apple orchards and mountains in the background, which I know intimately and call home, brought back memories of the early ’90s, when I was a teenager in southern Kashmir. An armed insurgency supported by Pakistan and a popular rebellion were underway then, triggered by the Indian government’s meddling in a recent state election.

By the time the insurgency was quashed in the late 2000s, more than 70,000 militants, soldiers and civilians had been killed. Still, hundreds of thousands of Kashmiris would occasionally take to the streets. Indian troops continued to respond with violence, even against civilians armed with nothing or nothing more than stones. Hardly any soldier has been prosecuted for civilian killings because Indian law has long granted immunity to troops posted in Kashmir and other troubled territories. (A recent decision by India’s Supreme



A Kashmiri protester facing off with Indian government forces in Srinagar this month.

Court may change this.)

Burhan came of age with this inheritance of loss and rage. He was 15, a top-ranking student from a middle-class family, in 2010 — that summer alone Indian forces killed more than 110 Kashmiri protesters. One afternoon that year, Indian police officers posted in Burhan’s town reportedly sent him and his brother Khalid to fetch cigarettes and then beat up the boys when they returned. Humiliated, Burhan left for the mountains and joined a tiny group of militants. Then last year, Khalid, who was doing postgraduate work in economics, was killed by Indian soldiers.

On the morning of July 9, Burhan’s body was brought to a vast open ground in Tral, his hometown, about 25 miles east of Srinagar. In the early hours, the photojournalist Javed Dar saw that hundreds of people who had come from nearby villages were sleeping on the streets, some using rocks as pillows. About 200,000 people are reported to have attended the funeral throughout the day. Prayers were repeated several times to accommodate newcomers. A slogan I had heard at numerous funerals in the 90s roared up from the valley again: “Burhan, tere khoon se, inquilab aayega.” “Burhan, your blood will bring forth the revolution!”

As Kashmiris seethed with desperate anger that day, Indian paramilitaries and police were deployed across the region. In hundreds of locations, people came out to mourn Burhan and raise their voices against the Indian occupation. The vast majority were unarmed. In some places, protesters picked up stones and charged at camps of Indian soldiers and police.

The troops responded with a brutality rare even by the grim standards of their record in Kashmir. They fired bullets, tear gas and lead pellets. Soon, the Indian government imposed a military curfew.

I reached Kashmir from Delhi on July 11, and the next morning when I woke up in my parents’ house in southern Srinagar, I heard only crickets chirping in the backyard. The streets were des-

olate except for groups of Indian paramilitary troops with guns and bamboo sticks. The pro-India politicians who run the Kashmir government had all but disappeared from public view.

Kashmiris, as they do in crisis, turned to themselves for support. At Shri Maharaja Hari Singh (SMHS) Hospital in central Srinagar, where the injured had been brought by the hundreds, scores of volunteers were offering medicine, money, clothes and care to the patients and their families. On one wall in the lobby hung a banner with the words, “The Martyrs Ask of You: Remember Us,” and two photographs of Burhan. One showed him standing against a mountainous backdrop; the other was of his bullet-ridden corpse on a stretcher.

I walked into an ophthalmology ward. There were about 20 beds with a teenager or young man in each and relatives standing around in anxious huddles. Almost every patient had large, black sunglasses. “Seventy-two patients with pellet injuries arrived here in one day,” one doctor told me. As of Sunday, SMHS Hospital alone had received more than 180 people with serious wounds to the eyes.

A single shot from a pellet gun sprays more than a hundred pellets. A pellet is a high-velocity projectile 2mm to 4mm around and with sharp edges. It doesn’t simply penetrate an eye; it ricochets inside it, tearing the retina and the optic nerves, scooping out flesh and bone.

I walked through the hospital with Dr. Javed Shafi, a surgeon in his early 40s, as he was making bed calls with his patients.

The day before he had operated on Shafia Jan, a pale, slim woman in her mid-20s from Arwani, a village about 50 miles south. She had stepped out of her house after hearing commotion on the street during protests following Burhan’s death, she explained. A police officer fired his pump-action gun to-

ward her.

“I didn’t feel anything at first. Then, my left leg crumbled and I fell. I saw my intestines falling out,” Ms. Jan told me. She pushed her guts back into the wound and held them in with her hands. Scores of pellets had pierced her lower abdomen, opening up the scars of an earlier C-section.

Omar Nazir, a reed-thin boy of 12, barely filled one corner of his bed. A thick swathe of bandages formed a cross across his chest and belly. He had black, adult-size glasses. “He’s lost both his eyes,” Dr. Shafi said. Doctors had yet to deliver the news to Nazir Ahmad, the boy’s father, a day laborer in Pulwama, a district in southern Kashmir, but he already seemed to know. Mr. Ahmad, tall and wiry, looked at the doctor, his eyes liquid with entreaty: “Dr. Sahib, we own one-fifth of an acre of land in the village. I will sell all my land, but please make him see.”

In other corners of the hospital: A young man with the face of Adrian Brody whose penis had to be amputated because it had been shredded by pellets. A four-year-old girl, her legs and abdomen riddled by what she called “firecrackers.” And Insha Malik.

I had read about Insha, 14, in that morning’s paper. The photograph accompanying the article showed a face with red wart-like wounds. Her nasal bridge was a lump of raw flesh held together by black surgical thread. The bloodied lids of her left eye had been sown shut. Her right eye was a red alloy of blood, flesh, bone and metal.

Insha was in the surgical intensive care unit of SMHS Hospital, a few rooms away from the ward I visited with Dr. Shafi. Afroza Malik, her mother, a woman in her early 50s, sat right by the I.C.U. door on the bare floor. Her husband, who had a leg injury from an earlier accident, was lying on a blanket, his head in his wife’s lap. She was stroking his gray hair.

Ms. Malik explained that on July 12, she, Insha and several relatives had taken refuge in an upstairs room of their two-story house in Sedew, a tiny village 40 miles south of Srinagar. They closed the thick wooden windows and sat on the floor. They heard tear gas canisters being fired; they heard gunshots. A loud noise followed. A pellet gun had been fired at the window. Insha was sitting nearby. “The window was blown to pieces,” Ms. Malik told me. “I heard her wail and saw blood flowing out of her eyes. She fell on the floor.”

A few days later, the police raided the offices of Greater Kashmir, the daily that had run that story about Insha, as well as several other local newspapers, and shut down the printing presses. The authorities’ familiar silencing routine had begun again. Indian officials and thought leaders fell back on tired rituals of obfuscation and denial. But already one line of graffiti had appeared on every other wall throughout the entire valley: “Go India, Go Back!”

BASHARAT PEER is the author of “*Curfewed Night*,” a memoir of the conflict in Kashmir, and the forthcoming, “*A Question of Order: India, Turkey and the Return of Strongmen*.”



Kashmiri villagers carrying the body of Burhan Wani during his funeral procession in Tral, east of Srinagar, in Indian-controlled Kashmir.



Delusions of chaos



Paul Krugman

Last year there were 352 murders in New York City. This was a bit higher than the number in 2014, but far below the 2245 murders that took place in 1990, the city’s worst year. In fact, as measured by the murder rate, New York is now basically as safe as it has ever been, going all the way back to the 19th century.

National crime statistics, and numbers for all violent crimes, paint an only slightly less cheerful picture. And it’s not just a matter of numbers; our big cities look and feel far safer than they did a generation ago, because they are. People of a certain age always have the sense that America isn’t the country they remember from their youth, and in this case they’re right — it has gotten much better.

How, then, was it even possible for Donald Trump to give a speech accepting the Republican nomination whose central premise was that crime is running rampant, and that “I alone” can bring the chaos under control?

Of course, nobody should be surprised to see Mr. Trump confidently asserting things that are flatly untrue, since he does that all the time — and never corrects his falsehoods. Indeed, the big speech repeated some of those golden oldies, like the claim that America is the world’s most highly taxed country (when we are actually near the bottom among advanced economies).

But until now the false claims have

been about things ordinary voters can’t check against their own experience. Most people don’t have any sense of how their taxes compare with those paid by Europeans or Canadians, let alone how many jobs have been displaced by Chinese competition. But 58 million tourists visited New York last year; tens of millions more visited other major cities; and of course many of us live in or near those cities, and see them every day. And while there are, as there always were, bad neighborhoods and occasional violent incidents, it’s hard to see how anyone who walks around with open eyes could believe in the blood-soaked dystopian vision Mr. Trump laid out.

Yet there’s no question that many voters — including, almost surely, a majority of white men — will indeed buy into that vision. Why?

One answer is that, according to Gallup, Americans always seem to believe that crime is increasing, even when it is in fact dropping rapidly.

Part of this may be the wording of the question: People may have a vague, headline-fueled sense that crime is up this year even while being aware that it’s much lower than it used to be. There may also be some version of the “bad things are happening somewhere else” syndrome we see in consumer surveys, where people are far more positive about their personal situation than they are about the economy as a whole.

Again, however, it’s one thing to have a shaky grasp on crime statistics, but something quite different to accept a nightmare vision of America that conflicts so drastically with everyday experience. So what’s going on?

Well, I do have a hypothesis, namely, that Trump supporters really do feel,

with some reason, that the social order they knew is coming apart. It’s not just race, where the country has become both more diverse and less racist (even if it still has a long way to go). It’s also about gender roles — when Mr. Trump talks about making America great again, you can be sure that many of his supporters are imagining a return to the (partly imagined) days of male breadwinners and stay-at-home wives.

Not incidentally, Mike Pence, Mr. Trump’s running mate, used to fulminate about the damage done by working mothers, not to mention penning an outraged attack on Disney in 1999 for featuring a martially-minded heroine in its movie *Mulan*.

But what are the consequences of these changes in the social order? Back when crime was rising, conservatives insistently drew a connection to social change — that was what the whole early ’90s fuss over “family values” was about. Loose the bonds of traditional society, and chaos would follow.

Then a funny thing happened: Crime plunged instead of continuing to rise. Other indicators also improved dramatically — for example, the teen birthrate has fallen 60 percent since 1991. Instead of societal collapse, we’ve seen what amounts to a mass outbreak of societal health. The truth is that we don’t know exactly why. Hypotheses range from the changing age distribution of the population to reduced lead poisoning; but in any case, the predicted apocalypse notably failed to arrive.

The point, however, is that in the minds of those disturbed by social change, chaos in the streets was supposed to follow, and they are all too willing to believe that it did, in the teeth of the evidence.

The question now is how many such people, people determined to live in a nightmare of their own imagining, there really are. I guess we’ll find out in November.

Trump and the end of truth



Roger Cohen

Tolstoy wrote of “epidemic suggestion” to describe those moments when humanity seems to be gripped by a kind of mass hypnosis that no force can counter. The resulting movements, like the Crusades or the 17th-century Dutch tulip craze, cannot be controlled. We find ourselves in such a moment.

To imagine that the words I write, or those of countless others lamenting the world’s lurch toward the politics of violence, may stem this “epidemic suggestion” is to indulge in fantasy. It is part of the infernal nature of such eruptions that everything feeds them, including outrage. The slouching beast is insatiable.

Warnings of danger are just the self-important whining of those in whose favor the decadent, soon-to-be-destroyed system has been rigged. The movement is the answer. Mendacity is the new truth. Choreography is stronger than content. The world is upside-down.

Writing into such an environment is like directing a canoe into a gale. Still, here goes, while words still have some meaning.

Goodbye to all that. This looks like the end of a brief interlude that began in 1945. The interlude was relatively peaceful by historical standards. It saw the construction of a rules-based world order undergirded by visceral knowledge of destruction and acute awareness of potential Armageddon. The postwar order involved new institutions, treaties, alliances, and even a union of the very European nations most given to repetitive bloodshed.

Its end was signaled in 2014 by the

Russian president Vladimir Putin’s annexation of Crimea, a move that ripped to shreds the “territorial integrity” of Ukraine in direct violation of Article 2 of the United Nations Charter.

But it was not so much this act itself that presaged the unraveling. It was the lies that accompanied it. The Soviet Union, in 1931, used the slogan that two plus two equals five. Putin, a pure Soviet product, traffics in lies — the supposed Western encirclement of Russia, the preposterous notion that all the Russian forces and materiel in eastern Ukraine have been figments of the world’s imagination.

As George Orwell observed, “From the totalitarian point of view history is something to be created rather than learned.”

Enter Putin’s pal, Donald Trump, who declares that “there will be no lies” as a prelude to shrieking unvarnished untruth for 76 minutes from a gold-limned podium. Where was Leni Riefenstahl when she was needed last week in Cleveland?

Trump is not alone. There is a global movement of minds. As John Lanchester has observed in *The London Review of Books*, “I don’t think there’s ever been a time in British politics when so many people in public life spent so much time loudly declaring things they knew not to be true.” The successful arguments of the “Leave” campaign for Britain to quit the European Union “were based on lies.” The charlatan trafficking most vociferously in these untruths, boorish Boris Johnson, has just become Britain’s foreign secretary.

Facts are now a quaint hangover from a time of rational discourse, little annoyances easily upended. Volume trumps reality, as Roger Ailes understood at Fox News, before a downfall that coincided with the apotheosis of his post-factual world.

A red-faced bully, adept in the choreography of collective hysteria, arises. He promises that he alone can set things right. He is the voice. He stands against a great tide of menace, from ISIS to immigrants, and only he under-

stands the vast dimensions of the danger.

We have been here before. Fascism was a backlash against dysfunctional democracies. It invited belief in the leadership of the strongman against enemies within and without. Its currency was untruth and its culmination bloody unreason. It was derided and dismissed by those it would devour.

It is inevitable, given what he represents, that Trump looks to Putin. Orwell again: “Totalitarianism demands, in fact, the continuous alteration of the past, and in the long run probably demands a disbelief in the very existence of objective truth.”

Putin is not a totalitarian, but he has totalitarianism in him, and the conditions of today are not those of the 1930s. But in technology’s disorienting cacophony, the disaggregation of increasingly unequal societies, the frustrations of the many millions for whom life has become an exercise in precariousness, the pressures of globalization and mass migration, the stirring of racism, the spread of terrorism, and the steady undermining of truth, the seeds of a new authoritarianism have been sown. This is the wave Trump rides.

Trump’s strongest argument is that he represents change and Hillary Clinton does not. He will see Clinton’s charges of mendacity with accusations that she is untrustworthy. He may well win. Anyone denying this has not grasped that “epidemic suggestion” tends to be unstoppable.

Brexit illustrated a thirst for disruption at any cost. It was the supporting act for a possible American leap in the dark that would place Trump’s portrait in United States embassies around the world. Perhaps that’s the least of it. Still. That face so displayed would signal the end of an era and imminent danger to the Republic and the world.

Hold coup leader accountable

Ibrahim Kalin

On July 15, a rogue faction within Turkey’s military attempted to suspend the Constitution, impose martial law and enforce a nationwide curfew. As troops and tanks blocked traffic crossing from Asia to Europe over the Bosphorus Bridge in Istanbul, a number of government buildings including the Parliament, the Presidential Palace and the intelligence headquarters were heavily assaulted. During a series of coordinated attacks, more than 240 civilians and police officers in Istanbul and Ankara were shot by snipers, run over by tanks, shelled by assault helicopters and killed by bombs dropped from hijacked aircraft. Meanwhile, the rogue faction seized a public broadcaster and held an anchorwoman at gunpoint to announce that they were now in charge.

Prime Minister Binali Yildirim called the coup illegal and, in consultation with President Recep Tayyip Erdogan, ordered the police and other security forces to stop the coup plotters. Soon afterward, Mr. Erdogan appeared on television to call on the people to resist the power grab. When Mr. Erdogan’s message was aired live on CNNTurk, a private TV channel, the junta soldiers invaded its premises as well. Millions heard the call and defied the rebels. Opposition leaders also deplored the coup and called for resistance.

