

# MONEY & INVESTING

**Markets Closed On Monday**  
U.S. financial markets will be closed for Labor Day. Trading resumes Tuesday.

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THE WALL STREET JOURNAL

Saturday/Sunday, September 4 - 5, 2010 B1

## Thinking Outside the Stocks: Offbeat Investments That Are Paying Off

WEEKEND INVESTOR B7-10



A gauge of credit stress, **Libor**, has fallen to a five-month low, in a sign of caution among banks — **THE BUZZ**.....B3  
China's **Huawei Technologies** will try to crack U.S. smartphone market this holiday season — **CORPORATE NEWS**.....B6  
If regulators matter to **Apple**, it is as a threat to growth. Except when it comes to **Apple TV** — **HEARD ON THE STREET**.....B16

# As Gold Climbs, So Do the Deals

Metal's Price, at Near-Record \$1,249.20 an Ounce, Has Mining Companies Hunting for Prey

**G**OLD PRICES are edging up toward a high, triggering multibillion-dollar deals by miners doubling down on the staying power of bullion's nearly decadelong rally. The run-up is being driven by investors who bought more than

By Carolyn Cui,  
Liam Pleven  
And Ray Brindal

half of all gold sold in the second quarter—only the second time that has happened since 1979, according to analysts. Normally the majority of gold is bought for jewelry and other uses.

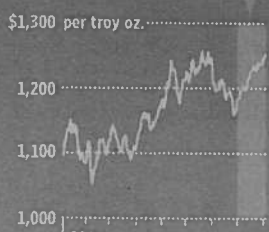
Large gold miners seeking to feed that demand are gobbling up rivals. On Friday, **Goldcorp Inc.** said it would buy **Andean Resources Ltd** for \$3.4 billion, a month after **Kinross Gold Corp.** agreed to pay \$7.1 billion for **Red Back Mining Inc.**

Gold prices are responding, too. In August, gold futures prices rose 5.6% as investors added 20.2 metric tons to the holdings of the \$52-billion **SPDR Gold Shares**, the world's largest gold exchange-traded fund. By contrast, investors liquidated 38.2 metric tons in July, and prices fell 5.1%. On Friday, prices fell \$2.30

### Gold Digging

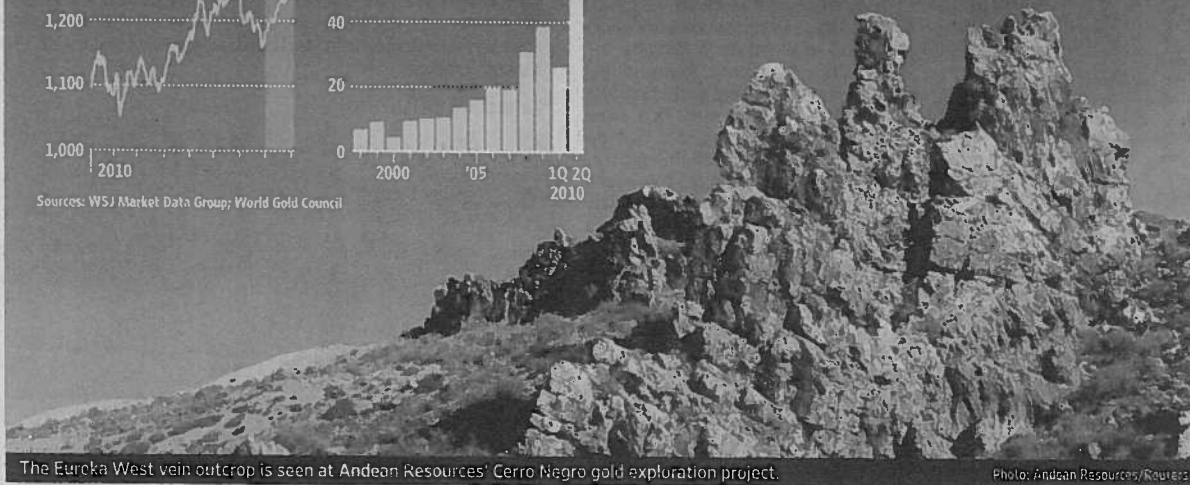
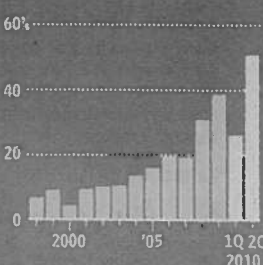
Daily settlement price on the continuous front-month contract

