

U.S. NEWS

GOP Mulls Next Move on Taxes

By RICHARD RUBIN

WASHINGTON—President Donald Trump dives back into the tax debate on Wednesday with a Missouri speech aimed at emphasizing the need for major changes as Republicans try to figure out what they want to do and how to proceed.

When Congress returns from its August recess next week, lawmakers will have a long list of nontax items to resolve that will occupy their time and attention for weeks, from the federal debt limit to hurricane relief efforts. In the background, they will set the parameters for the tax debate with the goal of racking up a major legislative victory before year's end.

The summer collapse of health-care legislation puts even more pressure on Republican tax-package writers to give lawmakers something to campaign on in 2018.

Although Republicans generally agree on lower tax rates, they aren't sure yet how low they can go, what breaks would go away, and whether their plan would reduce government revenue or be "revenue neutral." Mr. Trump himself sometimes talks about "tax reform"—which typically means a combination of cuts in rates, the elimination of breaks and creation of new revenue raisers—and other times mentions "tax cuts," meaning just a reduction in rates.

The "reform" that Republicans have talked about for years is much tougher politically than

Changing Fortunes

Top U.S. corporate income-tax rate



Source: Tax Policy Center
THE WALL STREET JOURNAL.

tax cuts because it would require crossing some business interests and eliminating deductions that some Republicans would prefer to keep. Tax cuts, meanwhile, would be constrained by Senate rules that limit the ability of Republicans to increase budget deficits and by lawmakers' appetite for fiscal conservatism.

The resulting bill may end up looking more like a tax cut, said David McIntosh, president of the Club for Growth, a group that backs lower taxes. "There's a real consensus among Republicans that they need to get a tax-cut bill through," Mr. McIntosh said. "A positive for the tax cuts is the donor base is very



ANDREW HARRER/BLOOMBERG NEWS

White House economic policy chief Gary Cohn, left, and Treasury Secretary Steven Mnuchin.

strongly in favor of it. That will help leadership get the votes it needs in the House and the Senate."

Treasury Secretary Steven Mnuchin and White House economic policy chief Gary Cohn have met for months with congressional leaders and released a framework in July that ditched the House GOP's border-adjustment plan for taxing imports and exports, which would have raised revenues to help pay for deep cuts in corporate tax rates. Going forward, the administration is ceding many of the details to Congress and having the president make the public case for whatever plan emerges.

For now, Republican law-

makers are pursuing a revamp of the corporate and individual tax systems. It may take months before they determine whether the arithmetic and politics of a revenue-neutral tax bill—raising some taxes and lowering others—can work before deciding whether to switch to a tax-cut bill.

Most Democrats reject the GOP framework for tax policy, saying it tilts too heavily toward high-income households and corporations.

Republicans will be constrained by Senate rules that limit their ability to pass a tax bill without Democratic votes. To do so they would first have to agree on a budget. And then, to pass a bill with a

straight majority, the resulting tax bill can't increase long-run budget deficits.

They have a few ways to get around that.

First, they could assume that they don't have to offset the cost of extending tax breaks that have lapsed or are scheduled to expire. Under the typical approach Congress uses to analyze budgets, the revenue that would be generated when those breaks lapse is part of baseline projections. By starting instead with the assumption that those breaks continue indefinitely, Republicans would lock in \$450 billion in tax cuts over a decade because they either wouldn't count the cost of extending the breaks or they could replace them with other tax cuts.

Democrats and budget hawks call this a loophole at odds with Congress's decision in 2015 to set tax-break expiration dates.

Second, Republicans could assume tax cuts can partially pay for themselves by creating faster economic growth. This so-called dynamic scoring will be limited by the nonpartisan Joint Committee on Taxation's estimates for the effects of tax cuts on growth.

Third, they could take a page from the GOP's 2001 and 2003 tax-cut playbook and make some or all of the tax cuts temporary. That would create tax cuts within the 10-year budget window without adding to deficits beyond that point.

Expanded Pay-Data Disclosure Is Halted

By TED MANN

The White House said it would halt a planned Obama-era rule that would have required businesses to begin collecting data about how much they pay workers of different genders, races and ethnic groups, saying Tuesday that it posed a burden to employers.

The data-collection requirement was proposed by the Obama administration in 2016 as part of its efforts to address pay disparities among workers of different groups.

The Trump administration will stay implementation of the rule, which would have required employers to report the pay data for the first time in the spring.

"It's enormously burden-

The data-collection rule was proposed by the Obama administration.

some," said Neomi Rao, administrator of the Office of Information and Regulatory Affairs, which analyzes the cost of federal rules and regulations. "We don't believe it would actually help us gather information about wage and employment discrimination."

The Obama administration proposal directed the Equal Employment Opportunity Commission to begin collecting wage and pay data from private employers with 100 or more employees and federal contractors with 50 or more employees. The proposal effectively expanded the range of data employers were required to report beginning this year on a form called the EEO-1. That form has been used for decades to collect information on the racial and gender makeup of the workforce.

The Obama administration said the proposal would better allow the EEOC to analyze and combat pay discrimination.

In a memo, dated Tuesday, to Victoria Lipnic, the acting chairwoman of the EEOC, Ms. Rao said the White House Office of Management and Budget would stay the rule and conduct a review.

Advocates for the Obama-era policy defended it in recent months, saying that efforts to measure the problem of pay discrimination had been hampered in the past because pay information largely arose anecdotally.

—Lauren Weber contributed to this article.

HUD to Tighten Rules on Reverse Mortgages

By LAURA KUSISTO

The Trump administration is planning to raise premiums and place tighter loan limits on some borrowers in a mortgage program that helps seniors supplement their incomes.

The U.S. Department of Housing and Urban Development on Tuesday announced the changes in a letter to lenders to the so-called reverse-mortgage program, which allows seniors to take out a loan against the value of their home. The Trump administration feels the changes are necessary to put the program, which is backstopped by taxpayers, on a sounder financial footing.

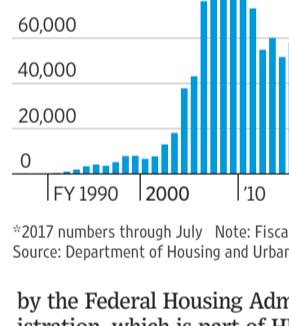
"Given the losses we're seeing in the [reverse mortgage] program, we have a responsibility to make changes that balance our mission with our responsibility to protect taxpayers," HUD Secretary Ben Carson said through a spokesman.

The modifications won't apply to borrowers with existing mortgages, but will affect those who take out new loans. Some 650,000 borrowers have outstanding reverse loans insured

Rising Costs

The Department of Housing and Urban Development has backed more than a million Home Equity Conversion Mortgage, or reverse mortgage, loans since the program began in 1990. HUD expects the program will have a negative value averaging \$10.5 billion a year until 2023, putting a strain on its reserve fund.

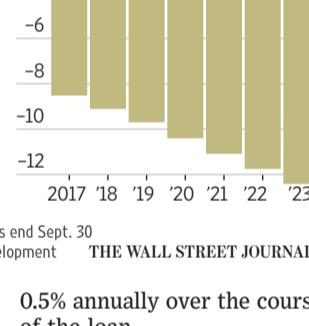
New reverse mortgage loans*



*2017 numbers through July. Note: Fiscal years end Sept. 30.

Source: Department of Housing and Urban Development

Estimated negative value



Source: Department of Housing and Urban Development

THE WALL STREET JOURNAL.

by the Federal Housing Administration, which is part of HUD.

Most new borrowers will pay bigger premiums upfront but lower ones over the life of the loan, lessening the risk to taxpayers if seniors live longer than predicted. Borrowers will now pay 2% of the amount of the home's value upfront and

0.5% annually over the course of the loan.

Currently, most borrowers pay 0.5% upfront and 1.25% annually over the remainder of the loan. On balance, most seniors will also be able to borrow less money.

The FHA's reverse-mortgage program allows seniors

to take out loans from private lenders against their homes to supplement pension income and help those on fixed incomes deal with unexpected or rising expenses. When the borrower moves or dies, the proceeds from the home's sale are used to repay the loan.

But the program also carries significant risks for the federal government, which backs the loans. The FHA covers the losses on the loans from a reserve fund that is supported primarily by premiums paid by younger borrowers on traditional FHA mortgages. Since 2009, the reverse-mortgage program has drained nearly \$12 billion from that fund.

"You have this cross-subsidy from younger, less-affluent people who are trying to achieve homeownership," said Adolfo Marzal, a senior adviser at HUD.

In 2013, FHA required a one-time \$1.7 billion Treasury appropriation, largely because of losses from the reverse-mortgage program.

Lenders use actuarial tables to determine how much borrowers are eligible to receive.

But making predictions for 15 to 20 years in the future is an inexact science and the loans can end up losing money if home-price growth is slower than expected, seniors don't keep the homes in great repair, or they live longer and more interest accrues on the loan.

Without changes, federal officials say that the program is placing an increasingly large burden on the reserve fund and within the next couple of years FHA would require an appropriation from Congress to keep backing reverse mortgages. It is also indirectly hurting HUD's ability to lower premiums on forward mortgages by putting pressure on the reserve fund, officials said.

Advocates for the reverse-mortgage program say it is a critical resource for some seniors. "Being able to survive retirement when you don't necessarily have a large 401(k), that creates the real risk of just being able to pay the bills and eat food and stay in a home," said David Stevens, president of the Mortgage Bankers Association and a former FHA commissioner.

Advocates for the Obama-era policy defended it in recent months, saying that efforts to measure the problem of pay discrimination had been hampered in the past because pay information largely arose anecdotally.

—Lauren Weber contributed to this article.

U.S. WATCH

ECONOMY

Consumers Display Strong Confidence

A measure of consumer confidence rose in August to the second-highest reading since late 2000, a positive sign for consumption growth in coming months.

The Conference Board on Tuesday said its index of consumer confidence rose to 122.9 in August from a revised 120 in July.

The index in March hit 124.9, its highest level since December 2000. Despite sliding downward from the March high in recent months, the index has remained at high levels, buoyed by labor-market strength and stock prices.

Consumers stating jobs are "plentiful" rose to 35.4% in August

from 33.2% in July, while those claiming jobs are "hard to get" decreased to 17.3% from 18.7%. The favorable outlook comes against the backdrop of a 4.3% July unemployment rate, tying a 16-year low.

"The labor market is definitely the primary reason for the increases in confidence we've seen," said James Bohnaker, an economist at IHS Markit. With the accumulation of job and income gains, "people are feeling pretty good," he said.

—Sarah Chaney

ILLINOIS

State Looks to Alter Chicago Policing

The Illinois attorney general filed a lawsuit that will enforce changes to policing in Chicago through court order, citing the unwillingness of the Trump administration to pursue a similar step after a Justice Department investigation of the Chicago Police Department.

The lawsuit, filed by Democratic Illinois Attorney General Lisa Madigan, will start a negotiation process to reach a consent decree for changes within the department. These decrees are typically negotiated between cities and the Justice Department, and were used under the Obama administration to change practices within police departments including Baltimore and Ferguson, Mo.

"We are essentially stepping into the shoes of the Department of Justice, shoes that the DOJ has abandoned," said Ms. Madigan in a news conference announcing the lawsuit Tuesday.

Attorney General Jeff Sessions said this year that the Justice Department will pull back on such probes, believing that they overextend the reach of the federal government into local policing and would undermine respect for police officers.

In a statement Tuesday, a Justice Department spokesman said policing is "first and foremost a matter of local responsibility."

—Shibani Mahtani

THE RESORT AT
PELICAN HILL®
A place like no other

Oceanfront Luxury from \$495
One Hour from LA in Newport Beach, CA
PELICANHILL.COM
888.802.1777

Forbes TRAVEL GUIDE

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, N.Y., and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal,
200 Burnett Rd., Chicago, IL 60610.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

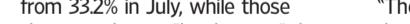
By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customreprints@dowjones.com; By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS



The labor market and stocks have supported consumer confidence.

CORRECTIONS & AMPLIFICATIONS

U.S. NEWS

Pressure Grows to Fund Health Program

Congress faces deadline for system that serves millions of low-income children

By STEPHANIE ARMOUR

WASHINGTON—State officials increasingly worry that this year's turbulent health-care politics could threaten funding for the Children's Health Insurance Program, a popular initiative that usually wins broad bipartisan support.

Federal funding for CHIP is set to end Sept. 30. The federal-state program provides health coverage to more than eight million low-income, uninsured children whose family incomes are too high to qualify for Medicaid.

Republicans are looking to possibly attach a repeal of Af-

fordable Care Act taxes—including levies on certain health insurance plans and medical devices—to a CHIP reauthorization bill, people familiar with the thinking said.

Members of both parties have also discussed using the CHIP bill to extend payments to insurers under the ACA.

The risk, lobbyists and state health officials say, is that such brinkmanship could endanger quick passage of a funding reauthorization.

When Congress returns to Washington next week after its August recess, it isn't clear how hard lawmakers will push to attach measures to the CHIP bill. But some state officials are worried enough that they already are looking at whether they may have to wind down their programs if Congress fails to reauthorize the funding.

CHIP at a Glance



ANDREW HARRER/BLOOMBERG NEWS

- ◆ Serves more than eight million uninsured children
- ◆ About \$16 billion allotted to states in fiscal 2017
- ◆ Federal funding set to end Sept. 30 if not extended

CHIP has earned bipartisan support from the outset. Sen. Orrin Hatch (R., Utah), now chairman of the Senate Finance Committee, was a chief sponsor of the 1997 CHIP leg-

islation along with the late Democratic Sen. Edward Kennedy of Massachusetts.

Mr. Hatch is working with fellow lawmakers and the Trump administration to find a way to ensure funding is provided, a committee spokeswoman said.

"There is a bipartisan desire within the Finance Committee to ensure funding for CHIP is continued and services for vulnerable children are maintained," the spokeswoman said.

The uncertainty reflects the political dynamic after the failure of the hard-fought Republican effort to topple most of the ACA.

CHIP supporters face other obstacles. Congress must pass a broad spending bill by the end of September to avoid a partial government shutdown, and lawmakers also face pressure to raise the government's debt limit in coming weeks.

CHIP is authorized through 2019, but federal money for the state portion of the program isn't. Congress last reauthorized that funding in 2015 for a two-year period that ends Sept. 30. In fiscal 2017, federal CHIP allotments to the states came to roughly \$16 billion.

States have some cushion if the federal funding is delayed, with unspent federal funds redistributed to states that have used up their allotment covering some of the shortfall.

Arizona, Minnesota, North Carolina and Washington, D.C., would run out of their federal CHIP funding by December, according the Medicaid and CHIP Payment and Access Commission, or MACPAC, a nonpartisan legislative agency that provides analysis and recommendations to Congress. An additional 27 states would exhaust their federal funds by March.

Some Republicans say the reserves mean there isn't an urgent need to reauthorize funding. But some state officials say they would run out of money sooner than projected.

Virginia is estimated to exhaust its federal funds in March, but due to its payment procedures the state's CHIP program would actually wind down in January, said Linda Nabolo, chief deputy director for the Virginia Department of Medical Assistance Services. Families would get a 60-day notice that their coverage was ending, she said.

More than 121,000 children are covered in Virginia, including 1,100 with cancer. About 70,000 would be at risk of losing coverage at January's end, she said. "We have kids in the middle of lifesaving treatment. What do we say to those families?" said Ms. Nabolo.

Illinois Approves School Funding

By QUINT FORGEY

The Democratic Illinois Legislature gave final passage to a new K-12 school-funding formula Tuesday, closing the door on a summer of budget turmoil that saw the end of a fiscal standoff with the state's Republican governor but didn't resolve other long-term issues.

The new formula will distribute taxpayer dollars to the state's neediest school districts first, provide more money for Chicago's hard-pressed schools and get funds flowing to more than 850 school districts that have already missed two rounds of state aid payments.

Still, the flurry of legislative action over the past few months, including a \$5 billion income-tax increase to help dig the state out of a huge budget hole, won't do much to address larger financial problems in Illinois, which has the lowest bond rating of any state.

Years of skimping on retirement obligations have left the state with roughly \$250 billion in pension debt—the worst in the nation, according to Moody's Investors Service. School districts are owed an additional \$1.2 billion following a more than two-year budget standoff.