In the meantime, an elite military squad was sent to the hotel on the Turkish Riviera where Mr. Erdogan was vacationing, to kill him and his entire family. Having survived the assassination attempt, Mr. Erdogan escaped on his official jet, which reached Istanbul safely after the pilot deceived rogue F-16s patrolling the airspace.

In the wake of the bloody coup attempt, the government, acting on the recommendations of civilian and military leaders, exercised its constitutional mandate to declare a three-month state of emergency. Adopted by countries like France and Belgium in response to terror attacks, this measure is intended to expedite the legislative process and provide the authorities with legal tools necessary to bring



ARIS MESSINIS/AGENCE FRANCE PRESS — GETTY IMAGES

those responsible to justice.

Several thousand military officers and their accomplices in law enforcement and the judiciary have been suspended or arrested for having links to the coup. Their removal from public posts makes the Turkish government stronger and more transparent. At least 1,200 rank-and-file soldiers, who weren’t charged, have already been released from custody. A team of 70 prosecutors is investigating the case. The claim that this was a fake coup is no more credible than the laughable claim that the 9/11 attacks were orchestrated by the United States.

Testimony and evidence obtained from coup plotters point to Fethullah Gulen as the leader of the coup attempt, which was planned and staged by his followers within the army. Levent Turkkan, aide-camp to the chief of staff for Turkish armed forces, Gen. Hulusi Akar, confessed to being a member of the Gulenist group after he was arrested, adding that he executed orders from his Gulenist superiors. Generals leading the coup also urged General Akar to speak to Fethullah Gulen, who runs a

covert empire from his mansion in rural Pennsylvania, hoping to persuade him to join in their rebellion, according to General Akar.

Since the 1980s, the Gulenists, a religious cult whose members present themselves as peaceful educators, have always had a dark side. They have infiltrated the Turkish judiciary and security forces and manipulated the system to their advantage. They also fabricated evidence, engaged in illegal wiretapping and leaked government documents to smear their opponents.

They own a number of charter schools and companies across America and have been accused of engaging in financial fraud and violating immigration and campaign finance laws.

The United States should extradite Fethullah Gulen, a Turkish citizen, to Turkey, as is allowed under an existing treaty. Turkey has already provided a number of legal documents to American authorities and will send more as further evidence is collected. The United States should not let this man exploit its laws to avoid facing a fair and legitimate accounting in Turkey.

Fethullah Gulen’s claim that he has had nothing to do with this coup attempt is as credible as his claim that he has had nothing to do with hundreds of Gulenist schools, banks, companies and media outlets that operate under his direct orders. A due legal process will establish his role in this failed rebellion. It does not make sense for any country to condemn the coup without taking action against the lead putschist.

Today, the people of Turkey are more united than at any time in recent history. In any democracy, citizens are bound to disagree. But our nation’s response to the July 15 assault proved that democracy, freedom and the rule of law are nonnegotiable in Turkey. As the Turkish people mourn the dead, nurture the wounded and take pride in what we accomplished together, they also demand justice, closure and reassurances that never again shall we witness such a crisis.

IBRAHIM KALIN is the spokesman for President Recep Tayyip Erdogan of Turkey.

SHARE YOUR THOUGHTS
Send a letter, with your phone number and email address, to nyletters@nytimes.com.

International New York Times YOUR OPINION MATTERS

As a valued reader of the International New York Times, your opinions about the newspaper we create for you are very important to us, which is why we would like you to take part in a survey to share your views.

To thank you for your participation we will donate US\$2 to a charity of your choice.

Have your say on your newspaper:
nytimesinsights.com



Sports

SOCCER OLYMPICS

Athletes refuse to stay at Olympic housing

OLYMPICS RIO DE JANEIRO

Australian delegation says buildings plagued with litany of problems

BY MICHAEL S. SCHMIDT

Adding to the list of setbacks and stumbles for the Rio Olympics, the athletes' village, home to thousands of athletes during the Summer Games, has been called unfit for occupancy.

Sunday was supposed to be move-in day for many athletes, but the leader of the Australian Olympic delegation said its athletes would not be checking in because of problems with the gas, electricity and plumbing.

The opening ceremony for the Rio Games is scheduled for Aug. 5.

Among the issues with housing units at the village are "blocked toilets, leaking pipes and exposed wiring," said Kitty Chiller, the chef de mission in Rio de Janeiro for the Australian Olympic Committee. There is also bad lighting in many stairwells and "dirty floors in need of a massive clean," she said in a written statement.

"Water has come through the ceiling resulting in large puddles on the floor around cabling and wiring," Chiller said. Chiller said that delegations from Britain, New Zealand and other countries were experiencing similar problems in the village, which is in an area of western Rio called Barra da Tijuca.

Sweden's women's soccer team also refused to move into its apartments because of similar problems, the Brazilian newspaper Folha de S. Paulo reported. The newspaper article said the United States, Italy and the Netherlands had paid to hire workers to finish their rooms.

Australian athletes have been staying at hotels as local organizers in Rio try to fix the problems, according to Australian officials.

Olympic officials said they expected the issues to be resolved within a few days. They said the village had officially opened Sunday morning and, as planned, a few hundred delegation members had moved in.

"There are some adjustments that we are dealing with and will be resolved in a short while," said Carlos Nuzman, the president of the organizing committee. "Every Olympic village, because of their magnitude, needs some adjustments until it becomes perfect. The important thing is that everything will be resolved before the Games, without disturbing the athletes."

Among the issues with housing units at the village are "blocked toilets, leaking pipes and exposed wiring."

Rio de Janeiro won the bid to host the 2016 Summer Games seven years ago, when few obstacles were apparent. But the city and the organizers of the Games have encountered difficulties including political and economic turmoil; the spread of the Zika virus; pollution in bodies of water that are to be used in Olympic events; and the threat from terrorism.

Now officials are facing a situation similar to what unfolded at the last Winter Olympics, in Sochi, Russia, in 2014, when lodging was not ready for the start of the Games.

Australian officials discussed concerns with Olympic officials in Rio on a daily basis, they said, adding that they would reassess the situation on Sunday evening.

A spokesman for the British Olympic Committee said that it had been meeting daily with Rio officials "to find solutions to issues that have arisen in the village for the benefit of all delegations."

"We are confident that our accommodation is ready to receive athletes and will be to the highest standards within the village," the spokesman, Scott Field, said. "Whilst we have encountered some maintenance difficulties, this is not uncommon with new-build structures of this type, and we have been working to overcome them."

The United States expects to have 500 athletes and staff members staying in the athletes' village. "As is the case with every Games, we're working with the local organizers to address minor issues and make sure the village is ready for Team U.S.A. athletes," said Patrick Sandusky, a spokesman for the United States Olympic Committee.

A "stress test" that Australian officials conducted at the village on Saturday night led to the decision to not allow its athletes to move in. To test the facilities, the officials simultaneously turned on lights and flushed toilets in apartments on several floors.

"The system failed," Chiller said. "Water came down walls, there was a strong smell of gas in some apartments, and there was shorting in electrical wiring."

Vinod Sreeharsha contributed reporting.



South Korean soccer players tossed their coach, Hong Myung-bo, in the air after beating Japan to win bronze at the 2012 Olympics in London. Those who played for the team won exemption from the country's compulsory military service. LUCA BRUNO/ASSOCIATED PRESS

For Koreans, success brings a bigger prize

SOCCER BUSAN, SOUTH KOREA

Winning Olympic medal gets an athlete exempted from military service

BY JOHN DUERDEN

Kim Kee-hee's brief appearance at the 2012 London Olympics could be one of the most lucrative five minutes in soccer history. Appearing just before the final whistle in South Korea's 2-0 win over Japan in the bronze medal playoff ensured that the defender was granted, along with all teammates who played in the Games, exemption from the country's military service, which is mandatory for able-bodied males.

Had Kim not taken the field for the first time just as the tournament was about to end, he would have had to start a 21-month tour of duty by the time he was 28. Now 27, he would most likely now be preparing to join the army team Sangju Sangmu in the K-League Classic, South Korea's top tier of soccer, to collect

the average soldier stipend of around \$120 a month, serving a country technically still at war with North Korea.

Instead in February, Kim signed with the Chinese Super League club Shanghai Shenhua to become his country's fourth-highest earning soccer player with a reported annual salary of around \$2.4 million.

Four years later in Brazil, a new generation of South Korean players will be hoping to follow in Kim's footsteps to win a medal, and more.

The 2002 World Cup team was given exemption by the government after reaching the semifinals. The same prize awaits all athletes that win gold at the Asian Games or any medal at the Olympics. Of the other 15 teams in Brazil, none, including the host, will have the same desire going into the tournament.

The current coach of the South Korea Olympic team, Shin Tae-yong, admits that the military issue can be a double-edged sword for a coach. "I can't disagree that there can be a problem of pressure," Shin wrote in an email. "I recognize the pressure that players and I face due to the military exemption issue."

The challenge for Shin, who led the Korean club Seongnam Ilhwa Chunma to the 2010 Asian Champions League title, is to ensure that the issue does not become a burden. "I think that motivation is much greater than the feeling of pressure, so I don't think it is going to be a problem."

Shin's star player is Son Heung-min, an attacker with English Premier League team Tottenham Hotspur. Son, 24, has been named one of three "overage" players that each team is allowed in the Olympic tournament, which otherwise is an under-23 competition.

Although the Olympic soccer tournament is not recognized by soccer's governing body, FIFA, meaning that clubs are not obliged to release players, Tottenham has agreed to let Son go. Not only has the player expressed his desire to play, a military exemption would increase his long-term value to the team as well as his price should Tottenham choose to sell him. (In 2014, Son's German club, Bayer Leverkusen, refused to allow him to participate in the Asian Games, in which South Korea won gold.) The same applies to goalkeeper Gu

Sung-yun. "I do not feel extra pressure" because of the prospect of military exemption, said Gu, 22, who plays professionally in Japan. "Instead, I feel hope and excitement rather than stress because I see my participation in the Olympics as a big opportunity," one that will allow him to develop as a player.

In South Korea, the issue of whether athletes should be exempted from military duty can be sensitive. In March 2012, striker Park Chu-young managed to exploit a legal loophole because of his three-year residency in Monaco with the French club A.S. Monaco and was able to delay his duty by a decade.

The move was widely criticized by the media and fans. In June of the same year, he held a press conference in Seoul to apologize and was included in the Olympic team that won total exemption in August. Yoo Jee-ho, chief sports writer for the national news agency Yonhap, said support among the general public for exemptions has diminished in recent years. He suggested this could be because of the actions of some celebrities and sons of politicians in trying to avoid conscription altogether.

"Winning Olympic medals might have been a bigger source of pride for people than it is now," said Yoo. "If people in the past felt the athletes for the most part deserved the military exemption, I think the perception has changed slightly."

There will still be plenty of attention on the Olympic soccer tournament, a competition taken seriously by fans and media, as well as players. The team kicks off against Fiji on Aug. 4 in and will also face Germany and the 2012 gold-medal winner Mexico.

For Coach Shin, finishing in the top two in pool play to move into the quarterfinals is the first target. "If we past the group stage, I think the possibility of winning a medal is 50-50," he said. "Nobody can predict results in the knockout stage."

It is not surprising that Korean players see the Olympics as second only to the World Cup, outranking the Asian Cup, the continent's soccer championship for national teams.

"The Asian Cup is big," said Gu. "But the Olympics is bigger because it is staged not in Asia, but on the world stage."

Russia decision muddies legacy of I.O.C. leader

Sports of The Times

JULIET MACUR

There was a time when Thomas Bach looked exactly like the leader the International Olympic Committee needed.

He championed reforms, including one streamlining how cities bid for the Games, and made the entire bidding process cheaper. He advocated gay rights by adding sexual orientation to the I.O.C.'s anti-discrimination charter, doing so just in time for the 2014 Olympics in Sochi, Russia, a country that had instituted anti-gay laws leading up to those Winter Games.

Bach, a German who won a gold medal with the West German fencing team at the 1976 Montreal Olympics, seemed as if he would be a stalwart of a president who would fight for athletes' rights because, after all, he had been one.

But where was Bach's leadership Sunday, when the I.O.C. announced that it would not bar the Russian Olympic Committee and would not bar Russian athletes outright from the Rio Games, despite overwhelming evidence of state-sponsored doping?

Instead of using the power of the I.O.C. to stand up to Russia, a nation whose highest sports officials have been implicated in a doping program that lasted at minimum from 2011 to 2015, Bach withered. He dropped the Russian case into the laps of the 28 international sports federations with the

Rio Games less than two weeks away.

Now those federations must rule — and rule quickly — on the cases of individual Russian athletes who will appeal to them for inclusion in the Games. Already, just hours after the committee's announcement Sunday morning, the International Tennis Federation said the eight Russian players who wanted to compete in Rio were good to go.

That was fast.

Bach could have set a strong example for nations who dare to cheat on the playing field as boldly and as defiantly as Russia did. But he failed, and in so many ways, too. As a leader. As a voice for clean sports and clean athletes. As someone expected to keep his word.

Is this the same Thomas Bach who — within just the last year — preached that the I.O.C. has "zero tolerance" when it comes to "doping and any kind of manipulation and corruption"?

Is this the same Thomas Bach who just last year said the Olympic antidoping system had to be overhauled and made entirely independent from nations and sports federations because it would send a message of good governance and transparency? Because doing so would "better protect the clean athletes and enhance the credibility of sports"?

Maybe by zero tolerance, Bach meant zero consequences? Or maybe he meant zero tolerance, starting not immediately, but in 2017?

With the Olympic committee's decision on Sunday to punt its responsibility, it gave sports federations the power to decide which Russian athletes are clean, and which are not. Yet isn't that kind of how the I.O.C. got into this problem in the first place?



Thomas Bach has been president of the International Olympic Committee since 2013. FABRICE COFFRINI/AGENCE FRANCE PRESSE — GETTY IMAGES

Russia was in charge of most of the testing of its own athletes and managing the results of its own athletes' failed tests. Not a good plan: Russia made the system look like a joke when it made failed drug tests look clean.

What makes Bach and the Olympic committee so sure that sports federations will not do the same? Those federations are rife with conflict of interests and biases, which is commonplace in international sports governance. And now justice will be served piecemeal.

Within those 28 sports federations, some might make sound decisions that protect honest competitors. Others might make terrible decisions. However it turns out, as the chaos unfolds with athletes preparing to head to Rio, Bach has stomped upon a group of

good people in the Olympic movement: clean athletes and whistle-blowers.

The whistle-blower Yuliya Stepanova, a middle-distance runner, had doped under the Russian system and served a ban. But her evidence helped reveal this whole Russian doping mess, and now she must wonder if her brave efforts — and those of her husband, Vitaly Stepanov — to expose a dirty system were for naught.

Bach must know, after all of his years in the Olympic movement, that people like the Stepanovs who are on the inside of the system are the most valuable in exposing corruption. If he does not know, he certainly should not be in charge.

Yet Bach said Sunday that Stepanova would not be able to compete in Rio un-

der a neutral flag, or any flag, for that matter. That she could be an observer as a guest of the Olympic committee instead.

The rationale: "It puts this contribution into the perspective of Mrs. Stepanova's own long implication, of at least five years, in this doping system and the timing of her whistle-blowing, which came when the system did not protect her any longer."

What the Olympic committee failed to say was that Stepanova has risked her life, her livelihood and the safety of her family to break open perhaps the biggest cheating scandal in the history of the Olympics. Yet for that, she does not get to run again — she gets a spot in the I.O.C.'s suite at the opening ceremony, where there will be a buffet and open bar?

"This decision and the lack of a firm, clear decision by the I.O.C. was a blow to the effort of clean athletes, and it sends a message that we don't want whistle-blowers," Travis Tygart, the chief executive of the United States Anti-Doping Agency, said Sunday. "This is not the decision that clean athletes expect. Or that clean athletes deserve, right?"

But enough about whistle-blowers and clean athletes. Because the decision clearly was not about them.

It was, however, a good example of Bach's precipitous fall from strong leader to weak one.