Change since Aug. 1: up 6%



Sources: WSJ Market Data Group; World Gold Council

Investor interest in gold is rising; share of total demand



The Eureka West vein outcrop is seen at Andean Resources' Cerro Negro gold exploration project.

Photo: Andean Resources/Routledge

per troy ounce, or 0.18%, to settle at \$1,249.20 at Comex, the metals division of **CME Group**. They are now 0.64% below the Comex-high settlement price of \$1,257.20, hit on June 18, but up

14.1% this year. Historically, investors accounted for a relatively small portion of gold demand, with the majority driven by the needs of jewelers, dentists and electron-

ics manufacturers. When the World Gold Council, a trade group, started breaking out investor demand as a separate category in 1998, investors represented 6.9% of demand and

during the tumultuous year of 2009, they accounted for 39%. In the second quarter of this year, investors accounted for 51% of demand, second only to the

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## Texas AG Probing Google's Searches

By Amir Efrati  
And Thomas Catan

The Texas attorney general's office is conducting an antitrust review of **Google Inc.**'s core search-engine business, a sign of widening government scrutiny of the Web giant.

Texas's top prosecutor has inquired about allegations by several small companies that Google unfairly demoted their rankings in search results or the placement of their advertisements on the search engine, Google said Friday.

The Internet giant disputed the allegations, which have been reported previously, tracing them to three companies with ties to rival **Microsoft Corp.**

A spokesman for Texas's Attorney General **Greg Abbott** said an investigation of Google was ongoing but declined further comment. A Microsoft spokesman declined comment.

Don Harrison, a deputy general counsel at Google, said in a blog post that the company is sometimes asked about the fairness of the search engine and why some websites are ranked higher than others.

"Given that not every website can be at the top of the results, or even appear on the first page of our results, it's unsurprising that some less relevant, lower quality websites will be unhappy with their ranking," Mr. Harrison wrote.

Google said Texas officials asked for information about the cases of **Foundem.co.uk**, **TradeComet.com LLC** and **myTriggers.com Inc.**, which have each claimed separately that Google unfairly demoted their search rankings to eliminate them as competitors.

TradeComet, a business search engine, has sued Google in federal court in New York, and myTriggers, a price comparison site, sued the search giant in Franklin County, Ohio, common pleas court.

Both complaints were related to antitrust, and Google has denied wrongdoing.

The European Commission is also conducting a preliminary inquiry into the complaint by Foundem, a British price com-

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# Going From Used Cars to Proxy Battles