Many lawmakers likened the enormity of the state's school-funding woes to Illinois's record-breaking fiscal impasse, which left the state without a budget for 736 days,



Gov. Bruce Rauner, left, with State Rep. William Davis, after the Legislature passed the funding bill.

racked up a \$14.6 billion backlog of unpaid bills and devolved into the worst state financial crisis since the Great Depression.

That stalemate came to an end just last month, after the Legislature overrode the governor's veto to pass a \$36 billion spending plan. The most recent debate over school funding, the last remaining piece of the budget, began three weeks later and was similarly fraught with infighting between the governor and the General Assembly.

The new funding formula, which originally had been vetoed by Gov. Bruce Rauner, won his support after legislative leaders added various concessions, including \$75 million in income-tax credits for those who donate money to private school scholarships.

"For far too long, too many low-income students in our state have been trapped in underfunded, failing schools," Mr. Rauner said in a statement Tuesday. "We have put aside our differences and put our

kids first. It's a historic day for Illinois."

The tuition scholarship tax credit was a tough sell for Democrats, but party leaders were successful in rallying enough votes in support of the new measure.

"This is what compromise looks like. This is it. A bill that none of us like at 100%," said Democratic Sen. Kimberly Lightford. "This is what we needed to do to fix a flawed system."

—Heather Gillers contributed to this article.

—Heather Gillers contributed to this article.

Mueller Subpoenas Manafort Aide

By DEL QUENTIN WILBER

Special Counsel Robert Mueller has subpoenaed the spokesman for former Trump campaign chairman Paul Manafort, demanding records related to his work for Mr. Manafort and seeking his testimony before a federal grand jury, according to a person familiar with the matter.

Jason Maloni was served Monday night with a subpoena seeking all records related to his work for Mr. Manafort since 2010. Mr. Maloni has represented the political consultant only since March, so it wasn't clear why the subpoena extends back that far.

Mr. Maloni, who is president of his own public relations firm—JadeRoq, based in Bethesda, Md.—was told to turn over the records to prosecutors and to appear soon before a federal grand jury in Washington, the person said.

In a statement, Mr. Maloni said he "would like to get the advice of counsel before commenting publicly."

Peter Carr, a spokesman for Mr. Mueller's office, declined to comment.

CNN first reported that Mr. Mueller had subpoenaed Mr. Maloni. The network also reported that a former lawyer for Mr. Manafort, Melissa Laurenza, had received a subpoena. Ms. Laurenza couldn't

be reached for comment.

Mr. Maloni's subpoena was served about a month after federal agents working with Mr. Mueller raided one of Mr. Manafort's homes pursuant to a search warrant. That warrant was served on July 26 at Mr. Manafort's residence in Alexandria, Va., seeking documents and other material tied to foreign bank accounts and tax matters, according to people familiar with the probe.

The special counsel's office is exploring whether Mr. Manafort engaged in potential violations of lobbying and money-laundering laws, according to people familiar with the matter. Mr. Manafort has maintained he has done nothing wrong.

It isn't clear how the latest subpoena is tied to Mr. Mueller's broader investigation into Russian interference in the 2016 election. Mr. Mueller, is probing whether any Trump associates cooperated with the Kremlin to influence the election.

According to the U.S. intelligence community, the meddling was directed by the highest levels of the Russian government, with tactics that included hacking into state election systems, stealing and leaking information from party committees and political strategists, and disseminating negative stories about Democratic nominee Hillary Clinton.

Honoring the Victims of a New Mexico Shooting



MOURNING: People hung purple ribbon across the street from the public library in Clovis Tuesday, a day after authorities say a teenage gunman killed two people and wounded four others in the library.

In Miami, a New Debate Erupts Over Flashy Statue

By ARIAN CAMPO-FLORES

MIAMI—This city's appetite for the garish is being tested.

After an investment group including former New York Yankees captain Derek Jeter signed a deal to buy Miami's baseball team, residents have renewed a debate over whether to get rid of a massive, kitschy sculpture that sits behind center field at the Marlins' stadium.

The 73-foot-tall structure—an explosion of pink flamingos, blue marlins and green palm fronds—has drawn derision since it was installed at Marlins Park in 2012.

Whenever slugger Giancarlo Stanton or one of his teammates hits a home run, the mechanized piece whirs to life, marlins circle, bright lights flash and jets of water shoot in the air.

Discord flared again in the wake of a recent report on the FanRag Sports website stating that the Marlins' new owners are weighing whether to ditch the sculpture. The investment group signed a \$1.2 billion deal to buy the franchise this month.

Mr. Jeter's group declined to comment on the matter.

The debate has played out on social media and sports websites, prompting some county officials to chime in, but it hasn't resulted in any action so far.

It is one of a host of disputes over public art that have erupted over the years. Last



The 73-foot-tall structure has drawn derision since it was installed at Marlins Park in 2012.

year, New York City officials installed a sculpture on a street in Long Island City of a bright pink reclining figure called "The Sunbather." Detractors dubbed it "Gumby's grandmother" and "pink poop," and complained about everything from the color to the cost.

In Chicago, a 26-foot-tall sculpture of Marilyn Monroe placed temporarily in a downtown plaza in 2011 triggered a backlash over its depiction of the actress in her famous pose from "The Seven Year Itch," holding down her flapping dress. Critics called it tacky and lamented the hordes of visitors shooting pictures from between her legs.

Fans of the Marlins sculpture—named "Homer" and

created by American pop artist Red Grooms—say its effusion of colorful flora and fauna captures the essence of the team's hometown. Mr. Grooms didn't respond to messages seeking comment.

The sculpture "is kind of gaudy," said Jimmy Ross, a 35-year-old longtime Marlins fan. "That's Miami to me."

Others consider it an eyesore and are pleading for its removal.

"I think it's hideous," said Jesse Acosta, 33, also a longtime fan of the team. "It looks too cartoonish...Every time I'm at a game, I look out there and say, 'They've got to take it down.'"

Michael Spring, director of the Miami-Dade County Department of Cultural Affairs, which covered the sculpture's \$2.5 million cost with funds set aside for public art under an ordinance, said the piece isn't going anywhere. The county owns the stadium and various art installations located there, including the sculpture. "They're permanently integrated into the fabric of the building," he said.

Miami-Dade's Art in Public Places program, created in 1973, is one of the nation's oldest and has won awards.

The Marlins sculpture has been one of the more controversial pieces. Miami-Dade Mayor Carlos Gimenez is a fan of the county's public art, "but of 'Homer' the sculpture—not so much," said Michael Hernandez, his communications director.

HARVEY'S DESTRUCTION

Trump Views Damage, Lauds Response

By MICHAEL C. BENDER

President Donald Trump praised the response to Tropical Storm Harvey, saying federal and local officials have become "a real team," as life-saving missions continued in southeast Texas.

"We want to do it better than ever before," Mr. Trump said Tuesday about the relief efforts. "We want to be looked at in five years, 10 years from now, as this is the way to do it."

Mr. Trump made his re-

marks from inside a firehouse in Corpus Christi, a Gulf Coast city about 200 miles southwest of Houston. The president received a briefing on relief efforts from local officials and nonprofit groups in Corpus Christi, and again later from state officials in Austin.

Brock Long, the Federal Emergency Management Agency administrator, described a dire situation to the president and said the priority remained rescuing Texans from the flood. Discussing the

Houston convention center, which is sheltering residents, Mr. Long said: "This is not the Superdome." He was referencing the dangerous conditions that developed at that facility after Hurricane Katrina struck New Orleans in 2005.

Mr. Trump praised FEMA's work with local officials. "You have been just outstanding," Mr. Trump said. "And I can tell you that my folks are telling me how great your representatives have been in working together. It's a real team."

After the briefing, the president addressed a crowd of several hundred people. "Texas can handle anything," he said, waving a state flag.

"What a crowd, what a turnout," he said.

The president traveled on Air Force One with his wife, Melania. White House Chief of Staff John Kelly, Deputy Chiefs of Staff Joe Hagin and Dina Powell, press secretary Sarah Huckabee Sanders and Marc Short, the president's legislative-affairs director, also ac-

companied the president.

After arriving in Corpus Christi, the presidential motorcade passed broken trees, fallen signs and fences askew. "No one has ever seen anything like this," Mr. Trump said.

While he praised his cabinet and local officials, he warned that he "won't say congratulations."

"We'll congratulate each other when it's all finished," he said.

On Monday, Mr. Trump said

he expects Texas to recover fully from Harvey and anticipated that "you're going to see very rapid action from Congress" in the form of disaster relief funds.

Vice President Mike Pence is also scheduled to visit southeast Texas this week, he said in an interview Tuesday with a Corpus Christi radio station. He said there were more than 8,600 federal officials on the ground in Texas, who were being coordinated by FEMA.

for flood preparation," said Mr. McClain. "It's kind of crazy, but that's the way it works."

Small businesses also felt coverage gaps in the case of Superstorm Sandy, which caused an estimated total of \$70.2 billion in damage mostly along the Atlantic Coast in 2012, according to NOAA.

More than half of small businesses in New York, New Jersey and Connecticut that had flood insurance and suffered damages received no insurance payout, according to a 2016 study by the University of Pennsylvania's Wharton School and the Federal Reserve Bank of New York. An additional 31% recouped only some of their losses, the study said.

Among those receiving no payout, 60% suffered a loss of customers, while 20% were hit by utility outages, according to an analysis conducted for The Wall Street Journal by the study's lead author, Benjamin Collier. Overall, businesses were more than twice as likely to have suffered customer losses than physical damage.

"People were insured for different losses than what Sandy created," said Mr. Collier, now an assistant professor at Temple University's Fox School of Business.

"The private sector is putting its toe in the water" in a "very nascent private market," said Charles Symington Jr., senior vice president at the Independent Insurance Agents & Brokers of America, a Washington, D.C.-based trade group. Advances in flood mapping and analytics now make it possible to measure risk more accurately, he said.

But low prices of the federal program make it difficult for the private market to develop, he said. Rates are subsidized for some properties to encourage participation in the federal program. Congress began phasing out subsidies for businesses in 2016.

Private insurers also face higher costs for capital and must build large reserves to cover potential payouts, and, unlike the federal program, they face demands to make profits.

Until 2004, the federal flood program collected enough in premiums to cover most claims. It fell deeply into debt following Hurricane Katrina, when it paid out \$16.3 billion. It added to losses after Hurricane Ike, in 2008, and Superstorm Sandy, and currently owes the U.S. Treasury \$24.6 billion.

The federal government hasn't yet calculated the potential financial impact on the flood-insurance program of Harvey. The flood program has roughly 444,000 flood policies in potentially affected counties in Texas and more than 490,000 in Louisiana, a FEMA spokeswoman said.

Those facing the greatest flood risk are more likely to take part in the government program, making it harder to balance risk and keep prices affordable by having a pool of customers who are less likely to make claims. The federal program doesn't have the flexibility of a private insurer to reject customers who are too risky.

For Ms. Shuey, the coffee bar owner in Ellicott City, community support proved crucial to getting back on her feet. She said customers built cabinets free of charge and donated countertop granite, flooring, plumbing fixtures or cash. "A good 40% of our costs were probably covered by donations," she said.

The outpouring helped persuade her to reopen at the same site on Main Street, a district that helps anchor the community.

"It was important to them and to us," she said. Still, she added, "I can't buy insurance to protect myself. It doesn't exist."

INSURE

Continued from Page One
aren't covered, and maximum payouts for damages haven't risen since 1994.

In last year's April flood in Houston, Mr. Pontez's damage exceeded the \$500,000 insurance maximum on most of his affected buildings. The \$500,000 maximum in coverage for equipment and other contents fell more than \$200,000 short of losses at the turbine business. The policy didn't cover any losses related to being closed.

The need for flood insurance that works for businesses is more dire because devastating storms are hitting the U.S. with increasing frequency.

Twenty storms causing a billion dollars or more in damage have taken place since 2010, not including Hurricane Harvey, compared with nine billion-dollar floods in the full decade of the 1980s, according to inflation-adjusted estimates from the National Oceanic and Atmospheric Administration.

Seven have hit just since 2016, including October's Hurricane Matthew and February's California flooding. A preliminary estimate on Tuesday by Moody's Analytics is that Harvey will cause up to \$75 billion in damages, with up to \$25 billion of that in damages to businesses and lost economic output.

Less-severe flooding in monitored coastal towns has risen an average of 30% over the past five years and 150% over the past 20, said William Sweet, an expert on rising sea levels at NOAA.

About 20% of NFIP claims between 2006 and 2015 came from outside areas considered high risk for flooding, the Federal Emergency Management Agency, which manages the flood insurance program, told Congress this year. Businesses can have some losses offset by community funds and other programs.

A FEMA advisory committee said in a 2015 report that increased development in floodplains, sea level changes and changing climate patterns have resulted in greater flood damages.

When a freak storm dumped a torrent of rain on Ellicott City, Md., last summer, more than 5 feet of water swept through the Bean Hollow cafe, destroying a coffee roaster, brewers, grinders and espresso machines. Floodwaters burst through one wall, damaged joists under the building and gutted the electrical wiring and plumbing.

Owner Gretchen Shuey closed for more than eight months to rebuild, spending \$250,000 and losing potential revenue of \$450,000.

Her federal flood insurance payout was \$109,000. She said she was barely able to reopen and had to depend on personal savings and donations from the community. She turned to Medicaid for her children's health care.

Ms. Shuey's private insurance for other calamities would have covered her lost business if fire or a tornado had hit her coffee bar and roaster in Ellicott City's historic district. "If I had burned down, I would have had income for the last 8% months," she said.

Congress is supposed to re-authorize funding for the program's next five years by Sept. 30. A Senate bill introduced this year would direct the flood program to study adding business-interruption coverage. A separate House bill would make flood insurance optional for businesses that are required to purchase coverage because of their location in federally designated flood zones. A temporary reauthorization of three to six months is possible, according to industry lobbyists, who



Main Street in Ellicott City, Md.'s historic district is now repaired after a freak rainstorm gutted it last year. Gretchen Shuey, below, closed her cafe for over eight months to rebuild, spending \$250,000 and losing potential revenue of \$450,000. Her flood insurance payout was \$109,000.



say Harvey puts additional pressure on Congress to make sure the program doesn't lapse.

FEMA is working with Congress to determine whether additional coverage should be added, said Roy Wright, deputy associate administrator for insurance and mitigation at the agency.

Small businesses are a tiny part of the program, but "local economies would be able to recover more quickly" if more firms had coverage, he said.

In part because of the inadequate products on the market, nonresidential businesses ac-

count for just 1% of the NFIP's 5.1 million policies; their \$19.1 billion in insured flood losses are a small part of the program's total \$1.24 trillion in coverage.

Businesses are required to get flood insurance by some mortgage lenders when they are located in areas the federal government has determined to be high flood risk.

The considerable cost and a misunderstanding of potential risks deter most small companies from buying flood coverage if it isn't legally required.

Private insurers have largely abandoned the flood insurance market following the Great Mississippi River Flood of 1927, one of the worst natural disasters in U.S. history. Damages totaled \$1 billion, or about one-third of the federal budget at the time and the equivalent of about \$14 billion in today's dollars.

"The trend is pretty dra-

matic," said Erwann Michel-Kerjan of the Organization for Economic Cooperation and Development Board on Financial Management of Catastrophes. "We interpret that as essentially demand for more insurance."

The policy language hasn't evolved much from the late 1970s and early 1980s," said Don Griffin, a vice president with the Property Casualty Insurers Association of America, a trade group. He said that since the federal government program is "the only game in town," there is little competitive pressure forcing it to improve the product.

Private insurers have been largely unwilling to write flood insurance because of the catastrophic nature of flooding, the difficulty of adequately predicting risk, and the fear that only those at the greatest risk would buy coverage.

Before Hurricane Harvey hit, Mr. Pontez, the Houston business owner, called the flood program "antiquated and in desperate need of revision."

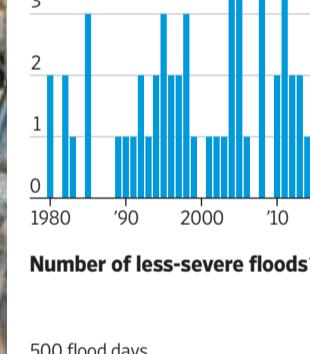
Nearly 40% of holders of nonresidential policies opted for the maximum building coverage in 2016, according to FEMA, up from 20% in 2000.