In 2014, Minky Worden, the director of global initiatives for Human Rights Watch, called Bach "a breath of fresh air" in the Olympic movement.

On Sunday, the German newspaper Bild called him something entirely different atop a photo of Bach with Russia's president, Vladimir V. Putin.

Solving the Yankee equation, one number at a time

BASEBALL

BY BILLY WITZ

Michael Fishman has been on a surfboard once in his life — and it was fleeting, a lesson he took with his wife on their honeymoon in Hawaii.

So when Billy Eppler, an avid surfer and Fishman's colleague with the Yankees, cajoled some of his office mates into entering Surfer Magazine's fantasy surfing contest years ago, he had little idea what he was unleashing.

Fishman, poring over the rules, discovered a loophole: You could enter as many teams as you wanted as long as you used different email addresses. So Fishman developed a database of scores from the previous five years of competitions and built his own metrics for ranking and valuing surfers. Then he created new email addresses and entered his teams.

Among the nearly 18,000 entrants chasing the grand prize of a trip for two to Australia, Fishman finished first.

And second.
And sixth, ninth, 11th and 18th.
“When he won, there was a lot of head-shaking,” said Eppler, who is now the Los Angeles Angels’ general manager and has friends on the pro surfing circuit. “They’re like, ‘This guy doesn’t even surf.’”

The result was so unnerving that Surfer Magazine changed the contest rules, invoking what it called the Fishman Clause. Beginning in 2011, entries have been limited to one per person.

Meanwhile, that ability to solve problems, and the mastery of data to predict performance, have made Fishman, 37, one of the trusted deputies of New York Yankees General Manager Brian Cashman.

As the Yankees confront a major retooling, Fishman, an assistant general manager who oversees one of baseball’s largest analytics staffs, will have a prominent voice — either in the coming days if they shed some of their more coveted assets, like reliever Aroldis Chapman, or after the season, when they can go about reinvesting the more than \$53 million in salary that will be coming off their books.

“You want to make the best, most informed decision you can, so the deeper you can dig on something the better,” Cashman said.

When the Yankees hired Fishman in 2005, two years after the publication of “Moneyball” and four years after he



Michael Fishman of the Yankees oversees one of baseball's largest analytics staffs. He'll play a key role as the team retools itself.

“People off the field can have a legitimate impact on the field. Whether that’s a good thing or a bad thing I don’t know, but that’s where we’re at.”

graduated summa cum laude from Yale with a bachelor’s degree in mathematics, he was their analytics department.

It has since grown to include seven analysts, five system developers and several interns who work under him. Seven former interns have landed analytics jobs with other teams, Fishman said.

Baseball’s analytics boom is hardly a secret. The Oakland Athletics, the Tampa Bay Rays and the Pittsburgh Pirates have been the subject of books detailing how losing teams with low payrolls used data to build winners. The Boston Red Sox long ago hired Bill James, the god-

father of modern sports statistical analysis, and executives like the Houston Astros’ Jeff Luhnow and the Los Angeles Dodgers’ Andrew Friedman have been closely identified with the use of analytics in multiple organizations.

Yet the transformation of the Yankees, rarely known for being discreet about anything, has taken place with little fanfare. Still, when ESPN last year rated every team in the four major professional sports leagues on their commitment to analytics, the Yankees were ranked sixth among 122 teams.

“The perceived motivation for analytics for teams like Tampa is they didn’t have a lot of money to spend, and they were looking for the diamonds in the rough,” said Ben Baumer, an assistant professor of data and sciences at Smith College who previously worked in analytics for the Mets and who wrote the ESPN article. “That wasn’t the Yankees’ problem.”

But, Baumer added: “I don’t know if

this is true anymore.”

Though the Yankees still are profligate spenders — their \$226 million payroll is second behind the Los Angeles Dodgers’ — baseball’s revenue-sharing program has helped level the playing field in recent years. So, too, have the reams of data that are now available thanks to sophisticated cameras that can track minutiae like the spin rate on a curveball.

“People off the field can have a legitimate impact on the field,” Yankees third baseman Chase Headley said. “Whether that’s a good thing or a bad thing I don’t know, but that’s where we’re at: Either you embrace it, or you’re not going to be around, because that’s the way the game is going.”

NUMERIC TOOLS OF THE TRADE
The Yankees’ turn toward analytics has taken many forms. They have used pitch-framing data to evaluate catchers, coveting ones who excel at getting borderline pitches called strikes. They have

been among baseball’s most shift-happy teams, placing fielders where their statistical models say balls are most likely to be hit — not just by a particular hitter, but in a particular count.

They have also assembled a pitching staff that leads baseball in strikeout-to-walk ratio and has the highest ground-ball percentage in the American League, categories that are darlings of the statistical set.

This season has also seen a profound shift in the Yankees’ approach at the plate. For years, they have been among the most patient teams in baseball, but overnight the Yankees have become one of the most aggressive, going from third in pitches per at-bat last year to 25th this season with virtually the same lineup.

As one of their performance-science initiatives, the Yankees have even used eye-tracking devices, which might help predict or improve reaction times — a potentially useful tool for hitters.

In addition, the decisions to acquire players like catcher Brian McCann, Headley, outfielder Dustin Ackley and the former Yankees Brandon McCarthy, Chris Young and Nick Swisher were driven significantly by what the Yankees found by digging deeply into numbers.

“It would be naïve to think we’re all here because of old-fashioned scouting,” reliever Andrew Miller said.

Fishman is circumspect in discussing the Yankees’ analytics work in detail. “If we find an inefficiency to the game that we can exploit and then it’s made public, it’s no longer an inefficiency,” Fishman said. “Everybody knows about it.”

He added: “People who do research in baseball are making a choice: I’m going to do something that’s going to the benefit of the team that’s going to help them win games, and my research is not going to be made public. I’m not going to get the glory for my research.”

‘ORCHESTRATED STRATEGY’
In many ways, numbers are the prisms through which Fishman sees the world. In college, he and his friends would devise their own formulas to calculate which food at the cafeteria constituted the best deal. When Fishman was organizing a “Simpsons” marathon before graduation, he ranked dozens of episodes on cassette tapes to determine the viewing order.

When Fishman had earned his degree in math, the use of analytics in sports was nascent — and baseball was near

impossible to break into without having played the game at some level. So Fishman became an actuary at an insurance company.

But he also began a side career in the fantasy sports industry, where he became a well-known figure. Then “Moneyball” hit, and suddenly doors into baseball began to fly open.

Fishman sent letters to all 30 clubs. He prepared two projects — on how in-game moves affected win probability and on relief pitcher valuation — that he hoped would showcase his problem-solving skills. He landed an interview with Athletics General Manager Billy Beane, the protagonist in “Moneyball,” at the 2004 winter meetings, and Beane peppered him with questions.

The A’s analyst job eventually went to Farhan Zaidi, now the Dodgers’ general manager, but Fishman was encouraged enough to continue his hunt, touring spring training camps and meeting with more teams. One asked him for a sample project on batting orders, another was interested in hiring him as a computer programmer, and several asked if he was interested in an internship; he was not.

By July 2005, the Yankees expressed interest. Cashman brought Fishman in for an interview and, within a week or so, offered him a job.

EVER-CHANGING DYNAMICS
While the influence of Fishman and the Yankees continues to grow, there remains a degree of skepticism or indifference in the clubhouse. The bullpen coach Gary Tuck, who was close with Manager Joe Girardi and was lauded for his work with catchers, was fired after last season in large part because of his resistance to analytics.

Carlos Beltran, the Yankees’ best hitter this season, said that while he studied video, he considered himself an intuitive hitter, relying on his 19 years of big league experience to guide him. But Miller, the reliever, said he believed that would change with the next generation who will come up understanding metrics such as Z-scores or wOBA and use them to influence how they swing the bat or throw the ball.

That generation may soon be on its way.

A raft talent in the Yankees’ minor league system has inched its way closer to the majors. No matter how the next iteration of Yankees look, they are certain to be shaped by Fishman’s increasingly visible hands.

NON SEQUITUR

© 2016 NYST INC. 7-26
Distributed by Universal Uclick. info@nyst.com www.nyst.com

SUDOKU No. 2607

4	7							
		6	5		2			
		9			3	1		
		8				2		
2			8	7				
				8				
1		2	6		9			
	3		7					1

Created by Peter Reinemer/Presented by Will Shortz
© 2016 Tribune Content Agency, LLC. All Rights Reserved. Distributed by The New York Times Syndicate

Fill the grid so that every row, column 3x3 box and shaded 3x3 box contains each of the numbers 1 to 9 exactly once.

Solution No. 2507

2	6	7	5	1	3	9	4	8
8	4	1	7	2	9	5	6	3
5	9	3	8	6	4	2	7	1
9	5	2	6	4	1	3	8	7
7	1	8	9	3	5	6	2	4
4	3	6	2	8	7	1	9	5
3	8	9	1	7	6	4	5	2
1	7	5	4	9	2	8	3	6
6	2	4	3	5	8	7	1	9

JUMBLE THAT SCRAMBLED WORD GAME by David L. Hoyt and Jeff Knurek

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

IMERG

OTaub

THIGST

CERNdH

Now arrange the circled letters to form the surprise answer, as suggested by this above cartoon.

(Answers tomorrow)

Yesterday's Jumbles: CURVE MOOSE DEFACE GLASSY
Answer: Crime was on the rise and some people were becoming — ALARMED

PEANUTS

GARFIELD

WIZARD of ID

BRIDGE | Frank Stewart

Cy the Cynic says that a mistake is only as good as you make it. I'll have to admit that today's declarer perpetrated a beauty.

Against four spades, West led a heart, and East took the ace and shifted to a trump. South won and saw nothing better than to try some finesses. He led a diamond to dummy's queen at the third trick, and East took the king and returned a diamond to the ace. South then ruffed a diamond and led a club to the king. He lost two clubs and went down one.

Could you do better as declarer?

Heart Ruff
I hope you wouldn't be so eager to rely on finesses that will probably lose (East opened the bidding, after all). After South wins the first trump, he ruffs a heart in dummy, leads a trump to his hand and cashes his queen of hearts. South next leads a club to dummy's ten. East wins with the jack but must concede the 10th trick. Whether he takes his ace of clubs, leads a heart to give up a ruff-sluft or leads a diamond from his king, South is safe.

Daily Question: You hold: ♠9, ♥AJ1083, ♦K1074, ♣AJ9. Your partner opens one diamond, you respond one heart and he bids one spade. What do you say?
Answer: Slam is possible. If partner has a suitable minimum hand such as A764, K7, A Q983, 64, he may take 12 or even 13 tricks at diamonds. But he could also hold K Q 6 4, 7 6, A J 5 3, Q 4 3. Bid two clubs, a forcing bid in a new suit. You will support the diamonds next to let partner judge whether he has useful cards.
Tribune Content Agency

East Dealer
E-W vulnerable

North
♠ J10652
♥ K
♦ AQ62
♣ K106

West
♠ 4
♥ 9652
♦ J98
♣ Q8752

East
♠ 9
♥ AJ1083
♦ K1074
♣ AJ9

South
♠ AKQ873
♥ Q74
♦ 53
♣ 43

East
1♥
All Pass

South
1♣

West
Pass

North
4♣

Opening lead - ♥ 6

CROSSWORD | Edited by Will Shortz

Across

1 Ones whose business is picking up?
5 Yodeling locale
9 Up until now
14 Mideast monarchy
15 "Stop procrastinating!"
16 "From your mouth to God's ears!"
17 "Drink holder near a sofa
19 Discombobulate
20 Think tank output
21 *Listing on a Billboard chart
23 Kit ___ bar
25 Braxton with seven Grammys
26 Instant lawn
27 *Carnival cruise, e.g.

31 Dept. of Justice heads
33 Move slowly (along)
34 *Things that stick out conspicuously
40 Foe of Rocky and Bullwinkle
42 Deli delicacy
43 Rainbow ___
44 *Craving for desserts
47 "Little" girl in "David Copperfield"
48 ___ Four
49 *Tearjerker
51 Fraction of a joule
54 Huckleberry Finn carrier
57 "Not impressed"
58 *Bygone R&B showcase
61 Prancer's partner on Santa's team
65 Stun gun

Solution to July 25 puzzle

H	A	H	A	C	A	S	T	S	B	E	N	T
E	R	A	S	O	P	A	R	T	A	T	O	M
Y	A	L	E	B	E	L	I	E	D	U	N	E
B	O	X	E	R	R	E	B	E	L	L	I	O
		U	M	A		L	O					
M	A	D	A	M	C	A	M	E	L	C	A	S
E	M	I	L	Y	A	L	A	R	K	I	L	N
D	I	S		D	P	L	S		D	A	D	
I	N	C	A		U	R	A	L		A	G	A
C	O	O	L	B	E	A	N	S		C	A	N
		L	A	N		A	D	S				
B	L	O	W	H	O	T	A	N	D	C	O	L
L	I	M	O		R	A	B	I	D	H	A	J
U	S	E	R		T	R	U	C	E		O	R
R	A	N	K		H	A	T	E	R		L	A

Down

1 "___ Fan Tutte"
2 Surrounded by
3 Requested
4 *Shoplifter, e.g.
5 Decay-fighting org.
6 Defensive tennis shots
7 Charles Lindbergh, e.g.
8 ___ pad
9 *"Don't go anywhere!"
10 "Fancy meeting you here!"
11 Knox and Dix
12 Speed skater ___ Ohio
13 Take some new vows
16 Tel. no. add-ons
17 N.Y.C. cultural center
18 Animal in a Wall Street sculpture
19 Irritating subject for an ophthalmologist?
21 *Film words before "Nemesis," "Into Darkness" and "Beyond"
25 Ski lift
26 With 52-Down, Sunday entree
29 "Whip It" rock band
31 ___ Park, Colo.
32 See 46-Down

53 Zeal
55 Eschews food
56 Traffic jam
59 Evil look
60 Small Apple offering
62 More, in ads
63 Furry Endor creature
64 Yuletide quaffs
67 Game-match connector

PUZZLE BY BRUCE HAIGHT THE NEW YORK TIMES

1	2	3	4	5	6	7	8	9	10	11	12	13
14					15				16			
17					18				19			
20					21			22				
			23		24		25			26		
27	28	29			30			31	32			
33				34		35	36			37	38	39
40			41		42			43				
44				45				46		47		
			48					49		50		
51	52	53		54		55	56		57			
58			59				60		61	62	63	64
65						66		67				
68						69			70			
71						72				73		

Business

Yahoo to sell core unit to Verizon for \$4.8 billion

SAN FRANCISCO

Buyer hopes to develop strong advertising rival to Facebook and Google

BY VINDU GOEL

Verizon, seeking to build an array of digital businesses that can compete for users and advertising with Google and Facebook, said on Monday that it was buying Yahoo's core internet business for \$4.8 billion in cash.

The deal, which was reached over the weekend, unites two titans of the early internet, AOL and Yahoo, under the umbrella of one of the largest telecommunications companies in the United States. Verizon bought AOL for \$4.4 billion last year. Now it will add Yahoo's consumer services — search, news, finance, sports, video, email and the Tumblr social network — to its portfolio.

The fate of Yahoo's chief executive, Marissa Mayer, who came under sharp shareholder criticism for failing to arrest the company's long downward spiral during her four-year tenure, is unclear.

In an interview, Ms. Mayer said, "I plan to stay. I love Yahoo and I want to see it into its next chapter." But she and Tim Armstrong, the chief executive of AOL, said it had not yet been decided if she would have a role at the company after the deal closed in early 2017.

If she is terminated, she will be due severance of about \$57 million. If she received that payout, her total compensation from Yahoo for her service so far would be about \$218 million, according to the compensation research firm Equilar.

Verizon, which has a vast amount of information about its customers' internet use, hopes the combination will help it create a strong No. 3 challenger to Google and Facebook for digital advertising revenue.