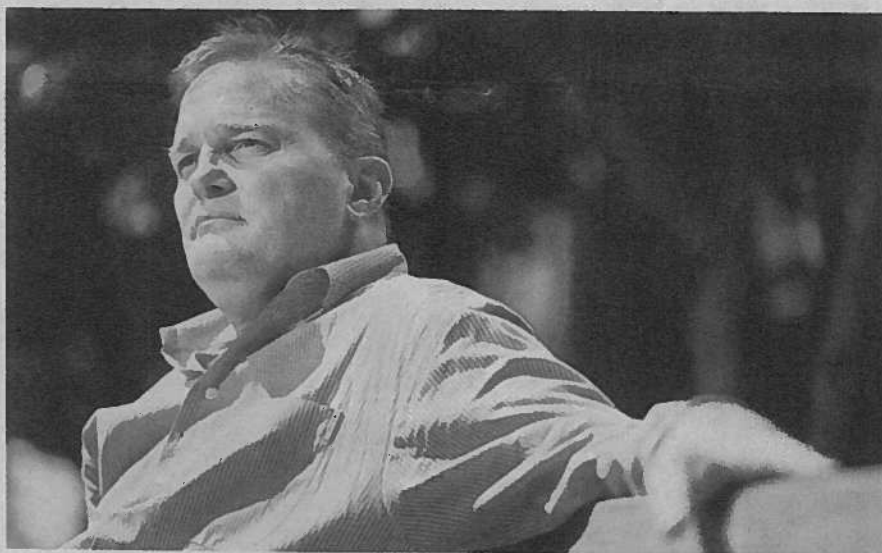
By GINA CHON

Just two years ago, **Chris Cernich** was working in obscurity, crunching numbers about used cars from his desk at **Ford Motor Co.**'s headquarters in a Detroit suburb.

Today he is one of the most powerful people on Wall Street, whose opinion can sway fortunes and scuttle empires.

The 46-year-old is the new head of M&A and proxy-contest research at proxy-advisory firm **Institutional Shareholder Services Inc.** For a mouthful of a title, the job is relatively simple. Mr. Cernich advises some of the world's biggest institutional shareholders about how to vote shares on mergers, proxy contests and corporate governance issues.

The clients—largely mutual funds, insurance companies, and pensions—almost always follow ISS recommendations, largely because they can't devote resources to the slew of shareholder votes arising in their portfolios.



Chris Cernich, a director of M&A and proxy-fight research at the ISS offices in Rockville, Md., on Aug. 26.

That means Mr. Cernich can often represent the crucial swing votes that decide whether a merger is approved or dissident directors elected to a company

board. Many on Wall Street already are wary of the outside influence of ISS, which operates from a sterile office park 275 miles

from Manhattan. The appointment of Mr. Cernich has perplexed some of them, if only because they know so little about him.

"People haven't really seen him in action yet," said **Charles Nathan**, co-chair of the corporate governance task force at law firm **Latham & Watkins**. "So we have reason for uncertainty, and we don't know if things will be the same or done differently at ISS."

Mr. Cernich has taken an unusual route to the heart of Wall Street. The English major earned a Ph.D. in American Literature from the University of Michigan, authoring a dissertation titled "Salvage Land: The Puritan Wilderness and the Preservation of the World."

He then spent five years in Ann Arbor as an art furniture builder and designer, making custom pieces—such as dining room sets and desks—for art galleries and private commissions.

"He's in a different world now," says **John Knott**, a retired English professor whom Mr. Cernich assisted at the University of Michigan. Mr. Knott still has some furniture that Mr. Cernich

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## Blue Chips Snap a 3-Week Skid, Erasing Much of a Dismal August

By Jonathan Cheng  
And Kristina Peterson

Investors sailed into the long weekend on a high note as a...

**Dow Jones Industrial Average**  
Friday 10447.93 up 1.7%

**Friday's Markets**  
DJA 10447.93 ▲ 127.88  
S&P 1088.75 ▲ 22.74

MIZUHO

Channel to Discovery

Mizuho Corporate Bank financially supports the energy, information and communications industry and contributes to research and development of a new Smart Grid electrical supply system for the future.

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## CORPORATE NEWS

## T-Mobile in Talks to Carry Huawei Smartphone

By SPENCER E. ANTE  
AND PAUL ZIOBRO

T-Mobile USA Inc. is in talks to distribute Huawei Technologies Co.'s new Google-powered smartphone this holiday season, a person familiar with the matter said.

It's uncertain whether the discussions between the fourth-largest U.S. mobile carrier and the Chinese telecom-equipment maker will bear fruit, but a deal for Huawei's first smartphone for U.S. consumers could be inked in four to six weeks, the person said.

An agreement would give Huawei an opening into the U.S. wireless market and T-Mobile a low-cost smartphone that it could use to lure in customers who might otherwise look elsewhere.

The new phone, dubbed the Ideos, could be cheap enough that carriers could sell it for \$50, said IDC analyst William Stofega.

