

Business

MARKETS

▼ 496.87	Dow	24,100.51
▼ 159.67	Nasdaq	6,910.66
▼ 50.59	S&P 500	2,599.95
▼ 0.01	10-yr. T-note	2.89%
▼ \$1.38	Oil	\$51.20
▼ \$5.70	Gold	\$1,237.00
▼ \$0.22	Silver	\$14.51
Euro 0.8847 • Peso 20.2454		

BRIEFLY

RETAIL SALES RISE IN NOVEMBER: U.S. retail sales increased a slight 0.2 percent in November, as strong sales tied to holiday shopping were offset by lower gasoline prices. Excluding gas, however, the Commerce Department said Friday that last month's retail sales rose a healthy 0.5 percent. Retail sales have climbed a solid 5.3 percent so far this year. In November, non-store retail sales — a category that includes internet brands such as Amazon — jumped 2.3 percent. In November, gas stations had a 2.3 percent drop in purchases, a reversal from October when higher gas prices, along with a short-lived bump in auto-buying, had helped propel broader retail sales gains of 1.1 percent.

INDUSTRIAL PRODUCTION CLIMBS: U.S. industrial production climbed 0.6 percent on surging output at mines and utilities. The Federal Reserve said Friday that that utility output rose 3.3 percent as power companies were busier because of unusually cold weather. Mining output rose 1.7 percent on higher production at coal mines and oil and gas drillers. Overall industrial production is up 3.9 percent from November 2017. But manufacturing was flat in November after falling 0.1 percent in October. Factories are contending with a stronger dollar that makes their products more expensive in foreign markets, slowing global growth and import taxes that raise their costs.

MORTGAGE RATES AT 3-MONTH LOW: U.S. long-term mortgage rates fell this week to their lowest level in three months, an inducement to prospective homebuyers in a haltingly recovering market. Continued steep declines in the stock market pushed home borrowing rates lower, although they remain much higher than a year ago. Mortgage giant Freddie Mac said Thursday the average rate on the benchmark 30-year, fixed-rate mortgage dropped to 4.63 percent from to 4.75 percent last week. The key rate stood at 3.93 percent a year ago.

UBER PICKS MORGAN STANLEY: Uber Technologies has selected Morgan Stanley to lead its public offering next year, according to two people familiar with the matter, meaning the investment bank will reap a larger share of the fees associated with a listing valuing the company at as much as \$120 billion. It's another big win for Morgan Stanley banker Michael Grimes, who has become the go-to adviser for many of Silicon Valley's largest IPOs. Goldman Sachs Group is also expected to play a role in shepherding Uber through the IPO process.

DIGITS

3%

So far this year, there have been 12 instances of the S&P 500 moving at least 3 percent from its intraday low to its high, according to data from Howard Silverblatt, senior index analyst for S&P Dow Jones Indices. U-T NEWS SERVICES

MIXED SIGNALS FOR THE SOLAR INDUSTRY AS 2018 WRAPS UP

State posts solid installation numbers, but tariffs a worry

BY ROB NIKOLEWSKI

Third-quarter numbers delivered a combination of good news and bad news for the California solar industry, echoing a pattern seen on the national stage as the sector confronts growing pains that include tariffs recently put into place by the Trump administration.

California installed 462 megawatts of solar between July and September — considerably smaller than the 817 megawatts installed in the second quarter. However, the numbers are better compared to the 445 megawatts added in the same quarter of 2017, according to data compiled by the analytics firm Wood Mac-



HAYNE PALMOUR IV U-T FILE

Workers prepare a roof for installation of solar panels on a new home in Santee in May.

kenzie and the Solar Energy Industries Association, or SEIA.

Residential solar installations in the Golden State inched ahead of quarterly data reported earlier this year, reaching their highest figure for

a three-month period (239 megawatts) since 2016.

“California actually did reasonably well,” said Sean Gallagher, SEIA's vice president of state affairs, “and I think one

SEE SOLAR • C4

STOCKS PLUNGE TO 8-MONTH LOWS ON GROWTH FEARS

Weak data from China, Europe hit hard; Johnson & Johnson tumbles

BY MARLEY JAY

Stocks staggered to eight-month lows Friday after weak economic data from China and Europe set off more worries about the global economy. Mounting tensions in Europe over Britain's impending departure from the European Union also darkened traders' moods.