Mr. Armstrong said the acquisition strengthens Verizon's offerings to advertisers and consumers and gives it much more scale, since Yahoo claims one billion users who visit at least once a month.

"This deal is a leap forward from serving millions of customers to billions," Mr. Armstrong said in an interview. "Yahoo is one of the most powerful brands on the planet."

Verizon plans to keep most of Yahoo's current products, including its still popular email service, and invest in them to make them stronger. "Our strategy is to structure ourselves as a house of brands," Mr. Armstrong said. However, he said that Verizon had not yet decided what it wants to do in search, an area where Yahoo has waged a losing fight against Google for a decade.

The purchase carries risks for Verizon, which is well known for its wireless phone and internet services but has little experience in the cutthroat business of digital content. Analysts say that its purchase of AOL has yet to prove its value, although Mr. Armstrong is a well-regarded operator.

Yahoo's leadership team, led by Ms. Mayer, spent the last four years trying to create a viable stand-alone strategy for the company without much success. Its market share among web users and advertisers has fallen, and Yahoo recently acknowledged that its \$1.1 billion acquisition of Tumblr, a blogging network that was supposed to help Yahoo attract younger users, was worth about one-third what it paid.

Ms. Mayer said Verizon would help YAHOO, PAGE 16



RICHARD TERMINE FOR THE NEW YORK TIMES

A Donna Karan show in 2014, before LVMH suspended the high-end line to focus on DKNY. Plans for the sale come just over a year after Ms. Karan, below, retired from the house.

LVMH to sell Donna Karan brand

The \$650 million deal with G-III may be seen as rare admission of failure

BY VANESSA FRIEDMAN

For only the second time in its almost 30-year history, LVMH Moët Hennessy Louis Vuitton, the largest luxury conglomerate in the world, is selling a fashion brand.

On Monday, the French company said that it had agreed to sell Donna Karan International to G-III Apparel Group, the American manufacturing and licensing company that owns Andrew Marc, Vilebrequin and Bass and holds the licenses for Ivanka Trump, Calvin Klein and Tommy Hilfiger, among others. It said that the transaction had an enterprise value, a figure based on its stock market valuation plus the net debt on its books, of \$650 million.

The last fashion brand that LVMH sold was Christian Lacroix, in 2005.

In a statement, Antonio Belloni, LVMH group managing director, said that G-III "has the expertise and capabilities to broaden the brand's distribution and take it to its next level of success." He said that the French company had not been looking to sell Donna Karan until it was contacted by G-III.

Pierre-Yves Roussel, the chairman and chief executive of LVMH Fashion Group (which includes Donna Karan), said in a telephone interview from Paris that, though the company had received several other expressions of interest after the news of a potential disposal leaked last week, no other buyers were considered.

"We wanted to sell to a strategic partner, not a private equity firm or other financial investor," he said. "G-III are super-passionate about the brand."

Still, the sale will most likely be regarded as a rare admission of failure on the part of LVMH, which is known for

supporting its brands, from Céline to Givenchy, until they find that alchemy of designer and chief executive that transforms a fashion line into a runaway success.

Plans for the sale come just over a year after Donna Karan retired from the house that bears her name and LVMH announced a new strategy for the company. It suspended the high-end line, Donna Karan, to focus on the brand's lower-priced contemporary collection, DKNY, which has been designed by Maxwell Osborne and Dao-Yi Chow, the duo behind the hip street wear line Public School, since April 2015.

Mr. Roussel acknowledged that the DKNY model, which is dependent on wholesale and ready-to-wear and which he called a "diffusion" business, was "not what we know."

"It's a different animal," he added.

LVMH favors vertically integrated brands with a luxury core.

At the time of the designers' appointment, Mr. Roussel said that DKNY was responsible for 80 percent of Donna Karan International sales and that with the new team, "we think it can be huge." Apparently not under LVMH.

The change in ownership would be the latest saga in the history of the Donna Karan brand, a fashion house that has occupied a special place in the heart of the American working woman since it was introduced in 1984 with the "seven easy pieces" — all anyone would need to build a professional wardrobe.

The brand went public in 1996, and LVMH bought it in 2001 for \$643 million as part of a drive into the American market. But the French company struggled with it over the years, and good will among American consumers did not translate into big sales.

The relationship between LVMH and the brand's founder showed strains. Ms. Karan, before her retirement, said in a New York Times profile, "Vuitton has given me the cold shoulder."



ELIZABETH LIPPMAN FOR THE NEW YORK TIMES

In an April results announcement, LVMH said that Donna Karan and Marc Jacobs — Jacobs is now LVMH's sole United States fashion property — continued "to work on the evolution of their product lines."

Luca Solca, head of global luxury goods at the investment research firm Exane BNP Paribas, said, "Selling DKNY is one way to get rid of a problem at a time when the market is tough and luxury companies would be right to show less leniency with underperforming businesses."

Mr. Solca added, "Getting rid of loss-making businesses is second best to turning them around, but better than keeping them in the group as a perpetual drag."

Thomas Chauvet, a luxury-goods analyst at Citi, added in an email to investors that the deal could open the door to further sales by LVMH. Mr. Chauvet pointed to the luxury brand Marc Jacobs and the duty-free business Miami Cruise as potential disposals. He

said that Miami Cruise was unlikely to renew its concession at DFS Hong Kong airport at the end of 2017.

Mr. Roussel denied any plans to dispose of Marc Jacobs, saying LVMH was "fully committed" to the brand. "It is an entirely different model" from DKNY, he said. "Much more elevated in price, accessories-driven with shoes and bags, and with almost no off-price outlets and controlled distribution."

No longer involved in the company that bears her name, Ms. Karan is concentrating on her Urban Zen line of products that focus on wellness and promote the work of artisans around the world.

Mr. Osborne and Mr. Chow, as well as Caroline Brown, chief executive of Donna Karan International, will remain with the brand through the transition, according to an LVMH spokeswoman, and announcements about the brand's future leadership will be made in due course.

Elizabeth Paton contributed reporting.

Finding the fraud in HSBC case

White Collar Watch

PETER J. HENNING

The global banking giant HSBC is back in the news in another tussle with United States prosecutors. This time it involves a charge of wire fraud conspiracy against two of its foreign exchange executives, who are accused of "front-running" a trade by the bank's client to generate a \$3 million profit.

The question is whether taking advantage of a client's decision to engage in a transaction with some dishonest statements is enough to produce a fraudulent scheme. Or was it just the usual sharp practice seen on Wall Street countless times before, which did not violate the law even though it might have been unethical?

Front-running is when a firm trades ahead of a customer's large order that is likely to move the market, profiting off the inside knowledge of the impending change in the price.

A criminal complaint filed in the Federal District Court in Brooklyn accuses Mark Johnson, the global head of HSBC's foreign exchange cash trading desk, and Stuart Scott, the former head of the bank's currency trading desk for Europe, the Middle East and Africa, of conspiracy to defraud a company, subsequently identified as Cairn Energy, in a \$3.5 billion currency exchange in December 2011. The company had just completed the sale of its Indian subsidiary, and used HSBC to convert the proceeds from dollars into British pounds.

Amid broad investigations of the rigging of the currency rates by major banks, these are the first charges against individuals. HSBC itself is not accused of any wrongdoing in the case,

Fraud requires deception, and not just taking advantage of clients.

but it did pay a \$275 million penalty in 2014 in a civil settlement with the Commodity Futures Trading Commission for manipulation of benchmark rates used in the foreign exchange markets.

The charge is that Mr. Johnson and Mr. Scott engaged in "ramping" the price of the British pound by trading in accounts they controlled for the bank in advance of the large currency conversion, costing its client money because the exchange rate was less favorable while HSBC reaped a nice profit off its trades.

Securities firms are prohibited from front-running client block orders by a rule issued by the Financial Industry Regulatory Authority, or Finra.

To prove fraud, however, prosecutors must show more than front-running because the trading is not necessarily deceptive, even though it breaks the rules for brokerage firms. And while it sounds like insider trading, the absence of a fiduciary duty means it falls outside that proscription.

In *United States v. Finnerty*, the United States Court of Appeals for the Second Circuit in Manhattan upheld the dismissal of charges against a stock specialist for violating Rule 10b-5, the primary antifraud provision, for trading ahead of his firm's customers. The appeal court found that "the government has identified no way in which Finnerty communicated anything to his customers, let alone anything false," to prove the deception necessary for a securities violation.

WHITE COLLAR, PAGE 16

Google races to catch up to Amazon and Microsoft in cloud computing

BY QUENTIN HARDY

When it comes to cloud computing, Google is in a very unfamiliar position: seriously behind.

The company is chasing Amazon and Microsoft for control of the next generation of business technology, in enormous cloud-computing data centers. Cloud systems are cheap and flexible, and companies are quickly shifting their technologies for that environment. According to analysts at Gartner, the global cloud-computing business will be worth \$67 billion by 2020, compared with \$23 billion at the end of this year.

"The world's biggest maker of computer servers is making machines just for these guys," said John Lovelock, a cloud analyst at Gartner. "It's the nexus of things like big data, social networks and mobility, and the next big thing, which is artificial intelligence."

For Google, a loss in cloud computing would be a rare misstep for a company that revolutionized media with its advertising business, and then made the world's leading smartphone operating system.

A victory for Google, however, could change how we work, turning advanced computing into an everyday utility that we use to run factories, interact in virtu-



CONNIE ZHOU/GOOGLE

Google's data center in Mayes County, Okla. The company says it has used artificial intelligence to cut the power use in such centers 15 percent; the savings could lead to a cut in prices.

al reality or read one another's emotions. Given Google's track record, it's worth considering the prospect.

But it will be an uphill climb.

Amazon Web Services, which began its cloud product a decade ago, remains the leader. The company took in \$2.6 bil-

lion, 9 percent of Amazon's sales, in the first quarter of 2016. Profits from the service made up 56 percent of Amazon's operating income. Those numbers may well be higher when Amazon reports its second-quarter earnings on Thursday. Microsoft styled itself a cloud com-

pany, too, and the company said last week that revenue from Azure, its cloud business, which was founded in 2010, doubled over the past year. Cloud technology also figures in crucial businesses like Office 365.

In contrast, Google Cloud Platform does not even figure in the earnings reports of Alphabet, Google's parent company. That has to sting, since the company owns perhaps the largest network of computers on the planet, spending close to \$10 billion a year to handle services like search, Gmail and YouTube.

Google is moving rapidly to change things. Three announcements it made last week show how it hopes to gain ground on Amazon Web Services and Azure. First, the company said it had used artificial intelligence to cut the power use in its data centers 15 percent, a huge decrease considering how efficient these data factories were already.

Power is probably the largest single cost for all three of the cloud companies. Google is almost certain to use its savings to reduce prices, much the way it won in search advertising by figuring out its competitors' costs, then undercutting them.

That ability to find energy efficiency may be a powerful tool to sell to others over Google Compute. Mustafa Suley-

man, the head of applied artificial intelligence at the company's DeepMind subsidiary, said the techniques could be used at power plants, refineries and other big industrial systems.

"This certainly gives Google an edge," he said. "Other people focused on narrow problems. We've focused on the widest possible problem."

Google also released for public use ways to transcribe and analyze recorded speech for things like meaning, emotional content and whether a speaker was happy or sad. An outside company that worked on the project — Google would not say which one — used it to analyze more than two billion minutes of customer service calls. It works in 80 languages, Google said.

At the same time, the company moved its customers on the United States West Coast to facilities in Oregon from a data center in Iowa. Google's network, which it claims is larger than the internet, can send the equivalent of 375 hours of video a second.

A move like that makes sense only when a company wants to offer the kind of split-second performance needed for virtual reality or instantaneous customer interactions over networks of cell-phones and sensors.

At a recent conference at Amazon

Web Services for software developers, an executive from iRobot, which makes the Roomba vacuuming robot, talked about using the cloud to map homes and human behavior in houses with potentially "hundreds" of connected devices. Doing something like that would require instantaneous connections.

Can faster networks, lower prices and lots of artificial intelligence put Google ahead? Amazon's lead seems to give it an edge for at least the next couple of years, as its cloud branch has perfected a method of developing hundreds of new cloud features annually. Yet while the company appears to have some basic artificial intelligence features, called machine learning, it seems to have little in the way of speech recognition or translation.

Mr. Lovelock, the Gartner analyst, predicted that Google would offer businesses the insights it has gained from years of watching people online. "Amazon views the customer as the person paying the bill, while Google believes the customer is the end user of a service," he said. And Microsoft is promoting itself as the company that has products customers already know and use.

"Everyone has to play to the strengths the market already sees they have," Mr. Lovelock said.

MEDIA TRAVEL BUSINESS

Sponsored content dominates online

Publishers find a lifeline, and new rivalries, in ads that look like journalism

BY JOHN HERRMAN

For some publishers unsettled by a fast-changing online advertising business, sponsored content has provided much-needed relief. In recent years, publications large and small have invested in teams to make sponsored content — written stories, videos or podcasts that look and feel like journalistic content — hoping to make up for declines in conventional advertising. To varying degrees, they have succeeded.

Younger companies like Vice and BuzzFeed have built whole businesses around the concept. The Atlantic has said three-quarters of its ad revenue now comes from sponsored content. Slate, the web publisher, says about half of its ad revenue comes from native ads, as sponsored content is also called, and the other half from traditional banner or display ads. Many major newspapers, including The New York Times, have declared sponsored content to be an important part of their strategies.

But as the relationship between publishers and social platforms like Facebook grows closer — and as more straightforward forms of advertising are devalued by ad-blocking and industry automation, the role and definition of sponsored content have shifted. Now, publishers, social media companies and advertisers are negotiating new relationships.

Audiences have migrated away from websites and toward Facebook and other social media destinations, which for a competitive price can provide advertisers access to larger and more finely targeted groups of people, challenging the value of a publisher's own channels. With a weaker claim over audiences, publishers have been left to compete for advertising on different terms, leaning less on the size or demographics of their readerships, and more on the sorts of campaigns they can engineer for advertisers — campaigns that are then used across the internet.

"The differences between five years ago and now, in client expectations, are enormous," said Keith Hernandez, the president of Slate.

The resulting arrangements are more client-agency than advertiser-publisher, and advertisers are looking to media companies for a full range of services, from the production of campaigns to the often paid-for placement of the content across the internet and social media.

"We have the basic building blocks of a full-service agency," said Jon Slade, the chief commercial officer of The Financial Times. And The New York Times characterized the work of its T Brand Studio as "platform-agnostic."

As it has for traditional editorial content, Facebook has become a primary distributor for many publications' sponsored posts, even though outside sponsored content was not officially permitted until April, when the social network published formal guidelines.

Facebook's welcome of sponsored posts was broadly seen as a promising

and necessary development. But some publishers were troubled by the manner in which Facebook said it would display sponsored posts and by how much power it put in the hands of advertisers.

Under Facebook's system, all advertisers must be disclosed and displayed as co-authors under the post or video, a level of disclosure that is required by the Federal Trade Commission.

In addition, these advertisers are now privy to a wide range of information about their sponsored content posted on Facebook — something that once was visible only to the publisher. They also get a deeper and more profound layer of data: They can see how much money was spent on Facebook promotion to drive traffic to the post in order to meet targets, a common and sometimes lucrative practice for publishers, who have been able to significantly mark up the price on such distribution.

What's more, Facebook invites the advertiser to pay to promote their sponsored content on their own, making them less reliant on the publisher for distribution.

From Facebook's point of view, this transparency eliminates inefficiency — why let middlemen charge extra for an audience that Facebook is selling? But for publishers who sold advertisers on their ability not just to create posts but to make sure they are seen, either through clever promotion or paid placement, such visibility can be deflating.

This change poses a persistent and tantalizing question to increasingly savvy advertisers: Could we just attract eyes to our posts ourselves? And if not now, maybe soon?