Huawei has been trying to sell the phone to major U.S. cellular carriers and says it is getting strong interest. "It's safe to assume we're talking to all of the major carriers," said Jannie Luong Nguyen, a spokeswoman for Huawei's U.S. business.

Huawei is better known for making telecom-network equipment, a market where it has used aggressive discounts to become one of the top three vendors by sales. But the company has ambitions to become a player in the consumer market as well, and Huawei executives appear to be using the same low-price strategy to win over smartphone buyers.

The Chinese company's efforts to crack the U.S. network equipment market via acquisitions or by winning contracts have been frustrated by security concerns. It backed out of a plan to buy networking-gear maker 3Com in 2007 when the deal faced opposition from a U.S. security panel.

Riley Repko, a senior adviser working on cyber operations for the U.S. Air Force, said the U.S. government's concerns about Huawei's networking gear should also be applied to the company's cellphone business.

"The federal government needs to think long and hard and



Visitors explore Huawei's pavilion at a telecommunications conference in May in Russia. The Chinese electronics company has been eager to push into the U.S. market.

move slowly," said Mr. Repko, a former executive with Oracle Corp. and Siebel Systems Inc. "We need to take a closer look."

Some corporations will also be concerned, said Chris Wysopal, chief technology officer of computer security consultant Veracode.

"If you look at a device like the BlackBerry, I know the U.S. government has gone over that with a fine-tooth comb, and that makes me feel good," said Mr.

Wysopal. "With these new devices from Huawei, I don't think big enterprises will use it unless someone has shown there is a security review."

Huawei has a big hill to climb in the consumer market. It claimed a tiny 0.2% share of the smartphone market on a global basis, according to IDC.

Yet its low-cost strategy dovetails with the needs of many carriers that are looking to expand smartphone sales and the

lucrative data-service contracts they bring to customers who aren't willing to pay for marquee devices such as Apple Inc.'s iPhone or Verizon Wireless's Droid lineup. Those high-end devices typically retail for more than \$500 without a contract, or \$200 with a two-year contract.

The Ideos, unveiled Thursday at an electronics show in Berlin, will have a recommended retail price of \$100 to \$200 without a contract, adding pressure on en-

try-level smartphones.

The Ideos uses Android 2.2, the latest version of Google Inc.'s free mobile operating system; features a 2.8-inch touch screen; and acts as a Wi-Fi hotspot, allowing other devices to connect to the Internet.

Mr. Stofega, the IDC analyst, said the Ideos will likely be priced under \$100 in the U.S., possibly as low as \$50. "What's really significant is that this is the democratization of the

smartphone," Mr. Stofega said.

T-Mobile USA, which had 33.6 million subscribers at the end of June, has carried Huawei products in the past. Last year, it offered a plug-in "stick" for laptops to connect to wireless Internet.

Also last year, T-Mobile USA sold a Huawei phone called the T-Mobile Tap that didn't feature the Huawei brand. The Ideos carries the Huawei brand on the back of the phone.

## Gold-Mining Deals Are Climbing Along With the Price of Precious Metal

Continued from page B1

first quarter of 2009, when the stock market was at its nadir and investors accounted for 60%.

Now, investor demand increasingly overwhelms other fundamental factors, such as jewelry purchases and ore production. This spring, investors turned to gold as a haven against the threat of European sovereign-debt defaults, and this summer it benefited from fears of a double-dip recession.

"Gold is a multipurpose security blanket," said Kevin Norrish, managing director of commodities research at Barclays Capital, and the interest reflects "the lack of trust some investors have in governments and their abilities to solve their structural

problems," he said.

At the same time, the rise of the investor in the gold market also means that bullion prices and gold-mining companies are increasingly subject to the same risk, that positive changes in the macroeconomic picture could lead investors to reverse course and sell gold in droves.

Jewelry owners are slow to sell due to an emotional tie with their gold, said John Stephenson, a portfolio manager at First Asset Investment Management, Inc. and the author of "The Little Book of Commodity Investing."