"The trend is pretty dra-

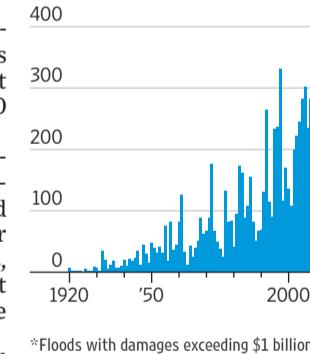
Growing Risk

The need for businesses to carry flood insurance has increased as severe storms have hit the U.S. more frequently.

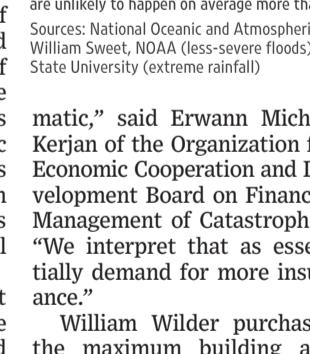
Number of 'billion-dollar' floods*



Number of less-severe floods†



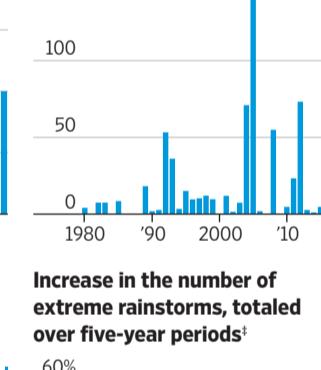
Increase in the number of extreme rainstorms, totaled over five-year periods‡



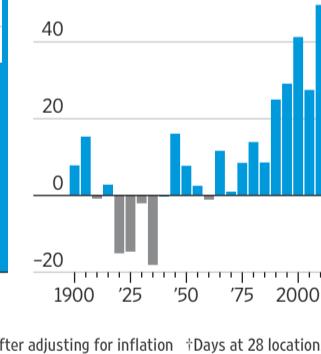
*Floods with damages exceeding \$1 billion after adjusting for inflation. †Days at 28 locations when high-tide water level exceeded a threshold determined locally by National Weather Service Weather Forecasting Offices. ‡Storms with rainfall so severe that analysis shows they are unlikely to happen on average more than once in a five-year period.

Sources: National Oceanic and Atmospheric Administration (billion-dollar floods); William Sweet, NOAA (less-severe floods); Kenneth E. Kunkel, North Carolina State University (extreme rainfall)

Estimated cost of 'billion-dollar' floods, inflation adjusted



Increase in the number of extreme rainstorms, totaled over five-year periods‡



*Floods with damages exceeding \$1 billion after adjusting for inflation. †Days at 28 locations when high-tide water level exceeded a threshold determined locally by National Weather Service Weather Forecasting Offices. ‡Storms with rainfall so severe that analysis shows they are unlikely to happen on average more than once in a five-year period.

Sources: National Oceanic and Atmospheric Administration (billion-dollar floods); William Sweet, NOAA (less-severe floods); Kenneth E. Kunkel, North Carolina State University (extreme rainfall)

THE WALL STREET JOURNAL.

data on local business conditions to better understand a firm's cash flow, said Rade Musulin, a vice president for the American Academy of Actuaries. The federal flood program's approach, by contrast, focuses more on understanding the physical characteristics of buildings and local flood conditions, and is less suited to measuring business losses, he said.

William Wilder purchased the maximum building and contents coverage for his Piggy Wiggly supermarket in Kinston, N.C. But when Hurricane Matthew caused the Neuse River to flood last year, sending 2½ feet of water through his store, losses totaled about \$1.5 million. The maximum coverage is "just not enough," he said.

Graig Cone, a developer in Cedar Rapids, Iowa, figures he lost about \$58,000 in expected revenue from two restaurants during the six days flooding shut down the local business district last September. "I feel like there is definitely a gap that needs to be filled somehow," said Mr. Cone, who has both federal flood insurance and standard business-interruption coverage that doesn't apply in a flood.

Private insurers, who provide business-interruption coverage for other types of perils, use tools such as audits and

data on local business conditions to better understand a firm's cash flow, said Rade Musulin, a vice president for the American Academy of Actuaries. The federal flood program's approach, by contrast, focuses more on understanding the physical characteristics of buildings and local flood conditions, and is less suited to measuring business losses, he said.

Lost sales and productivity, which aren't covered by the federal program, and steps taken to protect properties from flooding, which are covered in a limited way, accounted for nearly 70% of the more than \$6 million in losses reported by small and midsize firms in Cedar Rapids after the flood, according to a report released by the city in February.

Quinton McClain, co-owner of Lion Bridge Brewing Co. in Cedar Rapids, spent more than \$13,000 to protect his restaurant and brewery from the flooding. His staff piled sandbags, boarded up windows and carted out furniture and kitchen equipment, and he hired plumbers to disconnect brewing equipment and plug drains.

"We were only able to claim up to \$1,000 of those expenses

for flood preparation," said Mr. McClain. "It's kind of crazy, but that's the way it works."

Small businesses also felt coverage gaps in the case of Superstorm Sandy, which caused an estimated total of \$70.2 billion in damage mostly along the Atlantic Coast in 2012, according to NOAA.

More than half of small businesses in New York, New Jersey and Connecticut that had flood insurance and suffered damages received no insurance payout, according to a 2016 study by the University of Pennsylvania's Wharton School and the Federal Reserve Bank of New York. An additional 31% recouped only some of their losses, the study said.

Among those receiving no payout, 60% suffered a loss of customers, while 20% were hit by utility outages, according to an analysis conducted for The Wall Street Journal by the study's lead author, Benjamin Collier. Overall, businesses were more than twice as likely to have suffered customer losses than physical damage.

"People were insured for different losses than what Sandy created," said Mr. Collier, now an assistant professor at Temple University's Fox School of Business.

"The private sector is putting its toe in the water" in a "very nascent private market," said Charles Symington Jr., senior vice president at the Independent Insurance Agents & Brokers of America, a Washington, D.C.-based trade group. Advances in flood mapping and analytics now make it possible to measure risk more accurately, he said.

But low prices of the federal program make it difficult for the private market to develop, he said. Rates are subsidized for some properties to encourage participation in the federal program. Congress began phasing out subsidies for businesses in 2016.

Private insurers also face higher costs for capital and must build large reserves to cover potential payouts, and, unlike the federal program, they face demands to make profits.

Until 2004, the federal flood program collected enough in premiums to cover most claims. It fell deeply into debt following Hurricane Katrina, when it paid out \$16.3 billion. It added to losses after Hurricane Ike, in 2008, and Superstorm Sandy, and currently owes the U.S. Treasury \$24.6 billion.

The federal government hasn't yet calculated the potential financial impact on the flood-insurance program of Harvey. The flood program has roughly 444,000 flood policies in potentially affected counties in Texas and more than 490,000 in Louisiana, a FEMA spokeswoman said.

Those facing the greatest flood risk are more likely to take part in the government program

HARVEY'S DESTRUCTION

Evacuees Face Fear and Overcrowding

Convention center is filled to nearly double capacity; 'people are doing their best'

BY DAN FROSCH

HOUSTON—Amid a sea of cots, sleeping bags and storm-weary evacuees, Joseph Shives, Alyssa King and their 11-month old daughter Aspen sat on a single air mattress, peering around Houston's George R. Brown Convention Center in bewilderment.

Less than 24 hours earlier, during Tropical Storm Harvey's onslaught, the roof of their second-story apartment caved in. Pounding rain and water poured through, sparking an electrical fire. Ms. King woke her husband, who grabbed Aspen, and they rushed out.

By Tuesday, Houston's convention center was crammed with 9,100 evacuees—nearly twice as many as its 5,000-person capacity.

Rows of cots filled the center's several expansive rooms. Among them were dozens of beds fashioned from cardboard boxes alongside carts overflowing with clothes, provisions and keepsakes grabbed as the floodwaters rose.

MaryJane Mudd, a spokeswoman for the Red Cross, said more people were waiting to get in and that she was concerned about "the comfort and emotional health" of the people who were already at the convention center.

"People are too tight. They're too close together. We



People seeking shelter from Harvey's floodwaters are sleeping on cots at the George R. Brown Convention Center in Houston.

know that," Ms. Mudd said, adding that more cots were on the way.

Mr. Shives, 33, who works at Jiffy Lube, said he had stayed awake during their first night at the shelter, keeping watch to make sure Aspen and his wife were safe because he wasn't entirely comfortable with the mass of strangers sleeping next to his family.

"It's really crowded. Just crowded," Mr. Shives said. "I think they're a lot of people

here off the streets. It makes you feel a little uncomfortable."

Like her husband, Ms. King, 29, wasn't at ease with their circumstances. On the previous night, she had stepped outside for a cigarette only to find a man vomiting next to her. Parts of the center reeked of urine and amid the throngs of families were also mentally ill and homeless people.

Aspen, wide-eyed and laughing, seemed content to crawl around the air mattress

in her onesie. But her mother still worried.

"People are doing their best. The staff and volunteers are really friendly but there's such a need," she said.

Near a line of evacuees waiting to get into the shelter, Bridget Whisenhunt, 27, skipped to the front and made her way over to a missing persons area.

Ms. Whisenhunt hadn't been flooded out of her home but was searching for her 8-year-old daughter, who had

left with Ms. Whisenhunt's mother and grandmother from their northeast Houston home before dawn Tuesday.

Ms. Whisenhunt heard from a family member that they had been taken to the convention center. But she couldn't reach her family by cellphone and had no confirmation they were there.

She and a friend who had accompanied her to the convention center said they needed to see them and touch them before they believed it.

51.8

Inches at one Texas rain gauge since the storm started

3,500

People rescued by National Guard

300

Animals saved by the Guard

9,100

Refugees at Houston's convention center

6M

Texans affected by 30 inches of rain or more

After filling out a form with Houston police, Ms. Whisenhunt was told to wait for 30 minutes. She found a place to sit and fidgeted furiously.

"It's my daughter. I don't know where she is at. I'm shaking, I'm hurt, I'm frustrated," she said.

Asked what she will do when she is reunited with her daughter, she said: "I'm going to hold her, kiss her, love her and cry. Then we are going to get away from here."

Storm Victims Gravitate To Social Media for Help

BY DEEPA SEETHARAMAN
AND GEORGIA WELLS

With local 911 systems choked by calls during Hurricane Harvey, many Houston residents tried going viral over Facebook Inc. and Twitter Inc., one of the widest uses of social media in a natural disaster.

Residents and their friends and relatives used social-media tools to gain assistance and call attention to sometimes life-threatening situations.

Some users took the unusual step of sharing their full names and addresses across public channels like Facebook and Twitter.

Others sought to tag news outlets, journalists and other prominent individuals in their social-media posts in hopes their messages would be shared widely and eventually answered.

"People have gotten used to this idea that if you are stuck

in an airport and you tweet at an airline, sometimes they will find a way to swoop down and save you when the system isn't working," said Ethan Zuckerman, director of the Center for Civic Media at the Massachusetts Institute of Technology. "People look for anything else that might provide salvation."

Social-media experts said the use of social-media platforms to gain attention for distress from the rising floodwater underscores the central role those platforms play in spreading and consuming information.

Users' reliance on social media is amplified during crises, experts said, and was compounded by the fact that emergency hotlines were jammed during the storm.

One Facebook user said there was water in her Houston apartment, and published her full address with apartment number. Another said a friend in Corpus Christi, Texas, needed baby food and formula

phones, making it difficult to continue calling or hang on the line for much longer.

In recent years, Facebook, Twitter and other technology platforms have allowed people to track natural disasters and acts of violence around the world with speed and depth.

In 2014, Facebook launched its safety-check tool, which allows users in emergencies to mark themselves as safe on their profiles and share other information. Facebook users activated the tool on Friday, a company spokesman said in an email.

As of Monday evening, users made nearly 900 requests for help and offered help in more than 2,800 posts.

One Facebook user said there was water in her Houston apartment, and published her full address with apartment number. Another said a friend in Corpus Christi, Texas, needed baby food and formula

and the power was out. The

user said her friend received help, but declined to be quoted.

Twitter's public-policy team maintains contact with government agencies around the world, including those that handle disaster relief.

During Harvey, first responders including the U.S. Coast Guard and the Houston Police Department have urged people to call specific phone

lines for disaster response, rather than use social media for help. The way social media is used during emergencies fluctuates rapidly, so crisis response agencies have a tough time planning a proper social-media strategy, said Adrienne Russell, professor of media, technology and society at the University of Washington.

Emergency response offi-

cials are using social media to share information and make requests. On Sunday, Houston police used Twitter to ask anybody who could volunteer with a boat to call. One Twitter user responded over the platform to say a group of volunteers was having trouble getting through. Houston police urged them to keep trying the number.



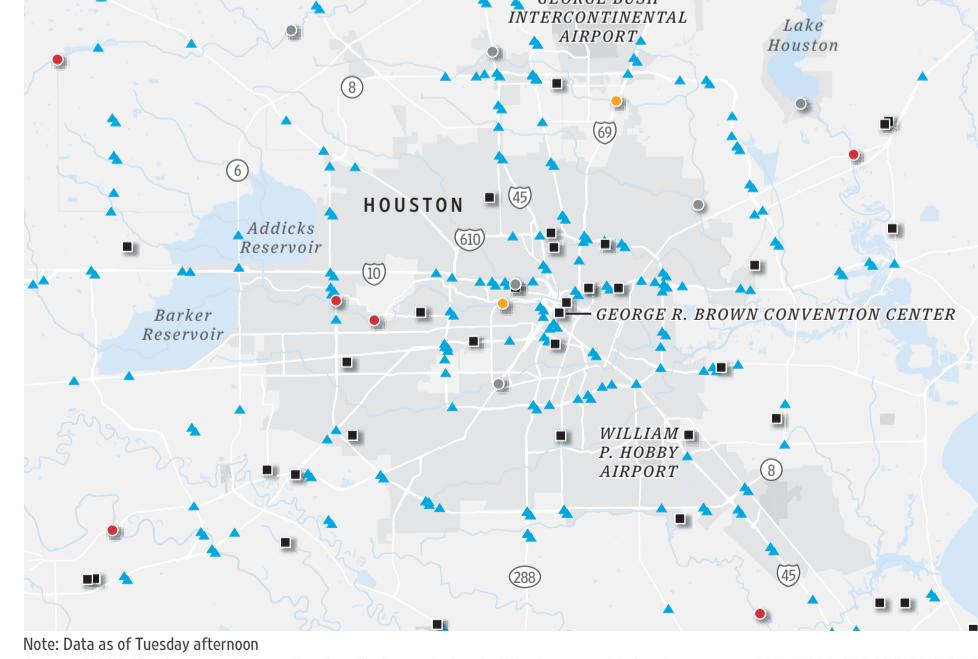
A man photographing the highway interchange of Interstate 10 in Houston on Sunday. Residents of the city have used social-media platforms to seek help or flag life-threatening situations.

HARVEY

Shelter From the Storm

Thousands of Houston-area residents evacuated to shelters as flood conditions persisted.

Flood gauges • Major flooding • Minor flooding • Other ■ Open shelters ▲ High water along roads



THE WALL STREET JOURNAL.

Continued from Page One

Dickinson, a badly flooded area southeast of the city.

President Donald Trump flew into Texas on Tuesday, meeting with Gov. Greg Abbott in Corpus Christi near where Harvey first made landfall. Mr. Trump praised Mr. Abbott and the state's response to the storm.

The Pentagon said Tuesday it has identified as many as 30,000 troops to assist in a massive military response, and was awaiting a formal request for assistance from Mr. Abbott. The deployment would be in addition to National Guard units already working in the state.

Mr. Abbott's spokesman, John Wittman, said the state was working "hand-in-hand" with the Pentagon and "deployment of additional National Guardsmen will be announced at the appropriate time."

As Harvey moved offshore Tuesday, and was expected to make its way toward western Louisiana, the greater Houston area struggled to absorb the floodwaters.

In some areas, 4 feet of water fell in five days, shattering records and straining infrastructure. A bridge over Greens Bayou in Harris County collapsed, the sheriff's office said. Up to 30% of Harris County has been flooded, a spokeswoman for the Harris County Flood

Control District.

Water breached brimming levees and bayous, and officials were forced to release even more water from strained reservoirs into flooded neighborhoods.

Officials said Tuesday evening that the Addicks reservoir had begun overflowing and was causing additional flooding in

nearby neighborhoods. The Barker reservoir is expected to overflow later this week.