The change also discourages any illusions about how easy it could be for publishers to make money from native advertising. Sponsored content — which, in 2016, often means video — is expensive to produce and difficult to do well. Controlling distribution, albeit through Facebook, was for some a more profitable lever, and a way to pad deals that, while often growing in size, offered thin margins.

This is, of course, a boon to advertisers. Stephanie Losee, head of content for Visa, said: "Many native campaigns are quite expensive, and if you limit the work you're doing to the creation of content, and leave the distribution to the brand, then it can become more affordable."

With less ability to charge for distribution, on their own channels or others, and a growing dependence on margin-squeezing outside platforms, publishers may be left to compete with creative agencies on their turf. Publishers becoming ad agencies, in other words, means competing not just with one another, but with the agencies that already exist.

In this nascent new order, competitors are defined largely by their limitations. While the terms and prices that publishers can accept from advertisers are set by the need to support a connected news or entertainment organization — the reason they chose this controversial path in the first place — conventional agencies are hampered by a dependence on lucrative TV work, from which they are accustomed to low volumes and high margins. Accordingly, publishers' pitches often focus on price: their ability to create more content for less.



Edilson Cremonese, center, joined a running group at a Westin hotel in Fort Lauderdale, Fla. Hotels are also organizing attractions like author readings, art shows or musical performances.

Drawing in guests who never stay a night

Many hotel chains find that local patrons breathe new life into their lobbies

BY MARTHA C. WHITE

Even though he lives nearby, Edilson Cremonese is a regular at the Westin Fort Lauderdale Beach Resort. But he never sleeps there.

Every Thursday evening after work, he joins a group formed by the hotel and a local running store for a 5K workout, followed by a post-run happy hour.

It's part of a national "running concierge" program created by Westin, which, as are many hotel chains, is finding that a local clientele can help even out the ups and downs of the lodging business. And locals can even help out-of-towners feel more at home.

"Most of the people staying in the hotel are just looking for something to do that's more local than something they'd read about," said Mr. Cremonese, a physical therapist. "They all want to know what to do, places to go," he said, and he is happy to give them tips.

Chris Heuisler, a Westin manager in Fort Lauderdale who leads the company's national running concierge program, said the point was "making the locals really aware of your property."

Hotels are always eager to get people in the door, of course, whether to spend the night or their money at the bar. And

catering wedding parties and banquets has long been central to the hospitality industry. But the newer trend is to focus on getting repeat business from a local following. So the innkeepers are sponsoring running clubs or organizing other attractions like author readings, art shows or musical performances.

"You're trying to look for incremental revenue anywhere you can," said Bobby Bowers, senior vice president of operations at the travel research firm STR.

The effort includes making lobbies and lounges more inviting hangout venues, rather than simply places to stare at your smartphone while awaiting a car to the airport. The theory is that a vibrant group of local patrons can make the hotel more attractive to out-of-town lodgers.

"Certainly, what we've seen is younger travelers like active spaces, even if they're sitting by themselves," said David Loeb, senior hotel research analyst at Robert W. Baird & Company. "This is certainly one way to spur on that activity. It's the coffee shop mentality."

A buzzing social hive can even convince lodgers that they don't need to leave the hotel to have a meal, drink or general good time.

"A lot of times when people come and stay, they look for things to do, and if there's no activity at the hotel or it's kind of sparse, then the likelihood is they'll go somewhere else," Mr. Bowers said. "If you have that activity there — and a lot of time that does come from the locals — that's a way to capture that revenue."

Or as Thom Kozik, vice president of global loyalty at Marriott International, put it, "Nothing is worse than a dead lobby."

To breathe new life into its public spaces, Marriott has experimented with various ways to attract an in-town clientele. Its Renaissance Hotels brand a few years ago created an online concierge service, supplemented by recommendations and insights from local "navigators."

More recently it started an Evenings at Renaissance program, with amenities like craft cocktails and musical entertainment. The Renaissance in Asheville, N.C., for instance, recently had a local acoustic-country duo play for guests at one of its weekly music nights.

And the company recently completed a five-week test in the Baltimore-Washington area in which local Marriott Rewards members could earn points by drinking or dining at 21 of its hotels in the region.

About 1,000 members participated, Mr. Kozik said, with nearly a third of them doing so more than once. In many cases, he said, the repeat customers spent more on subsequent visits — having a full meal, say, instead of just a round of cocktails.

"We're going to do more of these things in the latter half of the year," Mr. Kozik said, adding that Marriott hoped to augment the experiment by including members' social media connections.

"I can make better recommendations

based on what people like you or your social network has done," he said. "It gets to more of that personalized view of the member experience."

Jonathan Frolich, vice president for global brands at Hyatt Hotels' Andaz line, said each of its hotels holds six to 10 "salon" events a year, which typically draw several dozen people — usually a mix of lodgers and local residents. In Napa, Calif., aspiring artists painted and drank wine alongside a local artist, and in Savannah, Ga., a local scholar gave a presentation on art and design.

Demographics are also driving the localist trend. Millennials are a growing

"If you have that activity there — and a lot of time that does come from the locals — that's a way to capture that revenue."

consumer force, and when they spend their money on travel they often seek personalized experiences.

"There's a growing demand among younger travelers," said Westin's Mr. Heuisler, describing the sentiment as, "I want to go somewhere that really only the insiders know about."

Mr. Loeb, the hotel analyst, agreed. "The best advertisement for a hotel is the local community," he said. "If you can get locals to have a good experience, however they spread that word, it's a positive."

Adaptive Studios, a Hollywood start-up, sees life in dead movie scripts

BY ALEXANDRA ALTER AND BROOKS BARNES

The forthcoming film "Coin Heist" — the tale of four prep-school students who try to rob the United States Mint — will present the first big test of a new studio with an unusual business model.

Its approach? Buying other studios' abandoned scripts, and recycling the scraps into new franchises.

"We're basically rummaging through studio trash for stuff that's been discarded," said Perrin Chiles, a founding partner and chief executive of Adaptive Studios.

Mr. Chiles is exaggerating only slightly. Hollywood movie studios are renowned for buying up scripts that never see the light of day. They are warehoused for years, even decades. Four years ago, Mr. Chiles founded Adaptive to go Dumpster-diving through these neglected screenplays, searching for the best of the worst. Adaptive turns the scripts into novels — which it then adapts into films or TV shows.

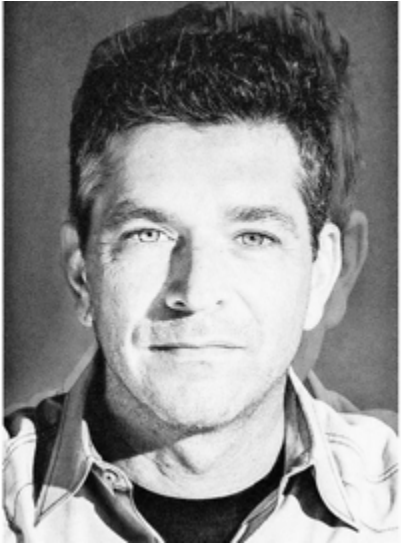
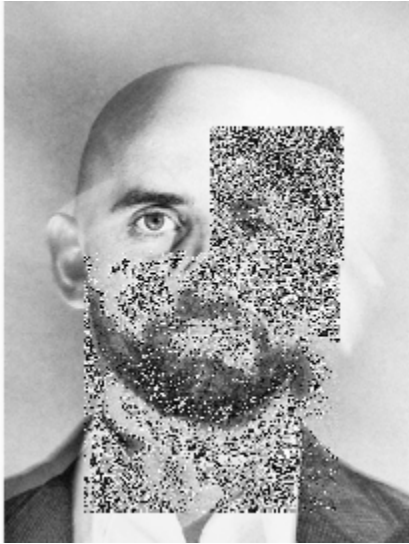
"We want the stuff where you have lost all hope," Mr. Chiles said. "We will take the crumbs off anyone's table."

Adaptive has acquired 50 scripts, 25 from Miramax, and the rest from other studios, agencies and production companies. (Mr. Chiles declined to say what Adaptive pays for bundles of scripts.)

Through its publishing arm, Adaptive Books, the company has released a dozen books and plans to publish 18 more over the next year and a half. Eight of the books are in development for film and television.

Adaptive is producing some projects on its own, like "Bleeding Earth," a postapocalyptic young-adult novel that is being turned into a low-budget indie horror movie, and "Coin Heist," made for less than \$5 million.

The company has also snapped up defunct TV properties. It recently revived Matt Damon and Ben Affleck's series



From left, Perrin Chiles, Adaptive Studios' chief executive, and three company partners: T.J. Barrack, Marc Joubert and Marshall Lewy. Adaptive has acquired 50 scripts.

"Project Greenlight" for HBO.

Adaptive executives say their scavenging approach gives them an advantage over bigger studios that are competing for fresh scripts from writers who are in demand, or wrestling over the same picked-over comic book franchises.

Adaptive controls the intellectual property across all media, and uses the books to promote the films, which it hopes in turn will help book sales. The novels also offer a relatively inexpensive way to market-test high-concept stories — those with a simple, basic hook — and build an audience for a new franchise, Adaptive's executives say.

Booksellers have warmed to the concept. The company has announced a partnership with Barnes & Noble, which is giving prominent placement to Adaptive's titles in its 640 stores and has exclusive rights to sell the books for the first six months.

With the release of "Coin Heist," now in postproduction, Adaptive faces its

first big trial with audiences and critics.

The project has a long and tortured history going back to 1998, when a screenwriter, William Osborne, wrote a script titled "The Hole With the Mint," an action-comedy about a British schoolteacher who recruits his former students to rob the Royal Mint. He sold the idea at the first pitch meeting and wrote three drafts, only to have it languish in the studio vault for 15 years.

Then, in 2013, Adaptive bought it as part of a bulk deal for 25 moribund Miramax scripts. Adaptive executives took the script apart. They changed the setting and condensed it into a five-page narrative blueprint. They auditioned five writers before hiring Elisa Ludwig to re-imagine the story as a young-adult novel set in a Philadelphia prep school.

After the novel was published, they brought in a new screenwriter, Emily Hagins. She adapted it into a movie about four students who team up to rob the Philadelphia Mint. The company

paid Mr. Osborne a small fee of about \$1,000, and mentioned him in the book's acknowledgments.

"It was never going to go anywhere, and I thought, how great that it gets another life," said Mr. Osborne, who said he had 12 unproduced screenplays scattered at various studios. "So many of one's scripts just sit at the bottom shelf. It's a colossal waste."

A similar insight gave Mr. Chiles the idea for Adaptive four years ago, when he was working as a documentary film producer. Many of his friends in Hollywood were busy writing and selling screenplays, but very few ever got made. The screenplays, which were obviously promising enough for studio heads to buy them, seemed like a vast, untapped resource in an industry where intellectual property is the chief currency.

Mr. Chiles teamed up with two partners with producing backgrounds, T.J. Barrack and Marc Joubert, to start Adaptive. Both had worked as consultants

at Miramax, where Mr. Joubert was tasked with combing through hundreds of unproduced screenplays.

They raised money from several investors, including the Silicon Valley venture capitalist Roger McNamee; Todd Wagner, the co-owner of Magnolia Pictures and Landmark Theaters; and Mr. Barrack's father, Thomas J. Barrack Jr., a real estate investor and executive chairman of Colony Capital.

Adaptive still has a lot to prove in Hollywood. The movie business is littered with companies that arrived with what sounded like a promising idea and never managed to gain traction. Making its job harder, Adaptive lacks a distribution partnership with a major studio.

Much of its executives' time is spent trying to wrangle the legal rights for unloved projects that remain in limbo.

And the company faces enormous pressure not to let projects fall by the wayside. "The last thing we want to do is pick up these projects we're calling

orphaned or abandoned I.P., and have them stay that way," Mr. Joubert said, referring to intellectual property.

At first, Adaptive's creative process seems like every screenwriter's nightmare: Executives sit in meetings at the company's headquarters in Culver City, Calif., and decide how to rip apart and reassemble failed scripts. These sessions result in a narrative blueprint, or "spark page." The spark page then goes out to prospective authors, who audition for the job by submitting a sample chapter or two.

At a recent Adaptive meeting, six people debated the merits of the fourth draft of a blueprint for "Mary Rose," an eerie story about a girl who vanishes and reappears with no memory of what happened to her. It was written roughly a century ago by the Scottish playwright J.M. Barrie, the author of "Peter Pan." Although multiple filmmakers, including Alfred Hitchcock, tried adaptations over the decades, it has never been made into a feature film. Adaptive is now taking a stab at it, starting with a book.

There are drawbacks for writers who work with Adaptive. The studio holds the intellectual property rights, so novelists give up any claim to characters they create. There are creative trade-offs too. E.C. Myers, the novelist brought in for "The Silence of Six" project, said he struggled to keep the studio's vision for the film from interfering with his ideas for the book.

"The Silence of Six" started as a dark political thriller by Stephen Hauser that Miramax bought in 2003. Adaptive transformed it into a young-adult novel about a teenage hacker who is investigating a friend's suicide. It's now in development as a film. "They were thinking about the movie version while I was working on the book," Mr. Myers said. "That's a tricky thing to balance." But he liked the arrangement well enough. He has already written a sequel and is under contract to write a third book in the series.

Despite obstacles, Tesla’s chief sticks to his mission

MUSK, FROM PAGE 1

of business, which addresses some of the biggest pressure points in climate change. He wants to create an alternative to fossil fuels by popularizing solar power and by using batteries to store energy from the sun and wind to power homes, cars and businesses at any time of day and in any season.

But while his clean-energy empire is viewed as visionary — even urgently necessary — by scientists worried about climate change, it has hit a major setback. In late June, United States safety officials opened an investigation into the death of Joshua Brown, who was killed when his Tesla Model S smashed at full speed into a tractor-trailer that had turned across its path.

It was the first known fatality of someone operating Tesla’s Autopilot system, a technology meant to prevent such disasters by controlling both steering and braking. Tesla acknowledges that neither the car nor Mr. Brown engaged the brakes, and it says that the Autopilot system failed to see the white trailer against a bright Florida sky.

Critics say Tesla was premature in putting the collision-avoidance system on the market last October — technology that Mr. Musk hailed soon after as “probably better than a person right now.”

And they say Tesla sent a dangerous message by calling it Autopilot, suggesting that the system could operate the car by itself, even though it requires drivers to stay completely engaged in case something goes wrong.

“Tesla shouldn’t make guinea pigs of its buyers,” said Joan Claybrook, a former administrator of the National Highway Traffic Safety Administration.

In essence, critics say, a company bent on speed needs to understand when to slow down. But Mr. Musk said a regret of his was not having introduced Autopilot even sooner.

With a view of the Tesla factory floor, and searching an invisible horizon as he collected his thoughts, he said that Mr. Brown’s death was “very sad.” Still, the technology enhances safety, he insisted, and one death in what the company counts as 140 million miles driven using Autopilot does not undermine that idea.

“The easy decision would be to, or easier, I suppose, from the standpoint of minimizing attacks and criticism, would be to delay it and try to wait for some point where it’s theoretically better,” Mr. Musk said of Autopilot. “But if you wait for any point past the point that it’s better than the cars that exist, you’re making a decision to kill people with statistics.”

Other automakers, some with their own versions of collision-avoidance technology, have been publicly silent about the Autopilot controversy, while privately muttering about Tesla.

Some of it could be schadenfreude. Mr. Musk has made a point of ridiculing the mainstream auto industry as too slow to change. And there is no doubt that Tesla, by proving that electric cars can be cool, must-have consumer products that can travel 200 miles between charges, has put pressure on other automakers to step up their own electric-vehicle efforts.

But many on Wall Street say it matters little whether Tesla changes the world if it also keeps losing hundreds of millions of dollars a year. Electric utility companies also view Mr. Musk warily, filing regulatory challenges to his bid to revolutionize the way energy is generated, transported, stored and paid for.