Goldcorp's bid for Andean Resources topped a lower offer from Eldorado Gold Corp. The deal is the latest in a series of gold-sector tie-ups as producers

vie to secure resources.

Especially tempting to miners are smaller exploration-focused companies like Andean that have proved themselves adept at the financially risky work of discovering new gold veins.

Goldcorp was drawn by Andean's Cerro Negro project in Argentina, which the company said in July could produce up 285,000 ounces of gold a year over its first five years, starting in 2012.

Goldcorp CEO Chuck Jeannes called it "a truly exceptional asset by any reckoning," in a conference call with investors on Friday, saying such discoveries are "becoming exceedingly rare."

Under the terms of the deal, each common share of Andean

will be exchanged for either 0.14 share of Goldcorp or a cash payment of C\$6.50 a share, up to C\$1 billion in cash. The offer represents a 35% premium to Andean's Toronto-listed closing share price on Sept. 2.

The transaction was unanimously approved by the boards of both companies, but requires majority Andean shareholder approval. Shareholders representing 21% of Andean's capital already have agreed to vote in favor of the deal.

Eldorado isn't giving up, however, saying Friday it will pursue its bid, valued at C\$6.36 a share, with shareholders.

Shares of Andean were recently trading up 46% at \$7.04 apiece on the Toronto Stock Ex-

change, indicating investors reckon another rival bid may be forthcoming.

While investors have assumed the dominant role in the gold market, jewelry-makers' sway is weakening. The demand for gold for fabrication plummeted by 40% from 1998 to 2009, and represented 38.5% of total demand from January to June of this year, according to World Gold Council data.

Investors have "swamped out some of the historic trading relationships in gold," said Mr. Stephenson.

Investor-led gold rallies often end in sorrow. In the first quarter of 2009, when the stock market hit a low amid the financial crisis and investor demand was

at its recent peak, gold surged 24%. Prices then fell 13% in the following quarter.

A more-sustained run-up in gold prices will be driven by "sheer income growth" in emerging countries, said Martin Murenbeeld, chief economist of DundeeWealth Inc., a Canadian wealth manager that has about \$70 billion in client assets.

Chinese and Indian investors are buying gold bars and coins at an unprecedented pace. During the second quarter, China's investment demand for gold jumped 187% in dollar terms to \$1.4 billion, while India's rose 38% to \$1.6 billion, according to the World Gold Council.

—Andy Georgiades contributed to this article.

## LEGAL NOTICES

## CLASS ACTIONS

## Notice of Class Action Settlement

To: ALL RECORD OR BENEFICIAL OWNERS OF SHARES OF COMMON STOCK OF IOWA TELECOMMUNICATIONS SERVICES, INC. AT ANY TIME DURING THE PERIOD BEGINNING ON AND INCLUDING THE CLOSE OF BUSINESS ON NOVEMBER 23, 2009 THROUGH AND INCLUDING JUNE 1, 2010

From: The Iowa District Court for Jasper County  
Dated: June 16, 2010

PLEASE TAKE NOTICE THAT on September 23, 2010 at 9:30 a.m. at the Iowa District Court for Jasper County, a settlement

## Texas Opens Antitrust Probe of Google's Web Search Engine

Continued from page B1

parison site. In its blog post, Google said that Foundem is backed by ICOMP, an organization funded largely by Microsoft and added that TradeComet and myTriggers are represented by the same antitrust attorneys Microsoft uses.

Microsoft, which competes with Google in multiple businesses, has acknowledged helping direct the complaints of small companies about Google to antitrust authorities. It has de-

prices. In targeting Google's core business, Texas has moved ahead of the federal agencies charged with enforcing U.S. antitrust laws, the Justice Department and Federal Trade Commission.

Both agencies have conducted antitrust reviews of Google's transactions. The Justice Department, for example, moved to block Google's advertising deal with rival Yahoo Inc., forcing it to abandon the deal. This year, the FTC