Major U.S. indexes fell about 2 percent and the Dow dropped as much as 563 points. On the benchmark S&P 500 index, health care and technology companies absorbed the worst losses.

Johnson & Johnson plunged by the most in 16 years after Reuters reported that the company has known since the 1970s that its talc Baby Powder sometimes contained carcinogenic asbestos. The company denied the report.

China said industrial output and retail sales slowed in November. That could be another sign that China's trade dispute with the U.S. and tighter lending conditions are chilling its economy, which is the second-largest in the world. Meanwhile, purchasing managers in Europe sig-

SEE STOCKS • C4

“San Diego has made a substantive commitment to innovation. If it was even 10 years ago, we probably wouldn't have chosen to locate this here.”

Mark Bernier • chairman and co-founder of ThinkTank



HAYNE PALMOUR IV U-T

Mark Bernier is founder and executive chairman of ThinkTank Innovations in San Diego.

FREE-DOM AT NEW INCUBATOR

ThinkTank gaining traction by providing space at no cost to tech startups in San Diego, and access to money

BY BRITTANY MEILING

A couple of Wall Street guys with deep pockets and a high tolerance for risk have launched a startup incubator in San Diego, filling a role that's been in high demand here for decades.

The incubator, ThinkTank Innovation, is offering free office

space to 20 technology startups in San Diego, rivaling the city's largest and most prominent startup incubator EvoNexus when it comes to size and scope. Evo is home to 21 startups.

Incubators are breeding grounds for promising startups, and they're catnip to ambitious tech talent looking to plug into a healthy ecosystem. The city's soft-

ware engineers and entrepreneurs have long pined for more heavy hitters in tech, as San Diego's startup resources are often relegated to verticals in the life sciences. But the local tech scene appears to be gaining traction, as ThinkTank is the second new software incubator to launch in a matter of months.

It's good to see new incubators stepping into EvoNexus' arena,

said two leaders in the local tech community: Mike Krenn of the San Diego Venture Group and Austin Neudecker of Startup San Diego.

“The San Diego ecosystem needs more programs and accelerators that help early-stage companies find product market fit,” said Neudecker, who has a background in venture capital investing.

SEE THINKTANK • C4



HARUKA SAKAGUCHI NYT

Dolls like Mattel's Barbie are competing with tablets, video games and phones for kids' attention. The company is hoping new strategy will help.

NEW CEO FASHIONING A REVIVAL FOR MATTEL

Executive plans to create movies, other media content based on brands

BY JULIE CRESWELL

Beekeeper Barbie was lonely.

On a rainy Sunday afternoon in December, the foot-tall plastic doll stood on a shelf in a Walmart store in Cedar Knolls, N.J., perfect smile frozen in place as bustling shoppers breezed by, ignoring

her and her white gloves, white hat with netting, hive and bees.

Pizza Chef Barbie and Tractor Barbie weren't faring much better. Animal Rescuer Barbie, at least, had some friends — a baby deer, a fox and some bunnies — to keep her company.

For Mattel, the 74-year-old company behind Barbie, Hot

Wheels, Fisher-Price and American Girl, the toy business hasn't been much fun lately.

Dolls, action figures and miniature cars are competing for the attention of children, who are spending hours a day playing games on phones, tablets, computers and consoles.

SEE MATTEL • C2

LIVE NATION TO EXCLUSIVELY BOOK OBSERVATORY NORTH PARK CONCERTS

Deal announced Friday could give more prominence to music venue

BY GEORGE VARGA

The 1,100-capacity Observatory North Park — one of San Diego's busiest live-music venues with 200 shows a year — has signed an exclusive talent booking agreement with concert industry giant Live Nation.

The deal, announced Friday, gives Live Nation exclusive booking rights for both Observatory North Park (formerly the North Park Theater) and the even busier Observatory Santa Ana, which averages 540 shows annually in two adjacent venues operating under the same roof.

Live Nation owns and operates San Diego County's largest concert venue, North Island Credit Union Amphitheatre (formerly Mattress Firm Amphitheatre).