In June, Tesla announced a bid to take over SolarCity, which is valued at roughly \$2.6 billion. Mr. Musk, SolarCity’s chairman, described the acquisition as a way to complete his vision of a single company capable of providing solar power, electric cars and battery storage.

Although many in the financial community dismiss the merger proposal as mainly a way for Mr. Musk to have Tesla shareholders protect his investment in SolarCity, environmentalists say the



The Gigafactory site. The facility is part of the plan to build a less expensive Tesla car — a 21st-century answer to Henry Ford’s plant, which transformed the idea of mass production in the 1920s.

consolidation plan makes a lot of sense. Musk devotees say his great talent is taking green-energy ideas, which others have long discussed in theory, and turning them into realities.

“He makes a reasonable bid to be the Henry Ford of this era,” said Bill McKibben, the environmental activist and author. “He’s trying to kick off the mass market for renewable energy.”

Mr. Musk says there’s no time to spare. “It’s the most serious thing that humanity faces,” he said of climate change. “It’s the biggest problem in the world. The faster we can transition to low carbon, maybe, ultimately, to a negative carbon economy, the better.”

MOVING THE NEEDLE

In high-desert heat outside Reno, Nev., last week, J.B. Straubel looked out at a vast dirt patch, a construction site that had just broken ground.

“This will be building batteries in 12 months,” said Mr. Straubel, Tesla’s chief

“He makes a reasonable bid to be the Henry Ford of this era. He’s trying to kick off the mass market for renewable energy.”

technology officer and a co-founder of the company with Mr. Musk.

Behind Mr. Straubel was another part of the factory, already built and partly up and running. The buildings here will eventually make up the \$5 billion Gigafactory, covering 10 million square feet and projected to put out what the company says will be more lithium-ion batteries each year than were produced globally in all of 2013.

Tesla is planning a grand opening on Friday of the Gigafactory, intended to be Mr. Musk’s 21st-century answer to Henry Ford’s sprawling River Rouge plant in Dearborn, Mich., which transformed the concept of mass production

in the 1920s. Mr. Straubel said speed was of the essence in getting the factory up to full production. “There’s a sheer business need for it. Compressing the schedule tends to make things cheaper.”

It is a view he clearly shares with Mr. Musk. “If affordability improves,” Mr. Musk said during the interview in Fremont, “then more people can buy an electric car, more people can buy solar, more people can buy stationary storage.”

To help make his electric cars less expensive, Mr. Musk is intent on picking up the pace at Tesla’s car factory. It produces 2,000 cars a week, only about a third as many as a conventional automaker’s factory might crank out.

Ramping up production is crucial to the next stage of the master plan: building a lower-cost version of the Tesla car. The new Model 3, to be priced at \$35,000 — half as much as the Model S — is expected to come out in late 2017, and Tesla says it already has 373,000 preorders.

The Paris climate accord epitomizes the slow international political and bureaucratic pace involved in building a consensus on the environmental crisis and trying to respond to what scientists increasingly view as the greatest challenge humanity has ever faced.

Mr. Musk, who attended the Paris talks, has positioned Tesla as an agile responder that can help consumers save the planet while the policy makers are still drafting position papers. Still, he has had his share of government help.

Along with benefits like government subsidies to consumers of solar panels and electric cars, Tesla received \$465 million in loans in 2010 from the United States Department of Energy to work on fuel-saving vehicle technology. Those loans were repaid in 2013.

And it is with heavy financial assistance from New York State that SolarCity is building a 1.2-million-square-foot factory in Buffalo. (Tesla points out that oil and gas companies benefit from far greater subsidies).



Elon Musk at the introduction of the Tesla Model X S.U.V. He says his ventures should be judged on “the degree to which they have accelerated the advent of sustainable energy.”

Even if Tesla meets its goals, of course, Mr. Musk alone cannot reverse climate change. If Tesla winds up with a half-million of its cars on the road in the next three years, for example, that would be a scant fraction of the more than 260 million motor vehicles in the United States.

“Will these cars make a meaningful difference themselves? No,” David Keith, an assistant professor at the Sloan School of Management at the Massachusetts Institute of Technology, said of Tesla. The greater influence, Mr. Keith said, is cultural. “It’s the first time, possibly ever,” he continued, “that a green product, with significant environmental credentials, has been the thing that everybody wanted.”

Jeff Nesbit, former head of legislative and public affairs at the National Science Foundation under Presidents Obama and George W. Bush, said Tesla’s value could also be measured by the pressure it places on other carmakers to match it.

“He’s driving everybody else,” Mr. Nesbit said. “That’s the power Musk has.”

Utilities, whatever their resentments, are paying attention, too.

“Elon is truly the archetype of the disruptive entrepreneur,” said Andrew Beebe, a former electric industry executive who is now a venture capital investor. “Utilities and utility executives, because of the success on the vehicle side, are absolutely taking note.”

One nagging question about the Tesla quest involves the company’s reliance on lithium-ion batteries. The chemistry can be volatile, and several early Teslas caught fire before the company built a titanium shield under the vehicle to guard against fire or damage.

Another question: Can the batteries, even at the Gigafactory’s massive scale, be made cheap enough to persuade most consumers to kick their fossil-fuel habit?

“He’s got to get a little lucky,” said John B. Goodenough, who just turned

94, the physicist who helped pioneer the rechargeable lithium-ion battery at Oxford University in the 1970s and ’80s. “I do give him credit just for audacity.”

ONLINE, ON THE ROAD, IN SPACE

Mr. Musk, made his first millions through Zip2, an internet mapping and search business he founded in 1995 with his younger brother, Kimbal, and sold to Compaq four years later. Mr. Musk’s next company, an electronic payment business, evolved into PayPal, for which he reportedly received \$165 million when eBay bought it in 2002.

Tesla was still in its infancy when Mr. Musk put his money behind it in 2004. By then he had founded SpaceX, with the aim of developing reusable rockets to eventually send people to Mars.

So far, despite some spectacular and fiery failures of its test rockets, SpaceX has launched satellites for commercial use and is the first private company to dock with, and provide supplies to, the International Space Station. It sent a payload to the space station last week on a rocket that then returned and made a safe landing in Florida. Under a NASA contract, SpaceX is to begin sending astronauts to the station in the next few years.

SolarCity, for its part, sprang from a 2004 road trip to Burning Man, during which Mr. Musk and his cousin Lyndon Rive mused about solar power’s potential for countering climate change.

Mr. Musk says his ventures should eventually be judged on “the degree to which they have accelerated the advent of sustainable energy.” If he speeds up adoption by five to 10 years, he said, that would be a good outcome.

Yet Tesla exists in a business world, where many competitors and critics may be rooting for his failure. The Autopilot story, and the death of Joshua Brown, gave them a narrative with more than money at stake.

“Things are like especially intense right now,” Mr. Musk acknowledged.

ASSISTING, NOT AUTONOMOUS

Tesla began installing cameras, sensors and other hardware for Autopilot in 2014, adding the software a year later to make the system functional.

The basic version of Autopilot includes collision warning systems and emergency braking. A fuller option package allows for assisted steering and adaptive cruise control. Activating it requires the driver’s acknowledgment that the technology is new and is still in “public beta phase” testing. Each time drivers turn it on, it warns them to keep their hands on the wheel and be prepared to take over.

Consumer Reports has been warning since October, when full-dress Autopilot was rolled out, that the system has flaws. This month the magazine called on Tesla to disable the technology.

“Autopilot gives you the idea that it is more capable than it is, and once people view it as autonomous, they disengage and divert their eyes from the road,” Jake Fisher, the magazine’s director of auto testing, said in an interview.

It is clear from YouTube videos that Mr. Brown posted in the months before his death on May 7 that he did not always heed the company’s cautions that the driver should be ready to take control at the first sign of trouble. In some videos, he looked into the camera, positioned beside him, as his Tesla drove itself.

In a video in early April, Mr. Brown narrated as Autopilot swerved to miss a truck on a highway that had cut in front of him. After Mr. Musk publicized that video with a Twitter post on April 17, it spread quickly online. A little over three weeks later, Mr. Brown had the fatal collision that Autopilot failed to avoid.

Bill Vlasic contributed reporting from Detroit; Neal E. Boudette from Ann Arbor, Mich.; and Diane Cardwell from New York.

Verizon to pay \$4.8 billion for Yahoo unit

YAHOO, FROM PAGE 14

Yahoo get better distribution for its mobile apps in areas like search, mail, news, weather and sports. Verizon, she said, could promote Yahoo services on its smartphones and in its retail stores.

Although many on Wall Street have criticized her, Ms. Mayer defended her tenure in an email to employees.

“We set out to transform this company — and we’ve made incredible progress. We counteracted many of the tectonic shifts of declining legacy businesses, and built a Yahoo that is unequivocally stronger, nimbler and more modern,” she wrote.

Verizon agreed to pay an extra \$1.1 billion on top of the purchase price to cash out Yahoo employees’ restricted stock upon the close of the deal, Yahoo said. Many employees, particularly the senior executives, are also entitled to large severance packages if they are fired by Verizon.

The sale of Yahoo’s business ends the company’s 22-year run as an independent entity. Founded in a trailer in 1994 by two Stanford graduate students, it was the front door to the web for a generation of internet users but failed to keep up with Google in search technology and then missed the social media and mobile revolutions.

“It does mark the end of a particular time period for the company,” Ms. Mayer said. “That said, there are great opportunities for Yahoo, for the brand, for



It has not been decided if Marissa Mayer, Yahoo’s chief executive, will have a role at the company after the deal closes in early 2017. If not, she will be due severance of about \$57 million.

the services, with Verizon.”

After the close of the deal, Yahoo shareholders will still own shares in what is left of the company, essentially an investment fund with two holdings: a 15 percent stake, worth about \$32 billion based on its recent share price, in the Chinese internet company Alibaba; and a 35.5 percent stake, worth about \$8.7 billion, in Yahoo Japan.

The sale also does not include Yahoo’s cash and its noncore patents, which it is trying to sell separately.

Yahoo was under pressure from shareholders to find a way to unlock the value of its Asian investments, and the sale of its core operations to Verizon was the first step.

“For investors, this came to the expected conclusion: Verizon was the front-runner very early on,” said Robert Peck, an analyst with SunTrust Robinson Humphrey. “The real question for investors now is what’s next? Will Yahoo have an efficient liquidation of the Asian securities?”

WHITE COLLAR, FROM PAGE 14

HSBC’s currency trading does not involve a security, so the case instead is based on the broad wire fraud statute. The law prohibits any “scheme or artifice to defraud” another person of money or property by means of “false or fraudulent pretenses, representations or promises.”

As the Fennerty decision makes clear, fraud requires some form of deception, and not just taking advantage of clients, even if it costs them money. Cairn Energy may have thought HSBC would put its interest first, but the bank was not obligated to so, although the trading certainly does not help build trust with future clients.

Establishing deception means finding a lie, so the complaint outlines in some detail how Mr. Johnson and Mr. Scott misled the company about the best way to execute the currency transaction and why the price of the pound seemed to be spiking around the planned time for the conversion.

When asked about the increasing price of the British currency, the complaint says that a HSBC supervisor told the company that it was the result of buying by a “Russian name,” failing to disclose that the bank was ramping the value of the pound.

When Cairn Energy went ahead with the trade despite the rising price, Mr. Johnson expressed some surprise and told Mr. Scott in a telephone call, “Ohh-

hh, Christmas!”

also slipping an expletive in there, according to the complaint. Shortly after the currency transaction, Mr. Scott told the company that the bank was “taking action” regarding the increased value of the pound, but never mentioning how its earlier trades affected the price.

The details in the complaint paint a picture of Mr. Johnson and Mr. Scott dissembling to keep the customer from learning about how HSBC was taking an advantageous position ahead of the large trade to increase its profit from the \$3.5 billion order.

An interesting issue is whether any of the statements described in the complaint add up to a fraud, or were intended to ease the mind of a client that decided to go ahead with the currency conversion despite the uptick. There were no misstatements about the price of the pound, and Cairn Energy was paying close attention to the upward movement in the currency market. It could have pulled the plug on the deal at almost any time, but chose to go ahead.

Whether anything conveyed actually deceived the company, or was important to its decision to move forward, is something that is sure to be challenged by the defendants. HSBC’s own review of the transaction found no violation of its code of conduct, according to The Financial Times, which is sure to be used by the defendants to argue that they did not commit a crime.

Finding the fraud in HSBC currency case

Federal appeals courts have been unwilling lately to find that sharp business practices involving sophisticated parties are fraudulent when they can be addressed more appropriately in a civil lawsuit for breach of contract. The decision of the United States Court of Appeals for the Seventh Circuit in Chicago in United States v. Weimert earlier this year found that lies told by a bank officer to both side during negotiations for selling a property investment could not be the basis for a wire fraud conviction.

The Second Circuit overturned a jury verdict that Countrywide Home Loans committed mail and wire fraud in a mortgage program that resulted in loans being sold to Fannie Mae and Freddie Mac that fell well below the standards specified in their contracts. The appeals court found insufficient evidence of fraudulent intent at the time of the sales because the firm took advantage of the government enterprises but never actually misled them.

The charges against Mr. Scott and Mr. Johnson depend on showing more than just questionable ethics in profiting off a client. Instead, the government will have to prove an agreement to effectively steal from the customer through deception, because fraud is a type of larceny.

Questionable comments and dissembling about the reason for a rising market may be bad business, but whether they constitute a crime remains to be seen.

Another view of a minor Wall St. scandal

Inside Wealth

ROBERT FRANK

It has become a rite of summer: A party in the Hamptons spins out of control and becomes a symbol of wealth gone wild. This year, that party was Brett Barna's "Sprayathon."

Mr. Barna's July 3 bash at a large Sag Harbor home featured copious champagne showers, costumed dwarfs and more than 500 revelers in bathing suits swarming around a pool littered with pizza and bottles. After The New York Post reported that the home used for the party was rented, and that the owner was planning to sue, seeking \$1 million in damages, Sprayathon went viral on social media and became a Wall Street mini-scandal.

Mr. Barna, 31, was fired from his job as a hedge fund trader at Moore Capital, where he had worked for seven years. Moore said Mr. Barna's "personal judgment was inconsistent with the firm's values."

Vanity Fair likened Mr. Barna to the character played by Leonardo DiCaprio in "The Wolf of Wall Street." The story seemed to sum up all that was wrong with the Hamptons and wealth today.

Except, it wasn't the full story. Now, another side of Sprayathon is emerging, and it centers on the owner of the home, a man named Omar Amanat, who was arrested recently on fraud charges unrelated to the Hamptons incident.

The problems began on Friday, July 1, two days before the party. Mr. Barna, a bearded former rugby player from the Midwest, was looking for an event space for his fund-raiser for Last Chance Animal Rescue in Southampton. He reached out to a real estate contact, who recommended a statly shingled home with a pool in Sag Harbor, owned by Mr. Amanat.

Mr. Barna contacted Mr. Amanat, who asked for \$27,000 for a five-day rental, to be paid immediately in cash. Mr. Barna didn't have the cash on hand, so they made the transaction through Airbnb. On July 2, Mr. Barna visited the site and said he was surprised to discover that another group had already rented the house for the weekend.

Mr. Barna went ahead with the party plans, keeping the event outdoors to avoid the other tenants. He said he hired a former police chief and eight security guards to keep the crowd outside and maintain order, and had eight portable toilets set up. The party went from noon to 6 p.m., with the party cleared out by 7 p.m., he said.

Mr. Barna said that despite the cover-



ROB RICH/SOCIETYVALLURE

Guests by the pool at "Sprayathon," a raucous fund-raiser for Last Chance Animal Rescue held at a rented home in Sag Harbor, N.Y. The host was later fired from his job at a hedge fund.

age, the party was "good clean fun" that raised \$100,000 for Last Chance Animal Rescue. In spite of reports of about 1,000 guests, he said there were about 500. "We raised money for charity," he said. "Nothing illegal happened, and no one complained."

