

Business

Tycoon's arrest puts university in glare again

MINNEAPOLIS

Chinese billionaire has denied wrongdoing in sexual assault case

BY TIFFANY HSU, RAYMOND ZHONG AND CAROLYN ZHANG

When the Chinese billionaire Richard Liu was arrested two months ago in Minneapolis on suspicion of rape, he wasn't in town for business. Mr. Liu, a 45-year-old internet tycoon, was a student at the University of Minnesota, taking in lectures by day and enjoying dinner parties by night.

As prosecutors weigh whether to charge Mr. Liu, the case represents a setback for a university that has made progress in its handling of sexual misconduct. In recent years, the university has dealt with a series of sexual assault and harassment episodes involving students and faculty members, which have prompted a state audit and new campus policies. Now, the university is once again in the national conversation, and the focus this time is on a relatively new and lucrative academic program.

Mr. Liu, who has denied wrongdoing, was in Minnesota for a global business program, aimed at Asian executives, that is on track to generate over \$10 million in tuition for the school since starting last year. His accuser, who has not been publicly identified, is a young Chinese student at the university who volunteered for the program.

The case "puts the university administration in an impossible situation" as it tries to simultaneously protect its students and its reputation, said Kristen Houlton Shaw, the executive director of the nonprofit Sexual Violence Center in Minneapolis. "The program he's participating in is a major moneymaker — it brings in these highfliers and heavy hitters from around the world," she said. "Their prospective students are watching."

The police conducted an initial investigation into the rape accusation and passed along the findings to the Hennepin County attorney's office, which says it has no deadline for deciding whether to press charges.

Mr. Liu, whose Chinese name is Liu Qiangdong, was released less than a day after his arrest, and he returned to China.

His company, JD.com, which takes in more revenue each year than any e-commerce competitor but Amazon, says he was falsely accused.

The university has not spoken publicly about the episode and would not say whether it had started its own investigation. The university declined to say whether Mr. Liu was still enrolled in the program or eligible for a degree.

"The University of Minnesota cannot comment, per federal law, on matters related to any specific allegations involving any student at the university," said Caitlin Hurley, a spokeswoman for the school.

Ellen Schneider, a senior there, said



Richard Liu, the founder and chief executive of JD.com, in 2016. Mr. Liu was released less than a day after his arrest in Minnesota this year, and he returned to China.

many fellow students had not even heard about Mr. Liu's arrest until she wrote a column in the school newspaper criticizing the university's response. "It is just disappointing," Ms. Schneider said. University administrators "did not take a stand as they should have done."

The University of Minnesota has been a draw for Chinese students. The main university campus east of downtown Minneapolis is ringed by bubble tea shops, hot pot restaurants and grocery stores where Mandarin is commonly heard.

The university counts more than 3,000 students from mainland China, Hong Kong and Taiwan. There are more than a dozen campus groups geared toward Chinese students, including a drama association, a music club and a Christian organization.

Like similar programs at other schools, the university's global doctor of business administration program caters to wealthy professionals like Mr. Liu who seek the cachet of an advanced degree. Some 236 students were enrolled as of early October.

The program, in conjunction with the elite Tsinghua University in Beijing, currently charges each student hundreds of thousands of dollars. The University of Minnesota expects to get as much as

Richard Liu was in Minnesota for a global business program.

\$85,000 per student from the latest class.

The majority of the coursework is completed in China, but one week of the students' second year is spent in Minnesota. For Mr. Liu's class, the school arranged for lectures as well as entertainment, including dinner cruises and a football game.

With such programs, universities see the deal as: "We offer you a serious title, you give us a lot of money, and we give you a lot of work," said Thomas Graf, the founder of a website called DBA Compass.

The university's Carlson School of Management, which runs the program, has declined to discuss Mr. Liu's arrest.

Sri Zaheer, Carlson's dean, called the program "extremely selective." It appeals to business leaders who "want to reflect on their own careers, who want to figure out what it is that made them successful," she said.

The University of Minnesota has taken steps to improve its handling of sexual misconduct. "Whether it be in the classroom, the residence hall, the de-

partment meeting or at the tailgate party, we at the university have our own sexual misconduct crisis," the university's president, Eric W. Kaler, said last year.

In 2016, the college paid \$282,000 to resolve sexual harassment complaints against its former athletic director, who resigned. The same year, several university football players were accused of gang-raping a female student. Though the local authorities did not press charges, the university suspended or expelled several students, at one point leading the team to boycott events.

Early this year, the school suspended a star basketball player after an allegation that he had sexually assaulted a woman in his dormitory in 2016.