The storm could be responsible for as many as 10 deaths across the state, including that of a Houston Police officer who perished as he tried to drive to work.

At least 17,000 people stayed in Red Cross shelters across

the Gulf Coast region on Monday night, according to the relief agency.

By Tuesday morning, the blocks-long convention center had been transformed into a makeshift city, teeming with tired families lugging the last vestiges of their lives before Harvey hit.

By midday, 9,100 people and

countless pets called the center home, nearly double its capacity, said MaryJane Mudd, a spokeswoman for the Red Cross.

Mayor Turner said that the city has opened the Toyota Center, home to the Houston Rockets basketball team, to help handle people who need shelter and reduce the population of people sheltering at the George R. Brown Convention Center.

People will still go to the convention center to seek help, the mayor said. The Toyota Center won't be a site for direct entry.

"I want to reduce that population" at the convention center, the mayor said at a press conference. "I don't want it to become so large it becomes difficult."

Local and state officials scrambled to coordinate a massive exodus to other Texas cities. Dallas, San Antonio and Austin prepared what they called "mega-shelters" to take in thousands of Houstonians—extending the flood's impact across the state.

Officials in Brazoria County, south of Houston, said the levee at Columbia Lakes had been breached and urged residents to flee the area. In Baytown, nearly 30 miles east of Houston, police urged residents to hang a white towel or sheet out of their window if they were trapped by rising water.

Weather forecasts offered glimpses of hope for the region, as the storm and rain

headed eastward. But rescues from high water continued.

Houston Police Chief Art Acevedo said his officers had performed over 3,500 rescues so far and expected to continue with rescue missions for at least two more days before the city shifts to a recovery mode.

Amid reports of rising rivers and dwindling food supplies, some residents risked flight through watery roads.

Garson Li decided it was time to leave Sugar Land after he saw a two-hour line at his local Kroger supermarket. On Monday afternoon, he got into his Honda CR-V and rolled through foot-high water. Passing trucks pushed water over his hood. An hour outside of Houston on a small highway, he felt the water push him toward a ditch.

"My mentality was that if we can't get out now, we might be in a situation where we run out of water and food," said Mr. Li, who works as an auditor at an energy company. After five hours on the road, he made it to Austin, where his girlfriend lives. "The route I took yesterday, it doesn't exist anymore," he said. "I am very lucky."

Elsewhere in Texas, cities prepared for a large number of refugees from Houston—just as Houston welcomed thousands of people fleeing New Orleans after Hurricane Katrina a dozen years ago.

—Tawnell D. Hobbs
and Jon Kamp
contributed to this article.

WORLD NEWS

North Korea Launch Spurs Defense Plans

Moves by South Korea and Japan are likely to provoke Beijing, complicating response

The international response to North Korea's nuclear threat has shifted back to a military track after Pyongyang's latest missile launch upended U.S. hopes for a possible start of diplomacy.

By Jonathan Cheng
in Seoul and Alastair
Gale in Tokyo

Tuesday's launch over Japan has begun to bolster efforts by Tokyo and Seoul to upgrade their missile defenses, though such moves would anger China and Russia and complicate international coordination in tackling the threat from Pyongyang.

President Donald Trump asserted that "all options are on the table" in a statement that marked a sharp turn from more conciliatory remarks last week, when he said that North Korea had begun to respect the U.S. and suggested the possibility of a diplomatic solution.

North Korean leader Kim Jong Un said early Wednesday that the launch of the missile, which North Korea named as the Hwasong-12, didn't threaten any neighboring countries. In a statement carried by state-run Korean Central News Agency, he called it a "meaningful prelude to containing Guam," the U.S. Pacific territory that North Korea had threatened earlier this month to surround with "enveloping fire."

Mr. Kim also ordered his artillery unit to conduct "more ballistic rocket launching drills with the Pacific as a target in the future," suggesting that Pyongyang is planning to launch more missiles over Japan.

The launch was conducted by an artillery unit tasked with striking U.S. bases in the Pacific theater, including Guam, and according to the North Korean statement was a response to on-



South Korea soldiers took part in military drills this month. Above, Japan Prime Minister Shinzo Abe addressed the media after Tuesday's launch.



going joint annual U.S.-South Korean military drills.

Tuesday's launch was one of well over a dozen by North Korea this year, but it was also a first: Mr. Kim had never before sent a missile over a major foreign population center. It prompted an outraged Tokyo to call for an emergency United Nations Security Council meeting.

Chinese officials said Pyongyang's shot across the

Japanese mainland risks going "past the point of no return."

The Security Council adopted a statement Tuesday condemning North Korea "for its outrageous actions" and called on it to halt all weapons tests. The statement didn't spell out any consequences for a refusal.

Japanese Defense Minister Itsunori Onodera said Tuesday that his ministry is seeking funds for the introduction of Ae-

Missile Tests Japan's New Alarm System

Across northern Japan, the alarm jolted people out of bed just after 6 a.m. local time.

Tuesday's missile launch marked one of the first tests of a national government-run warning system called J-Alert, designed to disseminate warn-

ings about potential disasters, natural and man-made. By loudspeaker or cellphone, the message was the same: "A missile has apparently been launched from North Korea. Please take refuge in a sturdy building or underground."

The March 2011 earthquake and tsunami persuaded nearly all local governments to hook up to the system.

—Chieko Tsuneoka

presidential office declined to comment on plans.

South Korea is already in the process of resuming deployment of Thaad, which President Moon Jae-in suspended after taking office in May.

Beijing has said the Thaad radar would extend into northern China and compromise its security. Russia opposes the deployment and last week criticized possible new missile defenses in

Japan.

To demonstrate Seoul's offensive capabilities, South Korean defense officials Tuesday released footage of a new missile capable of flying about 500 miles. Even before Tuesday, South Korea had been seeking U.S. approval to revise an agreement capping the size and range of its missiles.

The most muscular response could be the reintroduction by the U.S. of strategic assets to South Korea, which typically refers to stealth bombers, aircraft carriers or possibly nuclear weapons.

The deployment of strategic assets was one option mentioned by U.S. national security adviser H.R. McMaster on a phone call early Tuesday with his South Korean counterpart, according to a statement from South Korea's presidential office.

Japanese Foreign Minister Taro Kono said North Korea may have opted to fire the missile over northern Japan rather than risk a response from the U.S. if it had launched it in a southerly direction over Japan, toward Guam.

Japan operates Patriot missile-defense systems on land, which are able to target missiles in the final stages of descent. The Aegis system, produced by Lockheed Martin Corp., can shoot down missiles at higher altitudes. Japan has four naval destroyers equipped with Aegis.

One Aegis Ashore unit would cost around ¥80 billion (\$730 million) and would need U.S. government approval for the sale. The Japanese cabinet would also need to approve the funds.

Japan has seven Patriot PAC-3 missile defense batteries on land-based mobile launchers, which can be used to shoot down ballistic missiles shortly before they land, or below about 10 kilometers in altitude.

—Kwanwoo Jun,
Wayne Ma, Jeremy Page
and Farnaz Fassihi
contributed to this article.

FROM PAGE ONE

DOLLAR

Continued from Page One
are encouraged by a season of strong corporate earnings while also focusing on issues that threaten those gains, such as coming debt ceiling negotiations and a run of uneven U.S. economic data.

A stock market rally that has run for 19 months without a significant pullback has also amplified concerns, pushing some investors to allocate more funds to assets considered safe.

While a decline in the currency is generally good for corporate profits, the main driver of stock-price gains over the long haul, a steep decline in the currency over time reduces people's purchasing power and holds down living standards. A weaker dollar helps U.S. exporters and multinational corporations by making their products more competitive abroad.

Some investors contend that the retreat in the dollar is alarming because it could point to erosion in the credibility of U.S. institutions such as Congress. Political leaders now must deal with the fallout from Tropical Storm Harvey as well as deadlines to fund the government and raise the federal borrowing limit.

Political divisions in the U.S. and a turbulent start to President Donald Trump's term in office have "created uncertainty on the part of international investors who would normally flee to the dollar at times of geopolitical uncertainty or crisis," said Christopher Sullivan, chief investment officer at the United Nations Federal Credit Union.

Mr. Sullivan said his team has been buying longer-term bonds in recent weeks given expectations that "inflation is likely to remain muted and that the Fed would be forced eventually to moderate its expected path of interest-rate increases," though he is now more cautious and is looking for guidance from coming inflation and employment data.

Bets against the dollar in futures markets soared last



Federal Reserve Chairwoman Janet Yellen

week to their highest level since 2013, data from the Commodity Futures Trading Commission showed. Meanwhile, net bullish bets that gold prices will continue to rise stood at 196,331 contracts, the most since the week ended Oct. 4, 2016.

And while U.S. shares rebounded Tuesday, political uncertainty has taken its toll on stock funds.

Some \$6 billion has flowed out of U.S. stock funds since mid-July amid concerns over

prospects for U.S. tax and trade policy, the Institute of International Finance said. Global fund allocations to the U.S. stand at their lowest level in over 18 months, the group said.

Federal-funds futures, used

Bets against the dollar soared last week to their highest level since 2013.

by investors to place bets on the Fed's rate-policy outlook, on Tuesday showed a roughly 32% chance of a rate increase by December, down from 40%

Monday and 47% a month ago, according to CME Group Inc. data. While the Fed is expected to start slowly reducing its large portfolio of Treasurys and mortgage-backed securities in the fall, many investors think the process will be slow enough that it will have little impact on markets.

"The liquidity available to come into these markets is so great that once investors figure out that an event won't

change fundamentals, they are willing to jump in and buy the dips," said Paul Christopher, head global market strategist at Wells Fargo Investment Institute.

Mr. Christopher advises investors to stay the course in a diversified portfolio of stocks, gold and various currencies, rather than reacting to separate market events.

Many investors and analysts don't see much on the horizon that could change the current direction of the dollar and other assets. Some had thought that Fed Chairwoman Janet Yellen could use a speech at the Fed's annual conference in Jackson Hole, Wyo., last week to challenge the prevailing view that interest-rates increases are on hold for now. But Ms. Yellen instead focused her remarks on regulatory policy, spurring a rally in bonds and further weakening the dollar.

Accommodative policies from the Fed have played a large role in bolstering both bonds and stocks in recent years to the point that some analysts have warned of stretched valuations and a looming correction. Heading such warnings, however, has proved a losing bet.

Some analysts believe the dollar could reverse at least some of its losses if signs appear that the White House is coming closer to pushing through a tax overhaul or one of its other fiscal initiatives.

"We have not given up yet on U.S. tax reform and infrastructure spending," analysts at Bank of America Merrill Lynch said in a note to clients. They forecast the euro at \$1.08 by year-end. Late Tuesday in New York, the euro was at \$1.1974.

THE WALL STREET JOURNAL.

THE FUTURE OF:

Join The Wall Street Journal's editors at our breakfast series to discuss the future with the leaders who are shaping it.

Future Of: Smart Cities

THURSDAY, OCTOBER 12 / NEW YORK, NY

How will cities be made smarter by technology and innovative thinking about the way communities live?

Chuck Robbins, CEO of Cisco, will discuss this topic with Wall Street Journal Business Editor Jason Anders at our Future of: Smart Cities breakfast.



Featuring:

CHUCK ROBBINS
CEO
CISCO

To request an invitation, email TheFutureOf@wsj.com.

For additional information on the series, visit FutureOf.wsj.com.

Teneo

WORLD NEWS

Foes of Whaling End a Campaign

BY ROB TAYLOR

CANBERRA, Australia—Environmental activists here are abandoning their annual anti-whaling campaign in the Southern Ocean near Antarctica, saying Japan's threat to defend its fleet is too daunting.

Capt. Paul Watson, the founder of anti-whaling group Sea Shepherd, said Japan's threat to dispatch its military was unprecedented.

"For the first time ever, they have stated they may send their military to defend their illegal whaling activities," Capt. Watson said in a statement Tuesday. "The Japanese whalers not only have all the resources and subsidies their government can provide, they also have the powerful political backing of a major economic superpower."

The Japanese Embassy in Canberra didn't respond to Sea Shepherd's announcement, but it previously accused the group of sabotage and "acts of violence which seriously endangered the safe navigation of vessels."

Some of Sea Shepherd's tactics include ramming whaling vessels and throwing stink bombs onto the decks of Japanese ships. In January 2010, one of Sea Shepherd's boats

sank after a collision with a whaling vessel.

The group's decision to suspend its campaign after 12 years leaves Japan's fleet free to resume whaling through the coming Antarctic summer without disruption. Japan's whaling fleet last year reported killing 333 minke whales, with plans to cull about 4,000 whales over the next 12 years under a quota set by the Institute of Cetacean Research in Tokyo.

The International Whaling Commission put in place a moratorium on commercial whaling in 1986. The next year, Japan embarked on a cull that it said was in the name of science, not commerce. Japan says it has a right to monitor whales' impact on the fishing industry, though it also claims they are an important part of its cultural and culinary heritage. Activists say scientific whaling is aimed at circumventing the 1986 ban.

Last month, Japan's parliament passed a series of laws allowing for the protection of commercial whaling fleets.

The International Court of Justice ruled against Japan in a scientific-whaling case in 2014. Canberra last month said Japan's new whaling laws weren't consistent with the 2014 ruling.

Myanmar Accuses Rebels

BY MYO MYO
AND JAMES HOOKWAY

YANGON, Myanmar—Myanmar security forces stepped up their claims that Muslim militants were trying to take advantage of turmoil in the west of the country by establishing an Islamic state there, and accused international aid groups of assisting them.

The country has come under widespread criticism for its heavy-handed response to a series of attacks on Friday, when a small group of ethnic-Rohingya insurgents launched what they called a pre-emptive strike against security forces in northern Rakhine State where many members of the stateless Muslim minority live.

Since then, more than 100 people, most of them insurgents, have been killed, and a stream of Rohingya has headed toward the border with Bangladesh, where 80,000 of them already have fled since a surge of violence began in 2012.

On Monday, Pope Francis, who plans to visit the country in November, joined a growing clamor for Myanmar to provide the group with "full rights," while United Nations Secretary-General António Guterres expressed concern about the worsening situation, his spokesman said. Myanmar authorities consider the estimated one million Rohingya people to be illegal immigrants from Bangladesh, and are subject to travel restrictions and other curbs. Around 140,000 live in temporary camps after communal clashes forced them from their villages.

Their plight poses a dilemma for State Counselor Aung San Suu Kyi, the Nobel Peace Prize winner who now serves as Myanmar's de facto leader. If she moves to provide the Rohingya with more rights, political analysts say she risks incurring the wrath of Buddhist hard-liners who have become increasingly influential in Myanmar since the political opening that also brought Ms.



Rohingya rest at a makeshift shelter after crossing from Myanmar into Bangladesh at Cox's Bazar.

MOHAMMAD PONIR HOSSAIN/REUTERS

Suu Kyi to power. It could also worsen relations with Myanmar's military, which still controls much of the government, including the defense and interior ministries.

Instead, Ms. Suu Kyi appears to be siding with the army, with her office releasing a statement accusing international aid agencies of helping Rohingya militants and commanding the military action around of Maungdaw, near the border with Bangladesh.

Myanmar's national security adviser, Thaung Tun, meanwhile, said that there is no ethnic cleansing under way in Rakhine State, and that the government intends to address the issue of the Rohingya's statelessness. "The situation in Maungdaw is extremely complex and there are no easy

The government said international aid agencies are abetting Rohingya militants.

or quick fixes," he said.

On Tuesday, police Brig. Gen. Win Tin told diplomats that foreign groups were assisting the Arakan Rohingya Salvation Army, which led Friday's attacks and an assault on police positions in October.

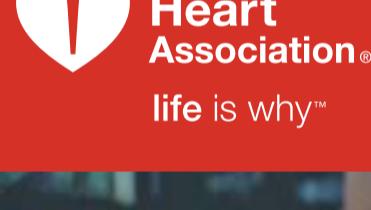
"This group aims to deteriorate the administration of Maungdaw region and then establish an Islamic state in Maungdaw," Gen. Win Tin said.

Home Affairs Minister Lt. Gen. Kyaw Swe told a briefing

that investigators had found that some members of international aid agencies had provided the Rohingya ammonia and fertilizers, which militants subsequently used to make explosive devices. The U.N. is evacuating all nonessential staff from the region because of the fear of reprisals.