Except for Mr. Amanat. Even before the party, Mr. Barna said he got repeated texts and calls from Mr. Amanat asking for more money. After the party, the texts became more aggressive, though Mr. Amanat never said why he should be paid more, according to Mr. Barna. A business associate of Mr. Amanat told Mr. Barna they wanted \$13,000 on top of the \$27,000 that had been paid, Mr. Barna said.

Mr. Barna disputed the payment to Airbnb on his credit card, citing the other renters who prevented him from using the house.

Mr. Barna kept the text messages he received from Mr. Amanat. One from Mr. Amanat's phone number said, "I'll keep my cool for another 24 hours, then I'll handle things another way." A later text read: "When you least expect it

one night, something so unspeakably bad is going to happen to you (maybe it's karmic law, maybe it's a friend of mine who heard what you did to me). Personally I won't do a thing to you."

On July 6, The New York Post quoted an anonymous owner of the home saying he was suing Mr. Barna for \$1 million because the partyers had damaged the pool, wrecked furniture in the house and stolen artworks. The story blew up online along with pictures on social media from the party. (No suit has been filed, and no damage claim or complaint has been sent to Mr. Barna.)

Mr. Barna says none of his guests were in the house. He has pictures showing the house before and after the party, with no visible damage. He says he was so shocked by the publicity that he couldn't respond to initial media requests for comment.

Then, on July 13, Mr. Amanat was arrested by Federal Bureau of Investigation agents at his New Jersey home. The charges weren't related to the Hamptons house. The Department of Justice charged him with four counts of fraud,

including conspiracy to commit wire fraud and securities fraud, in connection with investments related to a tech start-up called Kit Digital. Kit's former chief financial officer pleaded guilty to fraud in March, and the C.E.O. was extradited to the United States from Colombia last week to face fraud charges.

Mr. Amanat, a 43-year-old self-described investor and philanthropist who has a long list of business disputes and lawsuits stretching from Hollywood to London, was released on bail. He declined to comment.

Sharon McCarthy, a lawyer for Mr. Amanat, said: "I am not able to answer these questions. I am focused on other matters related to the criminal case."

Mr. Barna said that after the arrest, the reasons for his dispute with Mr. Amanat became clear. He says Mr. Amanat was trying to pressure him for extra cash that Mr. Amanat might need to post bail after his impending arrest; when Mr. Barna didn't pay, Mr. Amanat made Mr. Barna's party public.

"Omar knew exactly what he was doing when he planted this story," Mr.

Barna said. "His goal was to cream me in the press to pressure me into giving him more money."

Paul Fried, a Hamptons developer who's a friend of Mr. Amanat and helped broker the deal with Mr. Barna, said the damage from the party was "extensive" and crews were still trying to repair the pool, decks and plumbing systems. Mr. Amanat requested money after the party because "after trashing the house, Barna refused to pay for the rental," Mr. Fried said. He added that there was "zero connection" between the party and Mr. Amanat's fraud charges.

Mr. Barna doesn't expect any sympathy, or even to get his job back. But he wants a fuller account of a party he says was tame compared with others that got no mention in the media.

"If you looked at photos from other parties held that weekend in the Hamptons," Mr. Barna said, "You would find plenty that were a lot worse."

Robert Frank is CNBC wealth editor and the author of "Richistan."

Ryanair to curtail London flights

FROM NEWS REPORTS

Ryanair said on Monday that it would reduce the number of flights leaving from its main London hub this winter and focus on other European bases on expectations of weaker demand in Britain.

Ryanair's chief executive, Michael O'Leary, announced the decision to cut back flights as the company released its first-quarter earnings. The Dublin-based airline reported net profit of 256 million euros, or \$280 million, in the April-June period, an increase of 4 percent compared with a year ago.

Mr. O'Leary called Britain's vote on June 23 to leave the European Union "a surprise and a disappointment" that would undermine demand at Ryanair's biggest hub, Stansted Airport northeast of London.

Ryanair maintained its forecast for a full-year profit of €1.38 billion to €1.43 billion, an increase of 13 percent from last year. Mr. O'Leary said that while the airline still faced numerous risks from Brexit, which could force it to cut profit forecasts later in the year, he "did not see the evidence to justify a cut" right now. (REUTERS, AP)

For online listings and past performance visit

FundsInsite
www.morningstar.com/Cover/Funds.aspx

International Funds

For information please contact Roxane Spencer
e-mail: rspencer@nytimes.com

MORNINGSTAR
July 25, 2016

World markets Monday, July 25

United States		Last	Chg	12 mo.%
U.S.	Dow Jones indus.	18,467.58	-103.27	+3.5
U.S.	S.&P. 500	2,163.16	-11.87	+2.3
U.S.	S.&P. 100	956.98	-5.31	+2.1
U.S.	Nasdaq composite	5,086.10	-14.07	-1.7
U.S.	NYSE composite	10,731.92	-73.12	-1.5
U.S.	Russell 2000	1,208.28	-4.61	-4.0

The Americas

Mexico	IPC	47,346.64	-190.64	+6.0
Canada	S.&P./TSX	14,487.13	-113.53	+1.3
Brazil	Bovespa	56,664.85	-337.23	+1.3
Argentina	Merval	15,700.76	-145.78	+34.4
Chile	Stock Market select	4,133.94	-9.87	+6.2

Europe and Euro Stoxx

Euro zone	Euro Stoxx 50	2,973.22	+0.99	-18.2
Germany	FTSE 100	6,710.13	-20.35	+0.6
Britain	DAX	10,198.24	+50.78	-11.5
France	CAC 40	4,388.00	+6.90	-13.7
Italy	FTSE MIB	16,692.17	-86.50	-29.5
Spain	IBEX 35	8,575.70	-24.20	-25.3
Switzerland	SIX	8,194.41	-0.32	-11.8
Sweden	OMX 30	1,385.97	+8.50	-14.5
Russia	RTS	930.71	-5.27	+3.2
Czech rep.	Prague Stock Exch.	892.44	+1.07	-13.9
Israel	TAS-25	1,465.47	-3.19	-13.9

Asia

Japan	Nikkei 225	16,620.29	-6.96	-19.3
H.K.	Hang Seng	21,993.44	+29.17	-13.0
Australia	All Ordinaries	5,607.51	+33.18	+0.1
China	Shanghai composite	3,016.80	+3.99	-25.1
S. Korea	Kospi	2,012.32	+1.98	-2.5
India	S.&P. CNX Nifty	8,631.45	+90.25	unch.
Taiwan	Taiex	8,991.67	-21.47	+0.8
Singapore	Strait Times	2,929.85	-15.50	-12.8
Thailand	SET	1,512.71	+3.58	+4.5
Indonesia	Jakarta composite	5,220.80	+23.55	+6.4

Interest rates

10-year govt.	Ask yield	Chg	12 mo. ago
Britain (bank)	0.789%	-0.04	1.944%
France	0.198	-0.01	0.973
Germany	-0.029	unch.	0.698
Japan	-0.247	-0.02	0.402
United States	1.578	0.04	2.261

1-year govt

Britain	0.104%	-0.04	0.475%
France	-0.570	-0.02	0.197
Germany	-0.647	-0.01	-0.329
Japan	-0.339	unch.	-0.007
United States	0.529	0.01	0.311

Futures

Agricultural	City	Units	Delivery	Last	Chg
Corn	Chicago	\$/bu.	Sep.	3.34	-0.02
Soybeans	Chicago	\$/bu.	Oct.	0.73	unch.
Wheat	Chicago	\$/bu.	Aug.	9.92	-0.14
Rice	Chicago	\$/cwt	Sep.	4.29	+0.04
Cocoa	Chicago	\$/ton	Sep.	10.34	-0.07
Coffee	N.Y.	\$/lb.	Sep.	2,854.00	-32.00
Sugar	N.Y.	cts/lb.	Sep.	1.40	-0.02
Coffee	N.Y.	cts/lb.	Sep.	19.93	+0.34
Orange juice	N.Y.	cts/lb.	Sep.	185.00	+4.35

Metals, energy

Aluminum	London	\$/m. ton	3 mo.	161.100	+10.00
Copper	N.Y.	\$/lb.	Sep.	2.22	-0.02
Gold	N.Y.	\$/troy oz.	Aug.	1,319.30	-4.10
Palladium	N.Y.	\$/troy oz.	Sep.	687.60	+1.55
Platinum	N.Y.	\$/troy oz.	Oct.	1,093.80	+5.40
Silver	N.Y.	\$/troy oz.	Sep.	19.70	+0.01
Brut crude	London	\$/bbl.	Sep.	44.75	-0.94
Light sw. crude	N.Y.	\$/bbl.	Sep.	43.16	-1.03
Natural gas	N.Y.	\$/m.btu	3 mo.	2.75	-0.03

Cross rates

	\$1	€1	£1	¥100	One ruble	One Swiss franc	One Can. doll.
Australia	1,340	1,472	1,760	1,264	0.021	1,357	1,013
Brazil	3,284	3,605	4,309	3,096	0.050	3,325	2,483
Britain	0.762	0.836	-	0.718	0.012	0.771	0.576
Canada	1,322	1,452	1,736	1,247	0.020	1,339	-
China	6,678	7,332	8,767	6,297	0.103	6,762	5,049
Denmark	6,775	7,439	8,895	6,389	0.010	6,863	5,123
Euro zone	0.911	1.195	1.359	0.859	0.014	0.922	0.689
India	67,405	73,931	88,411	63,497	0.103	68,218	50,961
Japan	106.01	116.40	139.17	-	1.621	107.42	80.10
Mexico	18,741	20,578	24,603	17,700	0.000	18,982	14,171
Russia	65,370	71,790	85,818	61,641	-	66,220	49,422
Singapore	1,362	1,495	1,788	1,284	0.021	1,380	1,030
S. Africa	14,363	15,767	18,853	13,500	0.022	14,543	10,859
S. Korea	114,409	126,214	149,724	107,520	0.178	115,054	86,224
Sweden	6,652	7,409	8,895	6,389	0.010	6,863	5,123
Switzerland	0.987	1.083	1.295	0.930	0.015	-	0.746
Taiwan	32,191	35,343	42,257	30,400	0.493	32,995	24,336
U.S.	-	1.098	1.313	0.943	0.015	1.013	0.757

Exchange rates

Major currencies	\$1	Chg.	€1	Chg.	£1	Chg.
Euro	0.911	-0.001	-	-	1.195	0.001
Dollar	-	-	1.098	0.001	1.313	0.002
Pound	0.762	-0.001	0.836	-0.001	-	-
Swiss franc	0.987	unch.	1.083	unch.	1.295	0.003
Yen	106.01	-0.050	116.40	0.020	139.17	0.140

World 100

Company	Last	Chg	12 mo.%	Low	Last	(●) High
3M	179.1	-1.3	+15.2	137.0	●	181.4
AbbVie	63.98	+0.17	-9.3	48.21	●	71.23
Accenture	112.4	-0.4	+9.9	92.7	●	119.7
Allegan	246.7	-2.3	-21.8	201.7	●	339.5
Alphabet (A sh.)	756.8	-2.5	+8.9	601.8	●	794.0
Altria Group	68.54	-0.32	+27.0	51.82	●	69.87
Amazon.com	740.3	-4.6	+51.6	463.4	●	753.8
Amgen	164.4	-1.3	+0.1	132.2	●	176.6
Apple	97.98	-0.68	-21.2	91.34	●	132.07
AT&T	42.75	-0.37	+24.7	30.80	●	43.47
Bank of America	14.35	-0.04	-22.2	11.16	●	18.45
Banking	216.060	-745	+0.3	187.001	●	221.430
Baxter	162.3	+0.2	+11.2	143.851	●	172.63
BioCr	138.8	-0.7	-9.3	108.4	●	149.4
Bristol-Myers	75.17	-0.51	+8.4	57.30	●	76.77
Celgene	107.0	-0.5	-22.6	94.9	●	139.0
Chevron	103.3	-2.4	+10.5	70.0	●	107.0
Cisco Systems	30.70	-0.01	+11.5	22.51	●	30.63
Citigroup	44.01	-0.29	-27.1	34.98	●	60.34
Coca-Cola	45.54	-0.29	+11.3	37.99	●	46.89
Comcast	67.35	-0.11	+4.4	53.55	●	67.41
CVS Health	94.41	-2.14	+14.9	89.05	●	113.45
Eli Lilly	81.17	-0.42	-6.0	69.66	●	89.98
Exxon Mobil	92.41	-1.60	+13.0	68.71	●	95.12
Facebook	120.8	-0.2	+24.5	82.1	●	121.9
General Electric	31.41	-0.65	+17.9	23.25	●	32.93
Gilead Sciences	87.13	+0.58	-25.8	78.27	●	119.60
Home Depot	136.7	+0.2	+19.0	111.0	●	137.5
Honeywell	116.1	+0.5	+10.8	91.5	●	119.9
IBM	162.3	+0.2	+11.2	143.851	●	172.63
Intel	34.67	+0.01	+21.2	25.87	●	35.69
Johnson & J.	124.4	-0.6	+24.2	90.7	●	125.3
JPMorgan Chase	63.90	-0.14	-8.8	53.07	●	70.08
Kraft Heinz	87.95	-0.21	+11.8	69.20	●	89.85
MasterCard	92.90	-0.77	-4.1	80.65	●	101.50
McDonald's	127.2	-1.0	+30.4	91.2	●	131.6
Medtronic	86.59	-0.51	+12.7	64.52	●	88.92
Merck	58.21	-0.61	+0.1	48.42	●	59.71

The companies with the largest market capitalization, listed alphabetically by region. Prices shown are for regular trading.

A ● or ● indicates stocks that reached a new 52-week high or low.

Company (Country)

Company (Country)	Last	Chg	12 mo.%	Low	Last	(●) High
Microsoft (U.S.)	56.33	-0.25	+23.7	40.47	●	56.55
Oracle (U.S.)	56.84	+0.11	-0.4	51.77	●	61.17
Nike (U.S.)	41.04	-0.04	+4.1	33.94	●	41.77
PepsiCo (U.S.)	108.5	-0.7	+11.6	89.8	●	110.0
Pfizer (U.S.)	36.59	-0.15	+4.9	29.56	●	36.92
Philip Morris (Switzerland)	99.55	-0.29	+16.4	77.29	●	103.63
Procter & G. (U.S.)	85.36	-0.36	+5.6	68.06	●	86.17
Qualcomm (U.S.)	60.36	-0.79	-6.0	49.96	●	65.14

BUSINESS



As the Waldorf Astoria's archivist, Deidre Dinnigan is responsible for cataloging over 4,000 objects. The future of the collection is uncertain.

Chasing a hotel's long history

Archivist has a big job before the Waldorf closes for conversion to condos

BY JULIE SATOW

The Waldorf Astoria hotel in Manhattan is known for its grand public spaces, like its two-tiered ballroom and vast lobby. But upstairs, in a windowless corner of the hotel's administrative offices, Deidre Dinnigan toils in a cramped room not much larger than a closet. Ms. Dinnigan, the hotel's archivist, is responsible for cataloging and researching more than 4,000 objects, from filigreed brass room numbers to yellowing advertisements from the 1950s.

"I love what I do," Ms. Dinnigan said in a recent interview, her tall frame squeezed between a table obscured by books and a tower of filing cabinets. A mannequin dressed in an old bellhop uniform was stationed where her desk chair would normally go.

"I believe I would throw myself into any field," she said, "but there is something about the Waldorf, especially if you love New York and social history."

The 123-year-old Waldorf Astoria is one of the few hotels with an extensive archive, and possibly the only one to have its own archivist. But the future of Ms. Dinnigan's position, and the collection that she oversees, is uncertain. The hotel, which was bought by a Chinese insurance company two years ago for a record \$1.95 billion, is to close in the spring to undergo a conversion. Most of the 1,413-room premises will be turned into luxury condominiums, with a much smaller hotel component.