SEE CONCERTS • C2

SOLAR

FROM C1
thing that's noticeable about California is we saw a little bit of a rebound on the residential side."

Overall, the U.S. solar market dropped 15 percent year-over-year in the third quarter and additions of utility-scale solar photovoltaics fell below 1 gigawatt for the first time since 2015.

Solar industry officials attributed the dip in large part to 30 percent tariffs placed on imported solar cells and modules in February. Re-

sponding to complaints filed by two U.S. solar producers, the Trump administration has argued that foreign competitors, especially China, have flooded the market and unfairly dropped costs.

But large parts of the U.S. solar industry have said increasing the price for solar cells and panels has made customers more reticent to undertake rooftop and utility-scale solar projects.

"If not for the tariffs, the U.S. solar market would undoubtedly look better today than it does now," said Abigail Ross Hopper, SEIA's president and CEO.

The trade organization estimates the tariff will lead to \$8 billion in lost investments between 2017 and 2022.

Starting in 2019, however, the tariffs drop to 25 percent and are reduced 5 percent annually until they are scheduled to expire after four years.

In addition, 2019 also marks what is at least scheduled to be the final year solar projects can receive a 30 percent investment tax credit from the IRS. The credit declines in subsequent years, going down to 10 percent in 2022.

The combination of slightly lower tariffs and a potential rush to obtain the full 30 percent tax credit has some analysts expecting an uptick in solar projects.

"Developers originally planning to bring projects online in Q3 2018 were forced to push out completion dates to Q4 2018 or Q1 2019 due to uncertainty around tariffs," Wood Mackenzie analyst Colin Smith said in a statement.

California is by far the nation's leader in solar, with 23,186 megawatts installed. That's five times more than the next biggest state, North

Carolina. More than 6 million homes in California are powered by solar.

Wood Mackenzie analysts expect to see California adding another 14,173 megawatts over the next five years.

Policymakers in Sacramento added two programs this year that figure to keep the solar industry growing.

First, Gov. Jerry Brown in September signed Senate Bill 100 into law that calls on the state to derive 100 percent of its retail power from clean-energy sources by 2045. SB 100 calls for 60 percent of the state's total power to come from renewable

sources such as utility-scale solar and wind by 2030.

Second, the California Energy Commission passed a measure requiring all new home construction include rooftop solar panels. The rule goes into effect at the beginning of 2020.

"We're expecting (the home construction mandate) to create an incremental demand of about 200 megawatts a year over the next four or five years, after 2020," Gallagher said.

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IN BATTLE OF JOHNSON'S BABY POWDER, ASBESTOS OPENS NEW LEGAL FRONT

Memos reveal concerns about dangerous mineral in talc used in company's products

THE NEW YORK TIMES

The memos were concise and direct.

An executive at Johnson & Johnson said the main ingredient in its best-selling baby powder could potentially be contaminated by asbestos, the dangerous mineral that can cause cancer. He recommended to senior staff in 1971 that the company "upgrade" its quality control of talc.

Two years later, another executive raised a red flag, saying the company should no longer assume that its talc mines were asbestos-free. The powder, he said, sometimes contained materials that "might be classified as asbestos fiber."

The carcinogen, which often appears underground near talc, has been a concern inside the company for decades. In hundreds of pages of memos, executives worried about a potential government ban of talc, the safety of the product and a public backlash over Johnson's Baby Powder, a brand built on a reputation for trustworthiness and health.

Executives proposed new testing procedures or replacing talc outright, while trying to discredit research

suggesting that the powder could be contaminated with asbestos, according to corporate documents unearthed by litigation, government records obtained by The New York Times through the Freedom of Information Act, and interviews with scientists and lawyers.

In one instance, Johnson & Johnson demanded that the government block unfavorable findings from being made public. An executive ultimately won assurances from an official at the Food and Drug Administration that the findings would be issued only "over my dead body," a memo summarizing the meeting said.

Those efforts are now forming the crux of a new legal front in a long-running battle over Johnson's Baby Powder, potentially leaving the company exposed in nearly 12,000 lawsuits across the country claiming that the product can cause cancer.