The violence in Rakhine State continues. Win Min, a Muslim resident of Maungdaw, said by telephone Tuesday that soldiers set his home alight and shot a friend. "It happened after we were talking in the road. After I went to our temporary shelter, the military shot him. He shouted 'help me, help me,'" Mr. Win Min said. When he turned back, he said soldiers shot his friend again and he ran away, not knowing if the man lived or died.

Maximize the Impact of Your Employee Health Program



Visit www.heart.org/workplacehealth to learn more and enroll today.



The American Heart Association's new Workplace Health Achievement Index is a national continuous quality improvement program called for by its CEO Roundtable. It assesses and recognizes the health of the workplace and the workforce. **Because good health is good business.**

INDIA

Economists See Rise In Quarterly Growth

India's economic growth likely accelerated last quarter as the return of the cash that had been sucked out of Asia's third-largest economy reinvigorated demand.

Gross domestic product likely expanded 6.6% from a year earlier in the three months ended June 30, according to the median estimate from a poll of 14 economists by The Wall Street Journal.

That compares with a 6.1% expansion in the previous quarter, which was the slowest growth in two years. The data are due Thursday.

A result in line with expectations would mean India will have ceded its title as world's fastest-growing large economy to China for the second straight quarter. China's economy expanded 6.9% in the past two quarters.

New Delhi's move in November to withdraw 86% of the currency in circulation to dredge up cash stashed illegally hurt demand early this year. The central bank has been printing new bills to return the amount of cash in the economy to normal levels.

A 27% rise in government spending helped power growth during the quarter, particularly in the public administration and defense sectors.

However growth likely slowed in June because of confusion over new tax rates and procedures under the Goods and Services Tax regime rolled out from July 1.

—Anant Vijay Kala

SOUTH KOREA

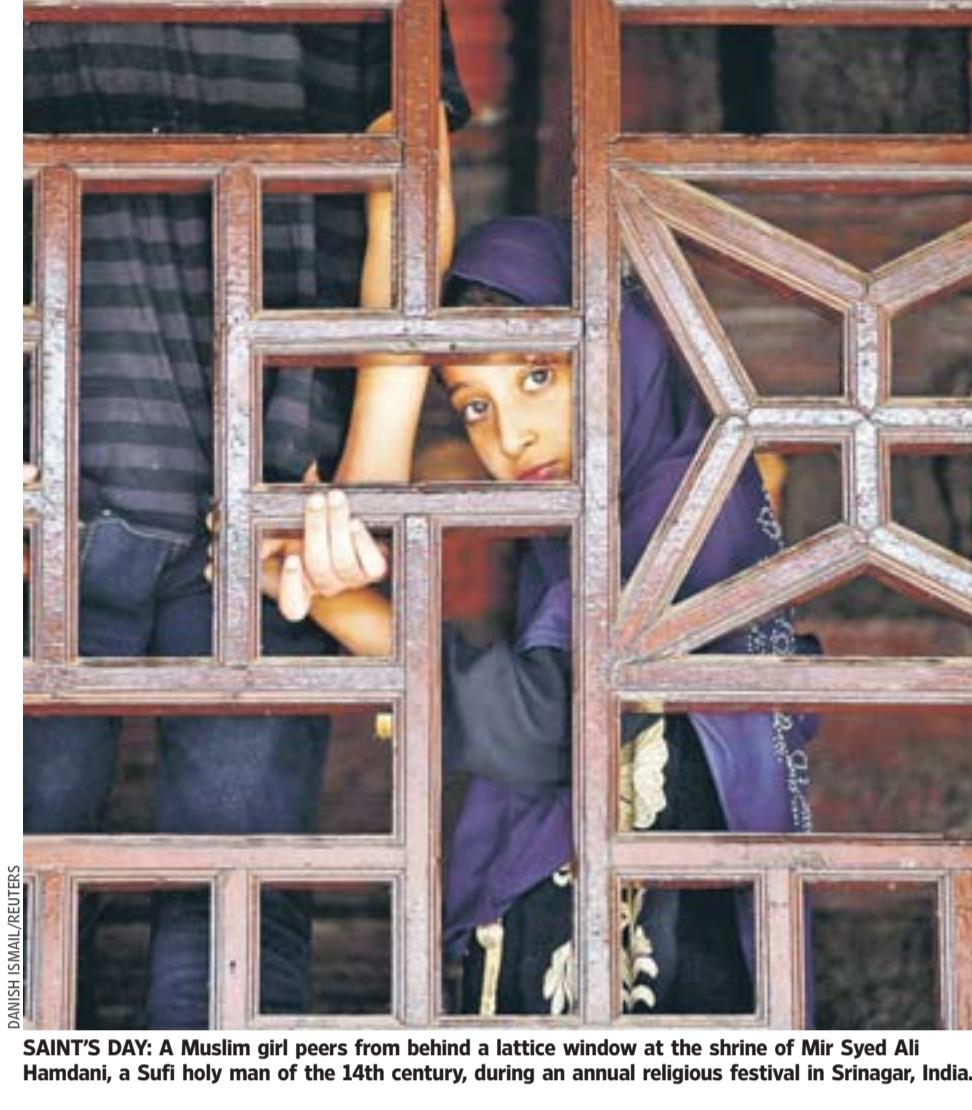
Seoul Set to Increase Spending Next Year

South Korea plans to boost government spending next year to fulfill left-leaning President Moon Jae-in's policy agenda, underpinned by an expected increase in tax revenue.

The national budget plan announced Tuesday by the Ministry of Strategy and Finance calls for a 7.1% rise in total spending for 2018 to 429 trillion won (\$380 billion), up from a 3.7% increase this year.

Revenue is expected to grow 7.9% next year to 447.1 trillion won, compared with an expected 5.9% gain this year, the ministry said.

The budget plan reflects the



SAINT'S DAY: A Muslim girl peers from behind a lattice window at the shrine of Mir Syed Ali Hamdani, a Sufi holy man of the 14th century, during an annual religious festival in Srinagar, India.

Moon administration's pledge to keep its fiscal policy "expansionary" in the coming year to help finance its agenda to create public-sector jobs, expand social welfare for the public, and boost household incomes in a government-led push for economic growth.

Mr. Moon, since taking office in May, has passed a \$10 billion supplementary budget this year and a 16% increase in the country's minimum wage. The liberal leader has also proposed a tax revision, focused on higher levies on wealthy people and big corporations.

The finance ministry expects the country's fiscal health to improve marginally next year, with the fiscal deficit likely to be 1.6% of gross domestic product—narrower than an expected 1.7% of GDP in 2017. Government debt is expected to edge down to 39.6% of GDP in 2018 from an estimated 39.7% this year, it said.

—Kwanwoo Jun

TURKEY

19 Indicted in U.S. For Attack at Protest

A grand jury in the U.S. capital has issued indictments for 19 people, including 15 identified as Turkish security officials, for attacking protesters in May 2017.

The indictments, announced Tuesday, charge the defendants with attacking peaceful demonstrators who were protesting the visit of Turkish President Recep Tayyip Erdogan on May 17.

All 19 are charged with conspiracy to commit a crime of violence, a felony punishable by a statutory maximum of 15 years in prison. Several face additional charges of assault with a deadly weapon.

Sixteen of the defendants had already been charged June 13; Tuesday's indictment adds three new defendants, all Turkish security officials.

—Associated Press

GERMANY

Merkel Defends Taking In Migrants

Chancellor Angela Merkel said Tuesday that she did the right thing by allowing large numbers of migrants into Germany two years ago and that Europe hasn't done enough to develop long-term solutions to the migration crisis since then.

"It was important and right that we took people in back then in this exceptional situation, and it is also right that we must find long-term, sustainable structures," she told reporters.

Polls suggest her popularity has returned to levels from before 2015, when the refugee crisis reached its peak. They show her conservative bloc leading by 13-17 points over her main challenger, Martin Schulz of the center-left Social Democrats, in Germany's Sept. 24 elections.

—Associated Press

SPACE

Continued from Page One
Earth."

Dr. Ashurbeyli, based in Moscow, has few details about how Asgardia, named after Asgard, the godly realm of Norse mythology, would be built, launched and run. Specifics are to be decided by the nation's parliament.

One mission: Guard against space threats like asteroids. "My task is to defend planet Earth and defend humanity," Dr. Ashurbeyli said in a phone interview, "nothing more."

Before liftoff, the Soviet-trained engineer wants the United Nations to recognize Asgardia as a country. He plans to establish a government online and devise a flag, anthem and currency. Initially, citizens will get to send data into space on a satellite he plans to launch from the U.S. this fall.

Dr. Ashurbeyli, who owns an industrial company he values at \$200 million, insists he is deadly serious. He is the sole funder and pays about 50 people to manage Asgardia's affairs. His plan is to pay for launches through crowdfunding.

Others are skeptical of the

project's success. "I think the initiators don't have any idea what they are doing, legally speaking," said space-law professor Frans von der Dunk of the University of Nebraska-Lincoln.

And earthbound Asgardians, it turns out, are a fractious lot. Hailing from Tulsa to Turkey to East Timor, they speak different languages and can't agree on basic policies. Hotly debated issues include the merits of establishing diplomatic relations with extraterrestrials, whether refugees should be welcomed and what role cryptocurrencies should play.

The biggest fault line is Asgardia's constitution, which Dr. Ashurbeyli and his advisers wrote. Unveiled in June, it met opprobrium from rebellious members of the would-be nation.

"I'd say the community is very divided," said Chris Hawkes, 58, a teacher from Preston, England, who joined because he liked the idea of a "societal restart."

Mr. Hawkes said the constitution accords too much power to Dr. Ashurbeyli by declaring Asgardia a "Space Kingdom"—giving him extensive rights to determine the composition of the powerful Supreme Space Council.

Based on what it finds, the Justice Department may or may not decide to open a full-fledged FCPA investigation into Uber. It is unclear whether U.S. authorities are focused on one country or examining activities in several countries where the company operates.

An Uber spokesman confirmed the company is cooperating with the Justice Department on the preliminary investigation. A Justice Department spokeswoman declined to comment.

The choice of Mr. Khosrowshahi was intended to bring stability to the world's most valuable venture-backed startup after a year of tumult. But at a time when the ride-hailing company was supposed to be celebrating the end of its nine-week CEO search, Ms. Whitman spoke

out on the selection process.

In a statement to the Journal on Monday night, Ms. Whitman said she hadn't been a candidate for the job until Friday, when an Uber director she didn't name called to see if she would reconsider after the board couldn't decide between Mr. Immelt and Mr. Khosrowshahi. Ms. Whitman had reiterated to the Journal Wednesday that she wasn't "going anywhere."

Ms. Whitman said she laid out her terms: Uber must strengthen its governance structure, and Benchmark Capital, one of Uber's biggest investors, must settle its lawsuit with Mr. Kalanick over control of board seats.

By midday Sunday it was becoming clear that the board was still too fractured to make progress on the issues that were

ratification of the constitution, which was scheduled for June 18, for almost six weeks.

Of the over 300,000 who became Asgardians by signing up online, only the 110,000 who finally voted to approve the constitution were granted official citizenship.

Jenn Roznicki, 40, a child-care provider in Calgary, Canada, quit Asgardia when it was revealed that those who didn't approve the constitution would be considered tourists, not citizens. "I was sad that it hap-

pened because I had so much hope for Asgardia," she said. "When I joined a year ago, my husband said, 'You know it's going to descend into madness,' and I said, 'No, I have faith!'"

Dr. Ashurbeyli said he simply wants to establish a more structured society and would serve only one five-year term. As for anointing himself king, he said Asgardia would be a constitutional monarchy similar to those in Europe.

He has created a Vienna-based group—named NGO As-

gardia—to manage the nation. It is now holding parliamentary elections, with almost 4,000 running for seats, with candidates including an Indian computer scientist and a British hypnotherapist.

While some have fleshed-out platforms advocating policies from universal basic income to building a virtual-reality-based society, many haven't bothered.

To join the U.N., Asgardia needs Security Council blessing and must persuade two-thirds of member states "that it is a peace-loving state and is able and willing to carry out the obligations" of the U.N. charter, said Dan Thomas, a U.N. spokesman.

Asgardia's constitution is available in 12 languages and states it will "strive towards a single Asgardian language"—a subject of intense discussion among Asgardians, with suggestions ranging from Esperanto to a hybrid of Chinese and English.

Then there's a vexing demographic problem. As of March, 16% of Asgardians were women, prompting the organization to call for members to find ways to get more to join.

"We definitely need more women," said Samuel Fisher, 25, a Colorado-based Asgardian and book author, "but we're not in space right now."



One artist's concept of how Asgardia, a proposed Earth-orbiting colony, might look.

UBER

Continued from Page One

company, he's an incredible visionary, so he will be involved with the company going forward," Mr. Khosrowshahi said. "Exactly how, exactly when, is something that's really up to Travis and the board."

The Justice Department has

taken preliminary steps to investigate whether managers at Uber violated a U.S. law against foreign bribery, according to people familiar with the matter.

The agency is reviewing allegations that Uber may have violated the Foreign Corrupt Practices Act, which bans the use of bribes to foreign officials to get or keep business, these people said.

Based on what it finds, the Justice Department may or may not decide to open a full-fledged FCPA investigation into Uber. It is unclear whether U.S. authorities are focused on one country or examining activities in several countries where the company operates.

An Uber spokesman confirmed the company is cooperating with the Justice Department on the preliminary investigation. A Justice Department spokeswoman declined to comment.

The choice of Mr. Khosrow-

shahi was intended to bring stability to the world's most valuable venture-backed startup after a year of tumult. But at a time when the ride-hailing company was supposed to be celebrating the end of its nine-week CEO search, Ms. Whitman spoke

out on the selection process.

In a statement to the Journal on Monday night, Ms. Whitman said she hadn't been a candidate for the job until Friday, when an Uber director she didn't name called to see if she would reconsider after the board couldn't decide between Mr. Immelt and Mr. Khosrowshahi. Ms. Whitman had reiterated to the Journal Wednesday that she wasn't "going anywhere."

Ms. Whitman said she laid out her terms: Uber must strengthen its governance structure, and Benchmark Capital, one of Uber's biggest investors, must settle its lawsuit with Mr. Kalanick over control of board seats.

By midday Sunday it was becoming clear that the board was still too fractured to make progress on the issues that were

important to me," she said in the statement.

Her sentiment echoed the situation with Mr. Immelt, who publicly pulled his name from consideration early Sunday after making a formal presenta-

tion to directors, apparently spooked by what he felt was a fractious and disorganized board, according to a person familiar with his thinking. In particular, this person said, Benchmark wanted Mr. Kalanick off

the board and Mr. Immelt wouldn't say that the ex-CEO should be removed. By Saturday morning, Mr. Immelt planned to withdraw his name, this person said.

But people familiar with the board's deliberations say it was clear the 61-year-old Mr. Immelt wouldn't have enough votes to become CEO. So the recently retired GE CEO attempted to save face by tweeting that he decided not to pursue the job, these people said. Mr. Immelt wasn't immediately available for comment.

Ms. Whitman, 61, has long-standing ties to Benchmark,

which has pushed for her candidacy, say people familiar with the matter. The venture firm, which has denied it was a prime advocate for Ms. Whitman, led the push for Mr. Kalanick's

ouster in June after a series of scandals rocked Uber, and sued him last month.

Soon after pulling her name from the running with a tweet in late July, Ms. Whitman began working to get back into consideration, the people familiar with the board deliberations said. And even as she said that she no longer wanted the job, arrangements were being made behind the scenes to present her vision for the company, these people said.

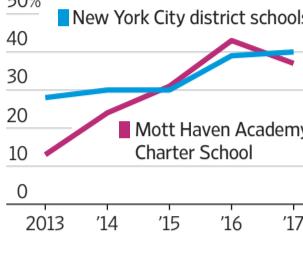
In a statement late Tuesday, Uber's board sent a note to employees announcing Mr. Khosrowshahi's appointment, emphasizing the board vote's was unanimous. The company plans to introduce him to employees at an all-hands meeting in San Francisco Wednesday morning, the note said.

GREATER NEW YORK

Trending Up

At Mott Haven Academy Charter School, the percentage of students passing state tests in spring has risen in most years since 2013.

English language arts, grades 3 to 5 combined



Math, grades 3 to 5 combined



Source: New York City Department of Education

THE WALL STREET JOURNAL.



Kindergarten teacher Eric Lara talked with a foster child, at Mott Haven Academy Charter School.