Last year, 68 sexual assault accusations were reported to the University of Minnesota's Twin Cities campus, with 12 reported to law enforcement officials, according to data collected by the Minnesota Office of Higher Education. The previous year, 47 accusations were reported and fewer than 10 sent to the police.

Advocacy groups say the uptick at many schools is the result of women having become more comfortable reporting assaults in the #MeToo era. The number of rape cases reported by the

University of Minnesota to federal regulators in 2016 — 0.39 cases per 1,000 students — is in line with four-year public schools of comparable size, according to an analysis of data from the Department of Education.

The University of Minnesota has started training faculty and students on dealing with sexual misconduct. This year, it began requiring nearly all campus employees to inform the school when told about an episode of sexual misconduct. A review made public this spring by the Minnesota legislative auditor determined that the university had resolved allegations of sexual misconduct by school employees in a satisfactory way in the past two years. But it said the school should develop a stronger appeals process.

Ms. Shaw of the rape crisis center said that Mr. Kaler, the university's president, had "done a lot of good" in addressing complaints about how the school handles sexual assault cases.

This summer, Mr. Liu and other executives in the Carlson program took classes on topics like family wealth management and global branding, and visited local companies like 3M and General Mills. The evenings were for entertainment, including cruises on the Mississippi River and Lake Minnetonka.

Liabilities after fire may threaten California utility

BY IVAN PENN AND PETER EAVIS

As wildfires ravage large swaths of California for a second year, one of the state's biggest utilities has declared that it faces billions of dollars in potential liability — far more than its insurance would cover.

The potential losses could leave the company's customers on the hook to pay the bill, exposing businesses and consumers to higher costs. The utility, Pacific Gas and Electric Company, could even face bankruptcy, putting pressure on the state for a bailout.

With its financial liabilities mounting, the company's shares dropped more than 20 percent on Wednesday. More than half of its market value has been wiped out since late last week as the fires have spread.

Investigators have yet to determine the cause of the deadliest of the current blazes, known as the Camp Fire, which has killed at least 56 people and destroyed virtually the entire town of Paradise, about 90 miles north of Sacramento. PG&E disclosed in a regulatory filing on Tuesday that a power failure and damage to a transmission tower were reported in the area shortly before the fire started last week.

Many fires in recent years have been caused by downed power lines serving California's utilities. State officials have determined that electrical equipment owned by PG&E, including power lines and poles, was responsible for at least 17 of 21 major fires in Northern California last fall. In eight of those cases, they referred the findings to prosecutors over possible violations of state law.

Citigroup estimates that PG&E's exposure to liability for those fires is \$15 billion — and that it could face another \$15 billion in claims if it is found responsible for the Camp Fire, a number that could rise because the fire is only a third contained.

The compounding costs of the year-after-year wildfires are making it increasingly difficult for any party to absorb the expenses, said Mark Cooper, senior research fellow for economic analysis at the Institute for Energy and the Environment at Vermont Law School.

If the utility is forced to increase rates sharply, the costs may take an economic toll. Manufacturing companies could choose to move their businesses out of the service area or even the state. Residential customers within the utility's territory then could be left to cover the costs.

"This becomes a humongous challenge," Mr. Cooper said. "If they try and raise the prices, they may not be able to get them. Should they even be allowed to recover all the cost, if they were guilty of imprudent behavior?"

PG&E said its liability insurance for the year that began Aug. 1 amounted to \$1.4 billion.

Lynsey Paulo, a spokeswoman for PG&E, said the utility was focused on helping fight the current wildfires rather than the company's economics. The company has set up a base camp with 800 employees in the area of the Camp Fire, she said, a figure that is expected to grow to 1,000 by the end of the week and could reach 3,000.

"We're not going to speculate on what may or may not be impacting the stock market," Ms. Paulo said.

Critics of the utilities say poor maintenance of power poles and failure to trim vegetation around power lines is a major cause of fires. On a walking tour last spring in San Jose, a former state regulator showed overloaded poles bending under the weight of wires and cables, as well as power lines running through tree foliage.

PG&E's "safety culture" has been the subject of a three-year investigation by the state's Public Utilities Commission. The agency is expected to act on the in-



ERIC THAYER FOR THE NEW YORK TIMES

Left, searching for victims' remains in Paradise, Calif.; right, working to restore Pacific Gas and Electric Company power lines.



RICH PEDRONCELLI/ASSOCIATED PRESS

quiry's findings as early as this month.