After the conversion, the Waldorf's archive will remain as part of the small hotel property, said Chris Winans, a spokesman for Anbang Insurance Group, the new owner. As for Ms. Dinnigan, she has yet to be told what the future holds for her, and Mr. Winans declined to comment on her status. "Am I nervous? Sure I am," said Ms. Dinnigan, who has been in her job for about a year.

For the Waldorf, the conversion to condominiums is the latest chapter in a long history. In 1893, William Waldorf Astor opened the Waldorf Hotel on Fifth Avenue, followed four years later by his cousin John Jacob Astor IV's Astoria Hotel. The two combined operations and the Waldorf Astoria, the first to feature electricity and in-room telephones, became a favorite of the rich and famous. Its enormous four-sided brass bar turned out highballs for clamoring crowds, while its kitchens spawned

such culinary inventions as the Waldorf salad and eggs Benedict.

The hotel was demolished in 1929 to make way for the Empire State Building, and the Waldorf Astoria reopened at its current location on Park Avenue. The tallest hotel in the world at the time, it hosted royalty, including Queen Elizabeth II, and Hollywood stars like Elizabeth Taylor and Frank Sinatra, who maintained a suite there. Every United States president since Herbert Hoover has stayed at the Waldorf (Hoover moved there for three decades after his presidency). It has served as the backdrop for movies from "Week-end at the Waldorf" with Ginger Rogers to "Maid in Manhattan" with Jennifer Lopez.

In recent years, though, the hotel has struggled. There have been allegations of bedbugs, an accidental shooting at a wedding that left several guests wounded, and, last year, a break with tradition when President Obama chose to stay elsewhere on a trip to New York City. Amid all those difficulties, Ms. Dinnigan said, the Waldorf transformation is just the next step in a continuum. "There was the Fifth Avenue hotel, then the Park Avenue hotel, and now I see this as the third and latest iteration," she said.

The condo conversion of the Waldorf follows a pattern similar to that of another Manhattan hotel, the Plaza, a decade ago. In 2005, the Plaza Hotel closed

But while a collection may attract buyers, that does not necessarily mean it has the same value to scholars, said Thomas G. Lannon, the New York Public Library's assistant director for manuscripts, archives and rare books.

The library is the custodian of more than 600 volumes of archival materials from the first Waldorf Astoria, much of it donated when it relocated to Park Avenue from Fifth Avenue. It is unclear, he said, whether the library would accept the current archive, should the owners decide to discard it. "You have companies trying to trade off these New York stories," but much of it is just "smoke and mirrors," Mr. Lannon said. "How much a hotel is actually part of the folklore of a city is up for debate."

Even if an institution attains historical significance, it is rarely the objects in its archive that are the most noteworthy. "Sometimes objects that are exhibitable and tell a certain story don't tell the real story of the hotel," Mr. Lannon said. Materials like employee payrolls, lists of guests and even security logs — documents that most companies are loath to share — can be far more informative than ephemera such as antique doorknobs and silverware.

While Ms. Dinnigan's prospects at the Waldorf are uncertain, she continues to spend her days cataloging and researching materials, as well as collecting the oral histories of longtime employees, whom she hopes to record before the hotel closes. She is also wading through the bric-a-brac she has received from guests and fans of the hotel.

One day she was examining two forks featuring the hotel's name and an image of an apple engraved on the handle. They had come from a couple in Cleveland, who found them at a garage sale.

Ms. Dinnigan was also busy clarifying discrepancies in the hotel's record book. One of the most intriguing is the location of Peacock Alley. The famous corridor, where wealthy guests once paraded in Victorian finery, was long thought to be the passageway that ran between the original Waldorf and Astoria hotels. "Most history books tend to regurgitate the same story over and over, almost like a game of telephone," Ms. Dinnigan said. "But when I looked at the blueprints of the original hotel, I could find no such pathway between the buildings."

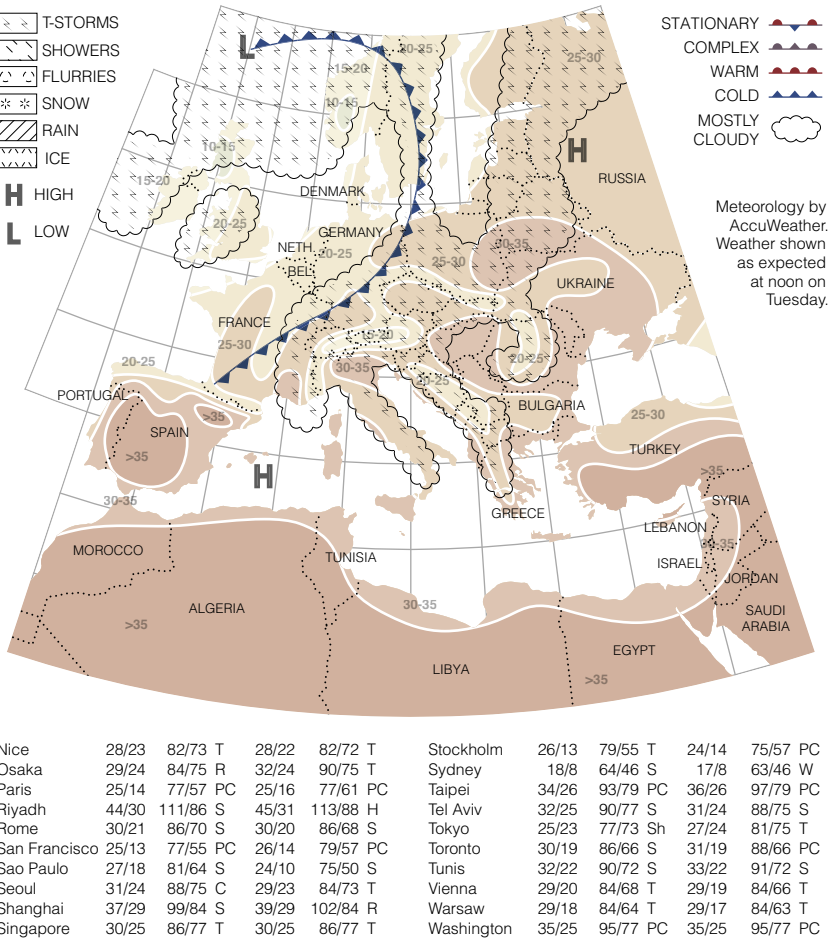
She said she believed there were once actually two peacock alleys: a smaller, all-female locale in the Waldorf, and later, a second, longer corridor that ran through the Astoria side of the building. She is racing against the clock to confirm her findings, hopeful she will be in her job long enough to confirm her theory.

Traveler's forecast

High/low temperatures, in degrees Celsius and degrees Fahrenheit, and expected conditions.

C..... Clouds
F..... Fog
H..... Haze
I..... Ice
PC..... Partly cloudy
R..... Rain
Sh..... Showers
S..... Sun
Sn..... Snow
SS..... Snow showers
T..... Thunderstorms
W..... Windy

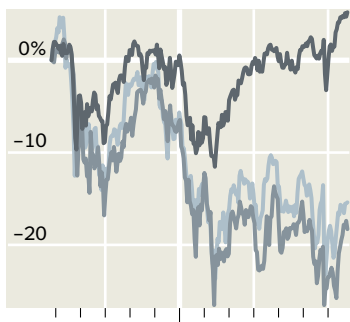
	Tuesday			Wednesday		
	°C	°F		°C	°F	
Abu Dhabi	43/32	109/90	S	42/32	108/90	S
Almaty	36/19	97/66	S	36/20	97/68	S
Athens	33/25	91/77	S	33/24	91/75	S
Bangkok	35/27	95/81	T	35/25	95/77	T
Barcelona	28/21	82/70	S	28/22	82/72	S
Beijing	33/24	91/75	PC	34/24	93/75	PC
Belgrade	30/19	86/66	PC	30/20	86/68	PC
Berlin	27/16	81/61	T	24/16	75/61	PC
Boston	33/22	91/72	S	31/22	88/72	S
Brussels	23/14	73/57	PC	21/16	70/61	PC
Buenos Aires	12/3	54/37	R	11/3	52/37	PC
Cairo	38/25	100/77	S	36/24	97/75	S
Chicago	32/21	90/70	S	31/20	88/68	PC
Frankfurt	26/17	79/63	T	26/15	79/59	T
Geneva	27/16	81/61	T	25/15	77/59	T
Hong Kong	33/28	91/82	T	32/28	90/82	Sh
Istanbul	30/23	86/73	S	30/24	86/75	S
Jakarta	31/24	88/75	Sh	31/24	88/75	PC
Johannesburg	11/2	52/36	Sh	12/0	54/32	S
Karachi	34/28	93/82	PC	33/27	91/81	C
Kiev	29/18	84/64	S	29/18	84/64	PC
Lagos	29/24	84/75	C	29/24	84/75	T
Lisbon	31/18	88/64	S	30/18	86/64	S
London	23/15	73/59	PC	23/16	73/61	T
Los Angeles	30/19	86/66	PC	30/19	86/66	PC
Madrid	38/21	100/70	S	38/21	100/70	S
Manila	34/25	93/77	T	35/25	95/77	PC
Mexico City	23/11	73/52	T	23/11	73/52	T
Miami	33/26	91/79	PC	33/26	91/79	PC
Moscow	28/18	82/64	Sh	28/18	82/64	PC
Mumbai	30/25	86/77	Sh	29/25	84/77	Sh
Nairobi	24/11	75/62	C	26/12	79/54	PC
New Delhi	34/25	93/77	T	28/25	82/77	T
New York	33/23	91/73	S	33/23	91/73	S



GOOGLE STRIVES TO CATCH CLOUD-COMPUTING RIVALS

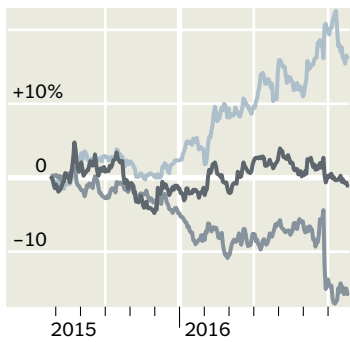
PAGE 14 | BUSINESS FRONT

STOCK INDEXES



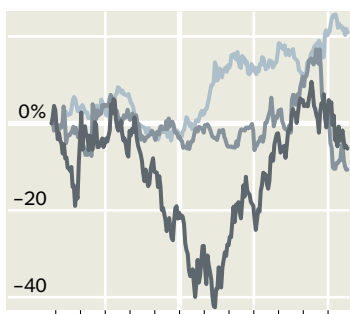
	UNITED STATES	S&P 500	52-week
	2,163.16	-11.87	+2.3%
	EUROPE	Euro Stoxx 50	
	2,973.22	+0.99	-18.2
	JAPAN	Nikkei 225	
	16,620.29	-6.96	-19.3

CURRENCIES



	EURO	€1=	\$1.10	52-week
			+0.001	-1.0%
	YEN	¥100=	\$0.94	flat
				+16.3
	POUND	£1=	\$1.31	+0.002
				-15.6

COMMODITIES



	OIL	Nymex light sw. crude	52-week
	\$43.16 a barrel	-1.03	-8.1%
	GOLD	New York	
	\$1,319.40 a tr. oz.	-3.10	+20.7
	CORN	Chicago	
	\$3.33 a bushel	flat	-10.7

Data as of 1600 U.T.C.
Source: Reuters
Graphs: Custom Flow Solutions

REUTERS BREAKINGVIEWS

Gambling industry merger could be risky

The gambling industry's latest consolidation play is opportunistic and risky. A joint approach for the British bookmaker William Hill from a rival, 888 Holdings, and the casino operator Rank Group might push the bidders to stretch too far and would probably pose integration challenges.

Rank and 888 have yet to disclose details of their three-way merger plan. They might all benefit from pooling online forces, having lost digital market share in Britain since 2011, according to Berenberg. William Hill last week sacked its chief executive, James Henderson, after just two years, largely because of his failure to halt that decline. The resulting uncertainty is probably the reason that its suitors pounced now.

The logic looks most compelling for Rank and 888. Both trail William Hill online. 888 lacks scale after missing out on a merger frenzy that has seen Paddy Power hook up with Betfair, Ladbrokes with Gala Coral, and GVC with bwin.party.

Size can offset unpredictable costs from marketing, price wars or new compliance expenses. 888 has tried and

failed to bulk up and been a target. William Hill bid for 888 last year, but failed to convince the company's controlling shareholders.

William Hill may prove equally hard to win over. Cost savings should be possible. Put these at 100 million pounds, about \$130 million, a year before tax, as Shore Capital does, and they could be worth around £850 million in net present value using an average tax rate for the trio of 15 percent. That would justify 888 and Rank paying a premium of at least 36 percent to where William Hill shares closed before Mr. Henderson stepped down.

Granted, William Hill's inappropriately named digital initiative, Project Trafalgar, has failed to deliver immediate gains. But a new partnership with OpenBet could eventually pay off, whereas merging with 888 would expose it to riskier unregulated betting markets. Also, there are risks involved in mashing together three big companies. If William Hill shareholders hold out for cash, that could prove a step too far for 888 and Rank. All in, this three-way merger could be a hefty gamble. DOMINIC ELLIOTT

In hunt for yield, investors set fears aside

Everyone deserves a great smile, according to the website of Mydentist — except for investors in its bonds. The dental chain's latest issue, for 425 million pounds, or about \$558 million, features a nasty clause that could be detrimental to buyers.

High-yield bonds usually contain clauses that force companies to repay investors early, and with a premium, if the company changes hands. That premium is often a major draw for bond buyers. The clause also protects investors, since they are not exposed to the danger that a new owner might take more risks. That's particularly an issue in private equity, where many companies tend to be flipped between firms.

But change-of-control clauses are a pain for buyout shops like Carlyle, which owns Mydentist. So, as Europe's high-yield market developed after 2008, buyout firms tried to find a way around them through "portability clauses," which allow debt to move with a company when it is sold. To keep investors happy, the clauses were valid only if the company's debt was below a preset threshold or had a given credit rating.

The bond from Mydentist has a high debt ratio test, at 6.25 times earnings before interest, taxes, depreciation and amortization. And the test is done when the sale of the company is agreed to, not completed — which is a first, according to analysts at Covenant Review. That means investors bear the risk that the company's earnings fall in the time it takes to complete a deal, sometimes more than a year.

The portability clause has other issues. The ratio on which it is based is calculated net of cash, and can enable some debt to be ignored, both of which make it easier to pass the test. Covenant Review argues that the clause is "exceedingly easy to manipulate."

Investors bought the bond anyway. It is hard for them to be discriminating when central banks are suppressing interest rates. This may damage the market over the long term, if other companies with less stable earnings copy Mydentist's clauses. NEIL UNMACK

REUTERS
For more independent commentary and analysis, visit www.breakingviews.com

The New York Times

Energy for Tomorrow

Conference Paris, November 3–4, 2016

Unlocking low-carbon opportunities

Discover the latest opportunities for business as companies and governments move to reduce carbon emissions. With insight and analysis from onstage interviews and debate, we'll reveal who's making waves in the new low-carbon landscape.

Featuring world-class New York Times journalism delivered in real time, 'Energy for Tomorrow' will be the pivotal event leading up to COP 22.

To apply to attend this landmark conference, visit **NYTEnergy.com**

or email Sue McDermott at smcdermott@nytimes.com

Confirmed speakers include:



Ségolène Royal
MINISTER OF ENVIRONMENT, ENERGY AND THE SEA
France



Maroš Šefčovič
VICE PRESIDENT FOR ENERGY UNION
European Commission



Jean-Bernard Lévy
CHAIRMAN AND C.E.O.
EDF Group



Dr. Fatih Birol
EXECUTIVE DIRECTOR
International Energy Agency (IEA)

PRINCIPAL SPONSOR



HEADLINE SPONSOR



GOLD SPONSOR



STRATEGIC BUSINESS PARTNER



STRATEGIC KNOWLEDGE PARTNER



#NYTEFT
@NYENERGY