School Helps 'Margin' Pupils

Bronx charter academy is designed for children in foster care or at risk of entering it

BY LESLIE BRODY

At Mott Haven Academy Charter School in New York City, fifth-graders start the fall reading "Locomotion," the story of a boy in foster care.

Every kindergartner gets a teddy bear to keep in school for comfort. And from time to time, class parties celebrate a student's adoption.

The Bronx charter is believed to be the first in the U.S. designed for children in foster care or at risk of entering it, often due to parental addiction, abuse or neglect. It tries to support them with counseling and trains teachers to be especially sensitive to their needs.

"I feel an incredible responsibility," said its founding principal, Jessica Nauiokas, "to make sure Mott Haven Academy is an environment that does not let kids down the way some adults have in their past."

Housed in a renovated factory with a technicolor dove painted one side, the charter stands out in a low-income area dotted with public-housing projects.

On Wednesday, it will open with a new middle-school division, and will serve about 400 students in prekindergarten through sixth grade.

After a rough start in 2008, the academy has made academic progress: Although it teaches some of New York City's most vulnerable children, 59% of its students passed state tests in math last spring, beating the 42% rate for the same grades in the city's regular public

Special Program Improves Grades

A Mott Haven Academy Charter School's analysis shows that its students from foster homes fare much better academically than foster children in New York City district schools.

In fifth grade, for example,

58% of the charter's students in the child-welfare system passed the New York state math test in 2016, compared with 8% of New York Foundling's foster children who attended regular public schools.

New York Foundling is a non-

profit social-service agency

that opened Mott Haven Academy after seeing its foster

children flounder in traditional

public schools.

After years of climbing up

ward, Mott Haven Academy state test scores slipped slightly last spring, to 37% proficient in English and 59% in math.

Jessica Nauiokas, the principal, said faculty believed that dip to be isolated and have modified curricula and instruction to address it.

Bill Baccaglini, president of the New York Foundling, said that in many regular public schools, busy teachers often "teach to the middle" of the ability range.

"My kids, because of all the things that have happened to them, don't exist in the middle of the room, they exist on the margins," he said. "Where you have populations like this it's foolhardy to think the straight academic program focused on the 3 R's will get them from A to Z."

—Leslie Brody

schools. The charter's scores in English almost matched the city's 40% pass rate.

The school helped K'jha, now in fourth grade, face deep disappointments, said her adoptive mother, Sharon. At one point when K'jha was a toddler and still with her birth parents, they were homeless, sleeping on park benches and rooftops.

Sharon said K'jha's parents struggled with drugs and incarceration, and the 9-year-old treasures a card her father made for her in prison, a picture of Minnie Mouse with sparkles.

Sharon became her foster mother and then adopted her. "A year ago K'jha wanted to test me, she thought I was keeping her

away from her parents," Sharon said. "She tried to fight me, she said 'I'm outta here.' But she had counseling at school and outside and she's gotten so much better."

The charter is a "safe haven, the children know that," Sharon added. "They're loved here, they're wanted, they're special."

About a third of the school's students are in foster care and a third are in families that have been under the supervision of the city's Administration for Children's Services. Another third come from families in the neighborhood, where demand for seats is strong.

About 300 children were in a lottery for 15 spots open to kindergartners in the gen-

eral community for the coming school year.

Wyasia, a 14-year-old graduate who was adopted from foster care, said she was grateful to go to school with other students who understood what she had been through. "Any time we would get frustrated we would go to each other," she said.

Leaders at New York Foundling, a nonprofit social service agency, opened Mott Haven Academy after seeing its foster children flounder in traditional public schools.

Paid for by a \$27 million capital campaign, the school building also has some of the agency's medical and dental clinics, therapists and case workers.

Experts say only 3% of foster youth nationwide finish college. Getting shuffled from one home to another—sometimes several times a year—can interrupt their education.

At Mott Haven Academy, if children are moved to a new address in the city the school arranges emergency transportation so they can stay with the same teachers and friends.

The charter spends about \$20,000 per student each year. That includes \$16,500 per pupil of taxpayer dollars, with the rest coming from the New York Foundling and the charter's own fundraising, a spokeswoman said.

Some charter critics say they drain resources from regular public schools.

The school's start was rocky. After five years, state education officials approved only a short-term renewal of its contract, warning it must

Please see MOTT page A8B

about the price for those mistakes but none of us can live in the past and none of us are perfect, so we move forward," Mr. Monserrate, said Tuesday in a phone interview.

Mr. Monserrate, 50 years old, is running against state Assemblyman Francisco Moya in the Sept. 12 Democratic primary.

There is no public polling in the race. City Council races tend to have low turnout, making them hard to predict. Much of the political establishment is backing Mr. Moya. Yet, Mr. Monserrate has high name recognition, and Mr. Moya's supporters say they aren't taking anything for granted.

I think this may be the highest-stake council race in the city, both because of what a strong council member Moya will make and because of the horror so many of us have at the prospect of Monserrate returning to the chamber," said Mark Levine, a Democrat representing northern Manhattan.

Mr. Monserrate in 2012 pleaded guilty to misdirecting about \$100,000 in city money toward his 2006 state Senate campaign.

In 2009, he was convicted of misdemeanor assault for a 2008 incident in which he slashed his girlfriend in the face with a piece of glass. Mr. Monserrate initially was charged with a felony, but the charges were reduced when the woman changed her account to say it was an accident.

Asked about the 2008 assault, Mr. Monserrate said he had been "exonerated...of any act of any intentional malice."

Councilwoman Helen Rosen-

Condo Defends Confederate Images in Lobby

BY ZOLAN KANNO-YOUNGS

New York City launched an investigation Tuesday into allegations of tenant harassment at a Queens building that has Nazi names and Confederate imagery in its lobby.

The Commission on Human Rights is looking at whether the display violated tenants' civil rights or was intended to harass them by creating a hostile environment.

The images at the 48-unit condominium building on 39th Place in the Sunnyside neighborhood include a cartoon depiction of an African-American next to the words "The Original Jim Crow." There are images of Confederate generals, and also of the U.S. flag and Uncle Sam. The names of Nazis Rudolf Hess and Josef Mengele, along with those of celebrities, are in the directory posted at the entrance of the building.

"That is a sick and twisted and demented act," City Council Majority Leader Jimmy Van Bramer said in an interview near the building. "They are a very real and present-day attempt to intimidate the people in that building."

Jacob Laufer, an attorney for the condominium board, said the investigation would find no harassment.

The images, Mr. Laufer said, were approved by the condominium board "to reflect American history," noting they include depictions and quotes from Abraham Lincoln and Dr. Martin Luther King Jr.

He said taken out of context, the images of Adolf Hitler and other figures "can be jarring," but they celebrate "America's historic victory in World War II."

Two Uncle Sam statues flank the entrance of the building, as well as several American flags. The condominium directory has a random collection of names of people who aren't tenants, including rappers Biggie Smalls and LL Cool J, among the Nazis.

Mr. Laufer said that an individual who previously made false allegations against the board "likely placed insulting fake names" on the directory.



Some residents are upset by images in the Queens building's lobby.

the line."

If the investigation finds there has been harassment, the city can seek up to \$250,000 in civil penalties, according Hollis Pfitsch, the deputy commissioner of the law enforcement bureau at the Commission on Human Rights.

"There will be consequences from the city when we identify violators," Ms. Pfitsch said.

One tenant of the building, who declined to be named, said the number of signs has increased in recent months and that has become "problematic" for her and her husband.

"We have had conversations in recent months of, 'Can we do this anymore?'" she said.

Evan Sweet, a 24-year-old urban planner who lives nearby, said he was disgusted by what he saw.

"The person who put this up has an argument that this a whole framing of the political history," Mr. Sweet said. "But I think clearly the way it's set up is to frighten or intimidate or express one view of one American history."



BY MARIA GAY

Hiram Monserrate, a former New York state senator who spent nearly two years in prison for stealing thousands in taxpayer money and who assaulted his girlfriend, wants to retake the Queens council seat he once held.

"I paid the price for those mistakes but none of us can live in the past and none of us are perfect, so we move forward," Mr. Monserrate, said Tuesday in a phone interview.

Mr. Monserrate, 50 years old, is running against state Assemblyman Francisco Moya in the Sept. 12 Democratic primary.

There is no public polling in the race. City Council races tend to have low turnout, making them hard to predict. Much of the political establishment is backing Mr. Moya. Yet, Mr. Monserrate has high name recognition, and Mr. Moya's supporters say they aren't taking anything for granted.

I think this may be the highest-stake council race in the city, both because of what a strong council member Moya will make and because of the horror so many of us have at the prospect of Monserrate returning to the chamber," said Mark Levine, a Democrat representing northern Manhattan.

Mr. Monserrate in 2012 pleaded guilty to misdirecting about \$100,000 in city money toward his 2006 state Senate campaign.

In 2009, he was convicted of misdemeanor assault for a 2008 incident in which he slashed his girlfriend in the face with a piece of glass. Mr. Monserrate initially was charged with a felony, but the charges were reduced when the woman changed her account to say it was an accident.

Asked about the 2008 assault, Mr. Monserrate said he had been "exonerated...of any act of any intentional malice."

Councilwoman Helen Rosen-

thal, co-chair of the Women's Caucus, said she would find it difficult to serve with him.

Mr. Levine and several other council members have worked hard this summer to help Mr. Monserrate's opponent. The seat currently is held by Councilwoman Julissa Ferreira-Copeland, a Democrat.

Democratic Mayor Bill de Blasio has endorsed Mr. Moya. Mr. Moya also has the backing of the Queens County Democratic Party. "It's a clear-cut decision," Mr. Moya said in an interview. "You have an individual who is a convicted criminal with a violent past, versus someone who has served honorably."

Mr. Monserrate, a former U.S. Marine and ex-police officer, is still a household name in the district, which he represented from 2002 to 2008.

Mr. Monserrate has been endorsed by the Black Leadership Action Coalition, the political arm of the Black Institute, a liberal, New York City-based advocacy group.

On Tuesday, the Institute filed a petition in State Supreme court asking the city's Board of Elections to reinstate voting sites that they said were removed this summer from LeFrak City, a large apartment complex in Queens where Mr. Monserrate is believed to have substantial support.

Bertha Lewis, founder and president of the Black Institute, believes Queens Democratic leaders pushed for the change to hurt Mr. Monserrate and break up a large voting bloc of African-Americans.

"We know that this is trying to hobble Hiram, but this is bigger than Hiram," Ms. Lewis said.

U.S. Rep. Joseph Crowley, chairman of the Queens Democratic Party, said that was untrue and that the sites had to be moved to be in compliance with the Americans with Disabilities Act. A spokeswoman for the Board of Elections didn't immediately respond to comment.

GREATER NEW YORK

Virtual Reality Centers Take Flight

You can walk the plank or fly over an iceberg at a VR center in New York City

BY ANNE KADET

The other day I made a terrible mess in my cubicle, flew over an iceberg, and sliced through floating watermelons with my samurai sword.

No, I wasn't high. I was visiting VR World NYC, a virtual reality entertainment center that opened this summer in Midtown Manhattan. With a \$39 all-day pass, guests can sample a buffet of VR experiences ranging from rock climbing to a rainforest visit.

The multistory center, located in a former Bolton's store on 34th Street near the Empire State Building, offers a series of bays where guests donning earphones, a headset and hand controllers can battle ogres and space aliens in sessions lasting four to 15 minutes.

The place is definitely in beta mode. The afternoon I visited, two of the 40-odd attractions were on the fritz, and 12 had been rotated out make way for new content. Marketing Director Jessica Gray said the center's tech team sometimes has trouble keeping up with the bugs. But customers understand the technology is new and tend to be forgiving.



Drivers in actual car seats fitted with steering wheels and break pedals competed in a race-car game at VR World NYC in Manhattan.

Sandy Friedman, a Midtown East resident on hand with three grandchildren, said the kids were having a blast. "They tried shooting each other, they tried the car racing, they tried walking the plank, which scared them," she said. "They loved it though."

VR World says 85% of its patrons are between the ages of 24

and 51, and there's some oddly adult games. My favorite was an attraction called "Job Simulator" where you could choose to work as a retail clerk, auto mechanic or fast-food service drone. I chose "office worker."

The game puts you in a '90s-style cubicle where you're supposed to complete office tasks issued by your robot

overlords. Instead, just for fun, I went berserk, throwing coffee mugs across the office and scattering books across the floor. Then I opened the box of doughnuts and put a cruller in the copy machine. To my surprise and delight, it produced another doughnut.

An attendant issued a mock scolding. "You're making a

mess!" he said. "You're in big trouble with the boss!"

I was more impressed with the center's friendly, funny human guides than the technology. When I froze while walking the plank over a virtual city 48 stories up, for example, a guide offered her hand and walked me back.

Most of the guides have a

background in occupations such as theater or social work and are trained in both technology and the art of helping nervous newcomers, Ms. Gray explains.

Indeed, VR World aims to be more than a futuristic version of a gaming arcade such as Dave & Buster's. It's planning lectures and panels for the VR community, art installations and a VR history exhibit.

It's not a first in New York City. Several pop-up VR installations have appeared around town in recent years. But there is a good business case for a permanent installation like VR World, says futurist Amy Webb, who teaches strategic foresight at the New York University's Stern School of Business.

Video arcades boomed in the 1980s because few had the resources to enjoy a decent Pac-Man experience in their living room. We're at that point now with virtual reality, Ms. Webb says. "People are curious about VR and don't have the technology at home."

If the VR World concept bears out, its founders plan to launch as many as 30 locations nationally during the next few years. For now, they're winging it and experimenting.

Ms. Friedman probably has the right idea. When I asked her what VR World might look like in the future, she said: "Crowded!"

anne.kadet@wsj.com

GREATER NEW YORK WATCH

NEW YORK CITY

Man Tried to Join Militants: Officials

A New York City man faced terrorism charges Tuesday accusing him of trying to support Islamic State group by traveling to the Middle East to fight with militants.

A country bordering Syria detained Parvez Ahmed before he could carry out plans to enter territory controlled by Islamic

Statelamic State, according to a criminal complaint that didn't name the country.

The 22-year-old Queens resident was returned on Monday night to New York, where he was expected to appear later Tuesday in federal court in Brooklyn. There was no immediate information on a lawyer who could comment on his behalf.

"As alleged, Ahmed sought to take up arms with violent terrorists who have killed numerous innocent victims, including Amer-

icans," Acting U.S. Attorney Bridget Rohde said.

According to the complaint, Mr. Ahmed first began posting pro-Islamic State messages on social media in 2014 and 2015. One read, "The side of Good is Islam & the Caliphate. If you're not with the Muslims, you're ignorantly, irrelevantly, & arrogantly on the side of Evil," the complaint said.

If convicted, he faces a maximum 20 years in prison.

—Associated Press

NEW JERSEY

Governor Criticizes Testimony as False

New Jersey Gov. Chris Christie says a former NJ Transit compliance officer gave "false and retaliatory testimony" to the Legislature last week.

Todd Barretta told a joint Assembly and Senate oversight committee Friday he believed there were multiple safety issues with the transportation

agency—so much so that he wouldn't let his child ride it.

The Republican governor slammed the testimony as an attempt to manufacture a scandal.

Mr. Barretta was hired as chief compliance officer in April and was fired in August. NJ Transit said he "brazenly" violated its vehicle policy.

Mr. Barretta didn't respond Tuesday to a request for comment.

—Associated Press

Two Are Arrested On Drug Charges

BY CORINNE RAMEY

A New York man and New Jersey woman were arrested Tuesday on accusations they distributed designer drugs manufactured in a luxury high rise in Queens' Long Island City neighborhood.

Federal prosecutors said the pair sold drugs, including a synthetic opioid, online and shipped them through the mail, a business model law-enforcement officials say has become increasingly widespread and has helped fuel the opioid crisis.

Federal prosecutors charged Brian Parker, 34 years old, of Long Island City, and Victoria Koleski, 29, of Farmingdale, N.J., with conspiring to distribute controlled-substance analogues and other crimes.

Lawyers for Mr. Parker and Ms. Koleski didn't return requests for comment.

Agents from the Drug Enforcement Administration and New York State Police raided the building Tuesday, officials said. Video shows law-enforcement officials in hazmat suits carrying boxes out of the building.