In addition to wildfires, PG&E was found at fault in one of California's biggest disasters in this decade — a natural-gas explosion in 2010 that devastated the San Francisco suburb of San Bruno and killed eight people. PG&E was fined a record \$1.6 billion by the state for failing to maintain its pipeline system properly, and paid \$900 million to resolve lawsuits related to the explosion.

"We've got failure of systems to hold PG&E accountable for the destruction and devastation that's been caused," said Frank Pitre, a lawyer who has represented PG&E customers in the gas explosion and the wildfires, including 35 people who lost property in the Paradise fire. "And it's been ongoing. How many more lives have to be lost? How many more communities have to be destroyed? It's got to stop."

As a pre-emptive measure to prevent wildfires, PG&E last month cut power to tens of thousands of customers as high winds prompted fire alerts in many areas, including parts of Napa and Sono-

ma Counties that were hit hard by fires a year ago.

Shares of the parent companies of the state's other investor-owned utilities — Edison International, which operates Southern California Edison, and Sempra Energy, which owns San Diego Gas and Electric — also dropped earlier this week as wildfires spread in both Northern and Southern California.

The state's power supply is not likely to be at risk, but PG&E could face bankruptcy if it cannot cover the liabilities it faces, wiping out shareholders' equity and eating into bondholder investments. It has already been through bankruptcy once, in 2001, during an energy crisis after a botched deregulation effort.

California legislators intervened this year to shield PG&E and the state's other investor-owned utilities from

overwhelming legal claims, allowing them to pass the expense on to ratepayers. But the law, Senate Bill 901, applies to fires beginning in 2019, and in some of last year's incidents — not to this year's fires.

Paul Payne, a spokesman for Senator Bill Dodd, a Democrat who sponsored the measure, said the bill was a response to the potential costs PG&E and its customers were already facing. "We were focused on 2017 and protecting the ratepayers from that fire," he said.

Some analysts say California's regulators and lawmakers could take steps to extend similar protection in this year's blazes. "It is our expectation that regulators will utilize the tools or framework outlined in S.B. 901 to address any potential 2018 wildfire-related costs," Jeffrey Cassella, an analyst at Moody's Investors Service, wrote in an email.

Under the bill, utilities could sell bonds to cover their liability costs and pay them off over time through higher rates. PG&E estimates that the cost to the average consumer could be \$5 a year for every \$1 billion in bonds issued.

On Aug. 30, a group, including Mr. Liu and his accuser, dined at a Japanese restaurant called Origami, according to a restaurant employee who was working that night and text messages exchanged between the accuser and the assistant of an executive who invited her to dinner. The messages were exchanged over WeChat, a Chinese messaging app. The New York Times reviewed screenshots of the messages.

Dozens of bottles of wine were brought in from a nearby liquor store, Lake Wine & Spirits. Two store employees confirmed receipts showing wine purchases totaling thousands of dollars.

Mr. Liu's accuser had been invited to the dinner by another executive in the Carlson program, whom she had met while serving as a program volunteer, according to the statements she made to the police and WeChat messages sent to her by the executive's assistant. The executive asked her to sit next to Mr. Liu, she told the police.

The following day, the woman sent WeChat messages to friends saying that Mr. Liu had raped her after the dinner. She told them that she had been "way too drunk" and unable to stop Mr. Liu from touching her while they were in the back seat of a limousine, which she also recounted to the police.

When she was driven to a house she did not recognize, she asked to be taken back to her apartment, according to her statement to the police. There, Mr. Liu forced himself on her, she told the police. She told him "no" several times, she said.

A Carlson School administrator, Mandy Xue Bai, called the police in the morning after hearing about the alleged rape, according to the statements to the police. Ms. Bai also encouraged the woman to report the episode to the police. Ms. Bai declined to comment.

"I am so very proud of our client's courage, in coming forward and placing all of her trust and faith in the American justice system," said Wil Florin, one of the lawyers representing Mr. Liu's accuser.

Jill Brisbois, one of Mr. Liu's lawyers, said that he was "unable to defend himself" because he "does not want to interfere with the process" while county attorneys decide whether to file charges.

"It is unfair to publish a one-sided story when once a determination has been made, all evidence will be disclosed to the public that will tell the complete story and we believe his innocence will be apparent," she said in a statement.

A week after the accusations against Mr. Liu surfaced, a new group of executives with the Carlson program started classes in China.

JD.com says that there has been no disruption in its business. Mr. Liu has cooperated with Minneapolis law enforcement officials, the company said in a statement, and will cooperate further if requested.

Tiffany Hsu and Carolyn Zhang reported from Minneapolis, and Raymond Zhong from Beijing. Matt Furber and Christina Capocchi contributed reporting from Minneapolis.