This summer, 22 women with ovarian cancer successfully sued the company, arguing that Johnson & Johnson knew about the connection between talc and asbestos. A jury in St. Louis awarded them \$4.69 billion,



MATT ROURKE AP

Johnson & Johnson is under fire as memos from the 1970s revealed that the company knew it was possible that the talc it used may contain asbestos.

one of the largest personal injury verdicts ever.

The company lost two other cases this year, in California and New Jersey,

brought by people with mesothelioma, a cancer of the lining of internal organs that is associated with asbestos.

The prospect of asbestos

"puts the defense in a much more difficult position," said Nathan Schachtman, a lawyer who has defended asbestos companies. "You get a much higher degree of indignation from juries."

Johnson & Johnson is appealing the three asbestos-related cases. The company has won three cases related to mesothelioma, while four others were declared mistrials.

The company defends the safety of its baby powder, saying that it has never contained asbestos and that the claims are based on "junk science." Johnson & Johnson says that the lawyers in the cases have "cherry-picked" the memos, and that they instead show the company's focus on safety.

"Johnson & Johnson's talc has been tested by scientists at multiple entities since the early 1970s up to the present," said Peter Bicks, a partner at Orrick, one of the law firms representing the company in the lawsuits. "None of these routine tests over the past 50 years detected the presence of asbestos."

For more than a century, Johnson & Johnson has promoted its baby powder as pure and gentle enough for babies' bottoms, a product that mothers can trust, made by a company that puts customers first.

STOCKS

FROM C1
naled that economic growth was slipping.

Sameer Samana, senior global market strategist for Wells Fargo Investment Institute, said investors are concerned that weakness will make it way to the U.S. They're wondering if the U.S. economy is likely to run out of steam sooner than they had thought.

"Market consensus has been that the next recession is probably in 2020 or beyond," he said. Now, he said, the market is "really testing that assumption and trying to figure out whether it's sooner."

Rising interest rates and tighter credit conditions are adding to investors' nervousness because they both tend to slow down economic growth. This week the European Central Bank said it is ending a bond-buying program that has pumped trillions into Europe's economy. The Federal Reserve is expected to increase U.S. rates again on Wednesday, as it's been doing for the last three years. It may also shed light on whether it plans to raise rates further in 2019.

For more than 20 years, China has been one of the biggest contributors to growth in the global economy, and when investors see signs the Chinese economy is weakening, they expect it will affect other countries like the U.S. that sell things to China.

In Europe, the index of purchase managers fell in France, which is racked by protests, to a level that points toward economic contraction. Germany's reading still pointed to growth, but it fell to its lowest level in four years.

Those reports canceled out some potential good news on trade: the Chinese government announced a 90-day suspension of tariff increases on U.S. cars, trucks and auto imports. It's part of a cease-fire that China and the U.S. announced earlier this month to give them time to work on other issues.

December is typically the best month of the year for stocks as a "Santa Claus rally" often adds to the year's gains. With 10 trading days left this month, however, the S&P 500 is down 5.8 percent. That followed a small gain in November and a steep 6.9 percent drop in October.

The S&P 500 index lost 50.59 points, or 1.9 percent, to 2,599.95, its lowest close since April 2. The Dow retreated 496.87 points, or 2 percent, to 24,100.51. The Dow has fallen 10 percent from its record high in early October, reaching a mark known on Wall Street as a "correction." The other major U.S. indexes were already in "corrections."

The Nasdaq composite slid 159.67 points, or 2.3 percent, to 6,910.66. The Russell 2000 index of smaller-company stocks fell 21.89 points, or 1.5 percent, to 1,410.81.

Johnson & Johnson dropped 10 percent to \$133 in very heavy trading. Its market value fell by \$40 billion.

Reuters reported that court documents and test results show Johnson & Johnson has known for decades that its raw talc and finished Baby Powder sometimes contained asbestos, but that the company didn't inform regulators or the public. The company called the story "false and inflammatory."

In July the company lost a lawsuit from plaintiffs who argued that its products were linked to cases of ovarian cancer and mesothelioma. A St. Louis jury awarded plaintiffs \$4.7 billion. Johnson & Johnson faces thousands of other lawsuits.