The drugs distributed by the pair were linked to the May 2016 overdose death of a 37-year-old Wisconsin man, prosecutors said. They said the man had ordered drugs including a synthetic opioid several times more powerful than morphine from a website operated by Mr. Parker.

Mr. Parker sold designer drugs through two websites and used co-conspirators in New Jersey and other places as part of his distribution network, according to a complaint. The co-conspirators received raw materials in the mail from China, which they repackaged and sent to Mr. Parker. Mr. Parker then turned the raw materials into the drugs he sold online, prosecutors said.

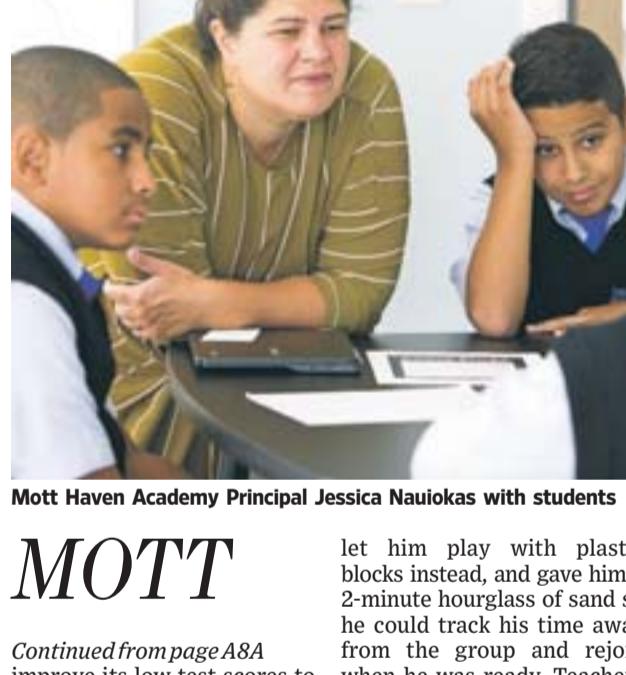
He then sent the drugs to the co-conspirators, who shipped them to customers, the complaint said. Prosecutors said that from June 30 through July 5, Ms. Koleski shipped 218 packages from a Farmingdale, N.J., post office.

The complaint said Mr. Parker used social-media websites, including Reddit, to discuss his business.

Reddit didn't respond to a request for comment. The website's rules say drug solicitation or linking to vendors results in immediate banning.

Each charge carries a maximum of 20 years in prison and a \$1 million fine, prosecutors said.

We Deliver. Meals. Nutrition. Dignity. Hope. Love.



CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

MOTT

Continued from page A8A
improve its low test scores to remain open. The staff overhauled the curriculum, cracked down on absenteeism and intensified tutoring, said the principal, Ms. Nauikas.

Students have a longer school day than district schools and usually two certified teachers are assigned to each class of about 26.

Four "behavior specialists" are on hand to soothe students who act out so they can return to class quickly. Each classroom has a "take-a-break" spot for children who need space to calm down. Point systems allow students to earn rewards for good behavior.

"We try to make it so discipline issues don't derail the academic work," Ms. Nauikas said.

Some students present real challenges.

At kindergarten orientation this week, a boy in foster care sat quietly with his hands on his lap, listening to a story, but his good manners hid a temper. In an incident last spring, he was caught on video in a restaurant, hitting his foster mother, cursing and throwing gang signs.

In another kindergarten room on Monday, a foster child named Elias balked at joining his new classmates in a painting project. His teachers

let him play with plastic blocks instead, and gave him a 2-minute hourglass of sand so he could track his time away from the group and rejoin when he was ready. Teachers said such techniques aim to give a sense of control to the students who often lead lives full of uncertainty.

By the charter school's analysis, its foster children fare much better than those in district schools. In fifth grade, for example, 58% of the charter's students in the child-welfare system passed the state math test in 2016, compared with 8% of New York Foundling's foster children who attended regular public schools.

After years of climbing upward, the charter's state test scores slipped slightly last spring, to 37% proficient in English and 59% in math. The

principal said faculty believed that dip to be isolated and have modified curricula and instruction to address it.

Bill Baccaglini, president of the New York Foundling, said that in many regular public schools, busy teachers often "teach to the middle" of the ability range.

"My kids, because of all the things that have happened to them, don't exist in the middle of the room, they exist on the margins," he said. "Where you have populations like this it's foolhardy to think the straight academic program focused on the 3 R's will get them from A to Z."



God's Love We Deliver is the New York City metropolitan area's leading provider of nutritious, individually tailored meals to people who are too sick to shop or cook for themselves. All meals are provided free of charge, without regard to income, and we have never had a waiting list. To donate or volunteer your time, visit us at godslovewedeliver.org.

If you are in the NYC metropolitan area and would like to become a client, please email clientservices@gld.org or call 212.294.8102.

#FoodIsMedicine



[godslovewedeliver](#)



[godslovenyc](#)



[godslovenyc](#)

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

When Is it OK to Play Hooky?

An educational vacation might give students something school can't, but teachers don't always support such trips

AS SCHOOLS REOPEN, some parents are yielding to a timeless temptation: Playing hooky.

Five-year-old Erica Reed and her siblings Alex, 9, and Katelyn, 12, missed school in Denver on Aug. 21. Their father Scott took them on a camping trip to Halsey, Neb., to see the solar eclipse in totality. Katelyn had told her teachers she'd be absent and Mr. Reed let Erica's and Alex's teachers know, too. But he didn't ask permission.

Mr. Reed has loved astronomy since seeing Neil Armstrong walk on the Moon on his sixth birthday, he says, adding, "I want my own kids to have a similar kind of wonderment and hope" about future discoveries.

Parents often dream of traveling with their children to teach them about science, geography and culture. Many teachers support them, as the Reed children's teachers did. Other teachers bristle at the extra work such absences impose on them. Resistance from school officials is also mounting amid closer tracking of student absences.

Kim Milnes took her sons, Colin, 11, and Cooper, 8, out of school for five days in May to visit a Bigfork, Mont., dude ranch, Flathead Lake Lodge. She was happy to see the boys set aside their phones and iPads to ride horses and build makeshift forts, says Ms. Milnes, owner of Family Travel Boutique in Cherry Hill, N.J. "They're going to have really special memories."

Ms. Milnes notified her sons' school and teachers a week in advance and had them complete homework while away. Still, she received a letter from the school after the trip, saying Colin, who had missed some additional days because of illness, needed to improve his attendance.

A 2015 federal law, the Every Student Succeeds Act, requires states to report chronic absenteeism—usually defined as being absent for any reason on 10% of school days or more, typically about 18 days a year. This marks a departure from the past practice of tracking only truancy, or unexcused absences. Some states are also using chronic absenteeism as a yardstick for measuring school quality.

British parents can be fined and prosecuted for taking their children out of school for holiday travel without advance permission from their school's head teacher.

The focus on absences is rooted in research showing that students who are absent often, for any reason—excused or unexcused—perform more poorly in school.

Teacher Amanda Grundel says she feels frustrated when parents take students out of school for family trips. If she sends homework, she finds it's often returned incom-



MICHAEL WITTE



Neal and Ginny Kistler had their children miss four days of school for a 2016 family trip to India, left. Nancy and Eric Bostrom took their daughter Kate out of school to watch the recent eclipse, right.



Many parents try to book travel far ahead to take advantage of early discounts that are offered over a year in advance. But waiting for schools' annual calendars can make that difficult, says Angela Pierson, co-owner of an Amelia Island, Fla., travel agency.

Some schools issue calendars as far as three years in advance to ease planning, says Gail Pletnick, a Surprise, Ariz., superintendent and president of AASA, a national

superintendents' association.

Parents should check on schools' absence policies before planning travel and notify officials and teachers as early as possible. Some officials are strict in penalizing absences, but others consider them case-by-case, says Daniel Kelley, president of the National Association of Secondary School Principals. Mr. Kelley, principal at a public high school in Smithfield, R.I., says he weighs requests based on the student's attendance record, the purpose of the trip and the kinds of classes involved.

Dr. Pletnick suggests asking whether students could do activi-

ties while traveling that would meet specific learning goals a teacher has set.

When Kate Bostrom's school had to cancel plans for students to view the Aug. 21 eclipse because of problems with viewing glasses, her mother Nancy took her daughter out of class and met her husband Eric near her Holly Springs, N.C. office so the family could watch the eclipse together. "It was a once-in-a-lifetime opportunity," says Kate, who is 10.

Valiena and Dan Allison of Troy, Mich., give their children Garrick, 18, and Sky, 16, a say in planning their family trips to Europe, the Galapagos and elsewhere, as well as responsibility for planning homework with teachers at their private school. When Garrick asked to postpone a planned trip to Antarctica three years ago because he didn't want to miss five days of eighth grade, his parents complied.

Garrick agreed to miss five days of school for the Antarctica trip last year as a junior, however. Managing the homework was a challenge, but it helped him gain time-management skills. And the trips are worth the effort, he says, sparking his interest in international relations. "You can't really put a price on altering your world view," Garrick says. "That's what travel has done for me."

plete or incorrect, because the absent student didn't hear her explanation in class. Ms. Grundel, English department chair at Ponaganset High School, a public school in North Scituate, R.I., says some students suffer anxiety as they struggle to catch up.

Some parents switch to private schools, partly to gain flexibility, but meet resistance there, too. At Aspen Country Day School in Aspen, Colo., the school's parent handbook "plays the guilt card—reminding parents what they're missing," including group projects, class discussions and labs, says Carolyn Hines, a school spokesperson.

Parents under age 37 plan to increase travel spending by 19% in the 12 months ending in January 2018, compared with no increase for all U.S. travelers, according to a survey of 2,900 people by MMGY Global, a Kansas City, Mo., travel-marketing agency.

Confining family travel to school breaks sharply increases the cost as popular peak-season destinations jack up their prices. Neal and Ginny Kistler of Laguna Niguel, Calif., try to confine trips overseas with their children Conrad, 13, and Sophia, 11, to school breaks, but they often pay about 20% to 40% more, Mr. Kistler says.

Parents should check on schools'

absence policies before planning travel and notify officials and

teachers as early as possible.

Some officials are strict in penalizing absences, but others consider them case-by-case, says Daniel Kelley,

president of the National Association of Secondary School Principals. Mr. Kelley, principal at a public high school in Smithfield, R.I.,

says he weighs requests based on the student's attendance record, the purpose of the trip and the kinds of classes involved.

Dr. Pletnick suggests asking

whether students could do activi-

PHOTO ILLUSTRATION BY THE WALL STREET JOURNAL; PHOTOS: GASOLINE GLAMOUR; KATE SPADE NEW YORK (3); CHASER BRAND; THREEPOTATOFOURCO; CUFFLINKS, INC; LETTERCLOTHINGCO; WILDFOX; UNCOMMONGOODS; ISTOCK (2)

FASHION

HOW TACOS BECAME A FASHION TREND

BY ANNE MARIE CHAKER

DON'T LOOK, but there's a taco on your T-shirt.

Tacos have gone from one of America's most popular restaurant foods to a serious fashion statement. A \$59 tank top from Los Angeles-based clothing brand Chaser reads "tacos are my life." New York-based Nylon Media's online store sells taco-themed jewelry and sunglasses while Kate Spade offers a \$358 purse in the shape of a taco truck. Online retailer Etsy says taco searches were up more than 65% in the first half of this year.

Kevin Palarz, a 36-year-old structural engineer in Barrington, Ill., has a thing for tacos. He and his friend Mark Lanctot track their taco consumption—including restaurants and ratings—on a shared spreadsheet. Mr. Palarz, who has consumed, 881 tacos since Janu-

ary, owns several taco-themed T-shirts and socks. "When I wear my taco T-shirt, people on the street talk to me," he says. "It's a social thing."

The public taco obsession has been stoked in recent years by teens and 20-somethings, experts say, who are exposed to celebrity-magazine images of a chilled-out, West Coast lifestyle. "There is something fundamentally California about tacos," says Megan Baca, vice president of design for Chaser, whose beachy T-shirts and dresses are sold in department stores such as Bloomingdale's and Nordstrom. Celebrities such as singer Katy Perry and model Chrissy Teigen have recently been photographed waiting in line for tacos or eating them. Tacos got a major break in 2015: After much lobbying by Taco Bell and others, the nonprofit Unicode Consortium, which regulates coding standards for written computer text, approved the taco as an emoji. Graphics of tacos began trickling in after

Please see TACOS page A11



A taco pennant from Etsy, a \$184 pair of Gasoline Glamour glasses, and a \$98 Kate Spade scarf.

LIFE & ARTS

MY RIDE | By A.J. Baime

The Most Coveted Classic Corvette



Vinnie Pacifico of Massapequa, N.Y., 62, owner of wholesale meat and trucking businesses in New York City, on his 1963 Corvette Sting Ray, as told to A.J. Baime.

When I was 9, I had a neighbor who owned a red 1963 Corvette Sting Ray. I would watch him wash that car. I would watch him drive it down the block. Once he gave me a ride and I was hooked.

In the 1980s, I was visiting my partner's friend's place in Colorado, and he had a 1963 Corvette Sting Ray rusting in his barn. Mice were living in it. I said, "What are you, crazy? Why don't you fix this up?" Two years later, the owner decided to sell. He was asking \$12,000—a lot of money for a beat-up car back then. I said, "Sold." I put it on a flatbed and had it delivered. It took me 12 years to restore the car. I had it painted red, just like the 1963 Corvette I remembered as a kid.

I am in the meat business, but I have also spent years in the art world. I owned a Manhattan art gallery, and I currently have a large collection of graffiti. To me, the 1963 Corvette Sting Ray is a real example of the American art form. [Chevrolet still makes Stingrays today, but now spells them with one word.]

The 1963 model was special for many reasons. It was the first year of the second-generation Corvette, the one that really made this vehicle

America's sports car. It was also the only year of the so-called "split window." A metal bone runs down the back, splitting the rear window into two sections. It truly looks like the spine of a sting ray, and because the 1963 model is the only year of the split window, it is considered today perhaps the most desirable production Corvette ever.

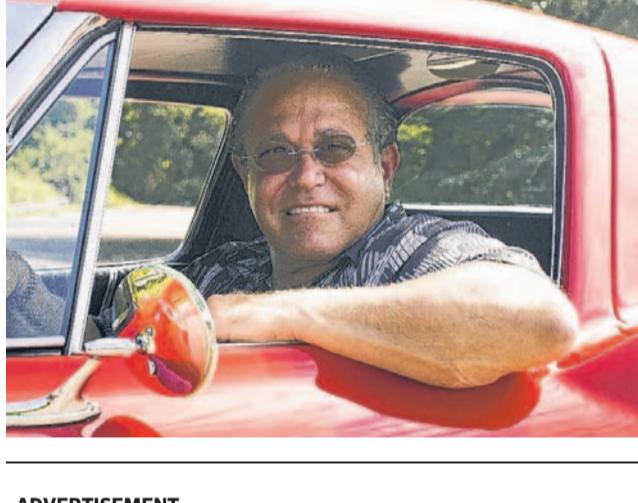
The car is also a blast to drive. I put disc brakes on it and I upgraded the engine for more power, but other than that, it is pretty original. It's just a feel-good piece of machinery.

When I am not driving it, I park it in my driveway, grab a chair and an iced tea, and just look at it. Some art you can hang on your walls, and some you park in your driveway. All Corvettes from the 1960s are beautiful, but the 1963 Sting Ray is the Picasso.

Contact A.J. Baime at Facebook.com/ajbaime.

ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

Vinnie Pacifico sits in his 1963 Chevrolet Corvette Sting Ray near his home in Massapequa, N.Y. Its rare split window, bottom right, is part of what makes it the most desired Corvette for many fans of the car.



ADVERTISEMENT

Showroom

To advertise: 800-366-3975 or WSJ.com/classifieds

PORSCHE



Our priority is *you*.