Among technology companies, Apple dipped 3.2 percent to \$165.48. Adobe skidded 7.3 percent to \$230 after its fourth-quarter profit disappointed investors and it also forecast lower-than-expected earnings in the current fiscal year. Industrial companies sank as well. Boeing lost 2.1 percent to \$318.75.

Jay writes for Associated Press.



HAYNE PALMOUR IV U-T

At startup Promodrone, co-founders Jamar Williams (left) and Xavier Rodriguez work on a prototype of their aerial advertising drone at startup incubator ThinkTank Innovations in San Diego. Promodrone is among 20 startups set up at ThinkTank.

THINKTANK • Hands-off policy on tenants' ownership

FROM C1
"That's what I'm always harping on companies to do. If these guys can help companies make that evolution from one or two founders to a growing, scalable business, then that's a good thing."

Mark Bernier, the chairman and co-founder of ThinkTank, has been living in San Diego County for more than two decades, and has been watching the tech ecosystem with interest.

"San Diego has made a substantive commitment to innovation and there's been a significant amount of progress," Bernier said. "If it was even 10 years ago, we probably wouldn't have chosen to locate this here."

This first tech cohort includes 16 San Diego startups, and four companies from other regions whose founders traveled here for the program. In total, 75 people are housed at the incubator, with space for 110 max. Unlike most incubators, ThinkTank is not taking an ownership stake in its tenant companies. Instead, the

startups that make it through ThinkTank's application process get a no-strings-attached, three-month course in entrepreneurship, and free space at the trendy WeWork co-working space in University City.

Show me the money

Bernier said there's still some ingredients missing for startups, not the least of which is money. So he's made a personal investment of \$3 million to get ThinkTank started, and also set aside \$10 million in family office money to make investments in startups that impress him and his colleagues.

There is also a more formal effort happening behind the scenes. In conjunction with ThinkTank, which is a nonprofit organization, Bernier has launched an investment group called VentureMoney. The hope is to raise a venture fund that can invest in good startups that go through ThinkTank. It's important to note that ThinkTank tenants do not have to accept any offer of in-

vestment from VentureMoney or Bernier.

However, Bernier would not discuss how much committed capital VentureMoney has for its fund, as he said the organization is still in talks with the U.S. Securities and Exchange Commission to get approval on their method for raising funds. His goal is aggressive, however, with hopes to have \$500 million in assets under management once the fund gains steam. He won't get there with small bets on San Diego startups, so the company will also co-invest with other venture firms, he said.

Founders worked in finance

This will be Bernier's first attempt at venture capital, but he's an old hand of finance. He's made his career as the founder and CEO of Thornton Capital Advisors and Thornton America's Holdings, two groups that bought up distressed assets and consumer debt from banks during the 1990s and early 2000s. He also worked in private equity, often in-

vesting in distressed companies and bringing them back from the brink of financial ruin.

"That provided me with unique skill sets on how to evaluate businesses, how to evaluate management teams, financial systems, risk, the markets and everything else," Bernier said.

VentureMoney plans on making investments of \$250,000 to \$1.5 million to start, with secondary investments coming in a bit higher. Equity stakes can be anywhere from 5 percent to 90 percent, depending on the startup's leadership team, experience, business traction, and other factors.

Joining Bernier in founding ThinkTank Innovation is venture capitalist Paul Turino, currently at Velocity Media Ventures in New York City. Turino is also the guy who founded Citi Ventures, as in Citi's corporate venture arm. Turino serves as chief innovation officer at ThinkTank. Other founders include Jim Jalil, a partner at law firm Thompson Hine,

and Alan Maiss, an investment broker and former casino executive. All are minority shareholders in VentureMoney, Bernier said.

Maiss had minor involvement in a casino scandal and criminal investigation in the 1990s that resulted in a misdemeanor charge (categorized as a misdemeanor), but was pardoned by President George W. Bush in 2008. Bernier said he's known Maiss for over 20 years and vouches for his reputation as a clean operator. Bernier said Maiss was upfront about his past involvement with the investigation, and provided Bernier with background and legal paperwork describing the case before getting involved with VentureMoney. Outside casino leadership, Maiss has worked in securities and specialty finance, and is a trustee at the Nevada Museum of Art and a member of its investment committee.

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