> PORSCHE

16 911 Carrera 4S Cabriolet PDK	Black/Espresso	20K mi CPO	\$114,900
16 Cayman GT4 Coupe Manual, PCCBs	White/Black	16 mi	\$129,900
16 Cayenne S E-Hybrid	Moonlight Blue/Black & Cream	8K mi	\$75,900
15 Macan Turbo	White/Black	6K mi CPO	\$68,900
14 911 Carrera 4S Cabriolet PDK	Basalt Black/Black & Beige	14K mi CPO	\$94,900
14 Panamera 4S	Black/Black	19K mi CPO	\$67,900
14 Panamera 4	Agate Grey/Black	20K mi CPO	\$59,900
12 911 Carrera S Cabriolet PDK	White/Luxor Beige	31K mi CPO	\$73,900
11 911 Carrera S Coupe Manual	Dark Blue/Beige	21K mi CPO	\$69,900
08 Cayman S Coupe Manual	Atlas Grey/Black	10K mi	\$38,900
03 911 Turbo Coupe Manual, 1 Owner	Seal Grey/Nat. Leather	12K mi	\$79,900
03 911 Turbo Coupe Manual	White/Natural Brown	5K mi	\$79,900
03 911 Carrera Cabriolet Manual	Seal Grey/Grey	45K mi	\$32,900

> MERCEDES-BENZ

15 ML 63 AMG	Diamond White/Porcelain	12K mi CPO	\$72,900
14 SL 550 Convertible	Black/Black	28K mi CPO	\$65,900
89 560 SL – 2 Owner!	Arctic White/Grey	24K mi	\$59,900

> BMW

18 M760Li xDrive	Black Sapphire/Black	126 mi	\$166,900
17 M2 Perf. Ed. – 6-Speed, 1 of 150	Alpine White/Black	90 mi	\$62,900
16 535d xDrive	Mineral White/Black	4K mi CPO	\$58,900
88 M6 Coupe	Schwarz Black/Grey Leather	37K mi	\$89,900

> SPECIAL INTEREST

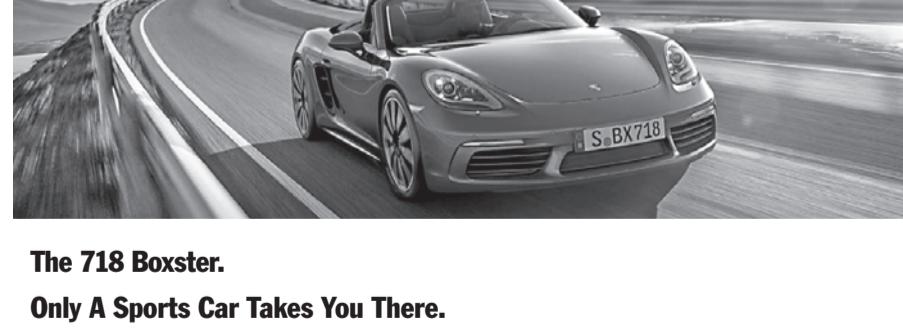
89 Ferrari Testarossa	Rosso Corsa/Crema	2K mi	\$199,900
84 Ferrari 512 BBi	Rosso Corsa/Beige	24K mi	\$349,900

877-362-9770 | Springfield, IL
sales@isringhausen.com | isringhausen.com



Nationwide Delivery

©2017 Porsche Cars North America, Inc. Porsche recommends seat belt usage and observance of traffic laws at all times.

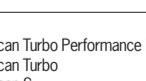


The 718 Boxster.

Only A Sports Car Takes You There.



877-362-9770 | Springfield, IL
isringhausen.porschedealer.com



Featured Porsche Inventory:

911 Turbo S Cabriolet	Jet Black/Black & Red	\$209,490	Macan Turbo Performance Pkg.	Jet Black/Black & Red	\$99,365
911 GTS Coupe PDK	Agate Grey/Black	\$139,870	Macan Turbo	Jet Black/Agate Grey	\$87,780
911 GTS Cabriolet PDK	Agate Grey/Black	\$152,230	Macan S	Agate Grey/Black	\$65,170
911 Carrera S Cpe Endurance Racing Edt. PDK	Black/Black	\$152,365	Panamera 4	Carmine Red/Black	\$108,590
911 Carrera S Coupe Manual	Mexico Blue/Black	\$128,710	718 Boxster S PDK	Agate Grey/Black & Red	\$88,620
911 Carrera 4 GTS Coupe PDK	Black/Black	\$143,870	718 Boxster S PDK	Black/Black	\$86,435
911 Carrera 4S Cab. PDK	Agate Grey/Black & Red	\$146,955	718 Boxster S Manual	Guards Red/Luxor	\$81,645
911 Carrera Coupe PDK	GT Silver/Black	\$109,210	718 Cayman S PDK	Agate Grey/Black	\$89,030
Panamera 4S Hatchback	Jet Black/Black	\$118,655	718 Cayman Manual	GT Silver/Black	\$70,330
Cayenne GTS	Moonlight Blue/Black & Cream	\$110,960	Cayman PDK	Black/Black	\$64,765

All prices exclude Tax; Title; Registration and Licensing; Delivery and Handling Fees; Dealer Charges. Dealer is not responsible for pricing errors.

FERRARI

OFFICIAL PRE-OWNED
Ferrari
BY MANCUSO
THE FERRARI SPECIALISTS

One of the finest selections of concours-quality, high option, low mileage, Ferrari-certified vehicles available.

COLLECTIBLES

14 FIA 458 GT3	\$475K
11 GTO Blk/Blk 2k	\$719K
08 Scuderia Gry 7k	\$237K
05 SuperAmerican Red/Bge	\$398K
04 575M Sil/Blu	\$139K
99 355 Spider Fiorano Blk/Bge	\$139K
83 BB512i Red/Blk 1 owner	\$328K
73 Daytona 365 GTB4	DUE
72 Dino 246 GTS	DUE
72 365 GTC/4	DUE
71 330 GTC	DUE

MODERN 12 CYLINDER

17 F1 458 100 mi	SOLD
17 GTC Lusso DEMO	CALL
17 F12 Red/Tan DEMO	CALL
17 F12 Blk/Blk 6k	\$289K
15 F12 Blk/Gry 4k	\$289K
15 FF Sil/Blk 6k	\$199K
15 FF Blu/Bge 3k	\$199K
14 F12 Rosso Scuderia	\$244K
14 F1 Blk/Bge 8k	SOLD
11 GTO Blk/Blk 2k	\$719K
04 757M Sil/Blu	\$139K

488 MID ENGINE

17 Spider Red/Blk 1k	CALL
17 Spider Blk/Bge 1k	500 mi.
17 Coupe Red/Tan	1k mi.
17 Coupe Gry/Tan	3k mi.

458 MID ENGINE

15 Coupe Red/Tan 1k	SOLD
15 Coupe Red/Blk/Ble	\$244K
14 F1 GT3 Rare	\$475K
14 Gry/Bge 1k Hi Options	\$159K
14 Coupe Blk/Ble 4k	\$224K
13 Spider Nero/Coupe 11k	\$219K
13 Spider Blk/Bge 2k	SOLD
13 Spider Red/Blk 1k	SOLD
12 Coupe Gry/Blk 8k	SOLD

SPORTS

MLB

The AL Puts the 'Wild' in 'Wild Card'

A guide to the closest playoff race ever, where nearly three-quarters of the American League have a shot at the postseason

BY JARED DIAMOND

WHEN Major League Baseball added a second wild card in 2012, the league wanted to give more fans an opportunity to see playoff-caliber action down the stretch.

Mission accomplished—sort of.

With a little more than a month left in the season, six American League teams entered Tuesday within three games of the Minnesota Twins for the final playoff berth. By that measure, that makes 2017 the closest race in history, with nearly three-quarters of the league holding on to realistic October aspirations in the final days of August.

But "exciting" doesn't equal "quality." All of these teams have massive flaws preventing them from taking charge.

Besides the New York Yankees, the AL wild-card leader with a three-game cushion over the Twins, the other contenders hover around—or even below—the .500 mark. Excluding the strike-shortened campaign of 1995, no team in either league has claimed a wild-card spot with fewer than 86 victories, achieved by the 2015 Houston Astros. At this pace, the Twins would win 83.

"It's remarkable," said catcher Mike Zunino, whose Seattle Mariners remain in the hunt heading into Tuesday despite a 66-66 record. "It's giving teams hope. You're one stretch away from separating yourself."

Whether you call it "parity" or "mediocrity," the rules dictate that somebody must emerge from this slop. So with that, we present a guide to a September that will put the "wild" in wild card:

NEW YORK YANKEES (70-60)

Computer odds of making playoffs: 94.3% (Baseball Prospectus), 86.1% (FanGraphs), 84% (FiveThirtyEight)

Run differential: +131

Remaining opponents winning percentage: .507

Even with Aaron Judge mired in a monster second-half slump, the Yankees appear safe. In fact, they still have their sights on the division crown, entering Tuesday 3 1/2 games behind the first-place Boston Red Sox, who are set to visit the Bronx this weekend.

Whether they catch the Red Sox or not, it behooves the Yankees to stay in the first wild-card spot. That would allow them host the wild card game at Yankee Stadium, where they have the second-best home record in the AL.

MINNESOTA TWINS (67-63)

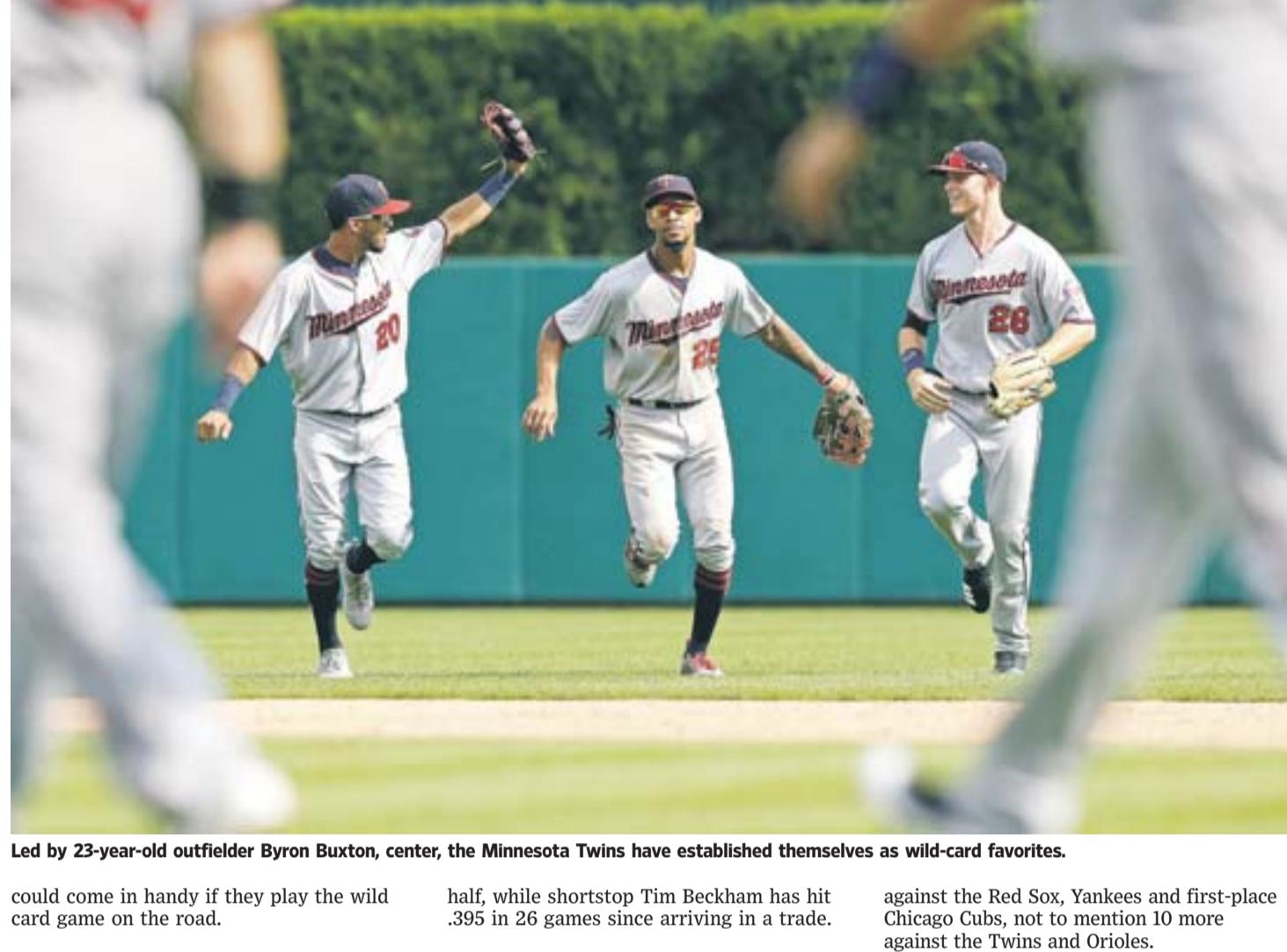
Odds: 39.8% (BP), 31.4% (FG), 37% (538)

Run differential: -28

Opp. W%: .477

A month ago, with their record at 50-53, the upstart Twins declared themselves sellers, dealing starter Jaime Garcia and All-Star closer Brandon Kintzler on consecutive days before the trade deadline. Then a funny thing happened: Led by 23-year-old outfielder Byron Buxton, Minnesota won 17 of its first 27 games in August, suddenly establishing itself as wild-card favorites.

With only six games remaining against opponents with a .500 record, the Twin have the easiest schedule of all the contenders. They boast a 36-28 record away from Target Field versus 31-35 at home, which



Led by 23-year-old outfielder Byron Buxton, center, the Minnesota Twins have established themselves as wild-card favorites.

could come in handy if they play the wild card game on the road.

half, while shortstop Tim Beckham has hit .395 in 26 games since arriving in a trade.

LOS ANGELES ANGELS (67-65, 1 game behind)

Odds: 17.4% (BP), 24.8% (FG), 27% (538)

Run differential: 0

Opp. W%: .504

The Angels looked all but dead after a 9-13 July, before a 16-10 showing in August thus far brought them back to life. For casual fans in search of a rooting interest, look no further: The Angels have Mike Trout, baseball's best player, who has appeared in just three playoff games in seven seasons in Anaheim. The better the Angels play, the more everyone can witness Trout's greatness.

If Trout leads the Angels to the playoffs, he could win his third AL MVP award -- even though he missed six weeks a thumb injury.

BALTIMORE ORIOLES (66-65, 1.5 GB)

Odds: 10.2% (BP), 11.4% (FG), 10% (538)

Run differential: -22

Opp. W%: .511

The Orioles vaulted themselves back into the race by sweeping the Red Sox in Boston last weekend, proving that one strong stretch could make all the difference. They have survived this long with one of the worst pitching rotations in baseball, ranking 29th in starter ERA. Instead, Baltimore will rely on its bats: Star third baseman Manny Machado entered Tuesday with a .939 on-base-plus-slugging percentage in the second

SEATTLE MARINERS (66-66, 2 GB)

Odds: 10.2% (BP), 11.4% (FG), 10% (538)

Run differential: -24

Opp. W%: .517

In an alternate timeline, one where fairness reigns, perhaps the Mariners cruise to the playoffs. In this timeline, they must fight to stay afloat because of a seemingly unending string of injuries to key players. They will head into September with 80% of their projected opening-day rotation on the disabled list. Seattle also has the toughest remaining schedule of the teams in the race.

Despite all of that, the Mariners have an opportunity to reach the playoffs for the first time since 2001, the longest drought in the majors. If they do play in the do-or-die wild card game, look out: They have James Paxton, the most dominant pitcher of any wild-card contender when healthy. Nobody wants to face him.

TAMPA BAY RAYS (66-67, 2.5 GB)

Odds: 15.4% (BP), 16.9% (FG), 8% (538)

Run differential: +1

Opp. W%: .516

The Rays woke up on July 19 with a record of 51-44, good enough for second place in the AL East, ahead of the Yankees. Since they have gone 15-23, hurting their chances of reaching the playoffs for the first time since 2013. Even worse, they have 14 games left

against the Red Sox, Yankees and first-place Chicago Cubs, not to mention 10 more against the Twins and Orioles.

KANSAS CITY ROYALS (64-66, 3 GB)

Odds: 6.2% (BP), 12.5% (FG), 7% (538)

Run differential: -58

Opp. W%: .486

The Royals certainly have experience on their side, having won consecutive pennants and a World Series championship with this core in 2015. But they have played terribly of late. After Monday's 12-0 loss to Tampa Bay, the Royals had been outscored, 32-0, in their last four games, failing score a run in their last 43 innings.

First baseman Eric Hosmer, third baseman Mike Moustakas, outfielder Lorenzo Cain and shortstop Alcides Escobar will all hit free agency this winter, potentially marking the end of an era in Kansas City. Does this group have magic left?

TEXAS RANGERS (64-66, 3 GB)

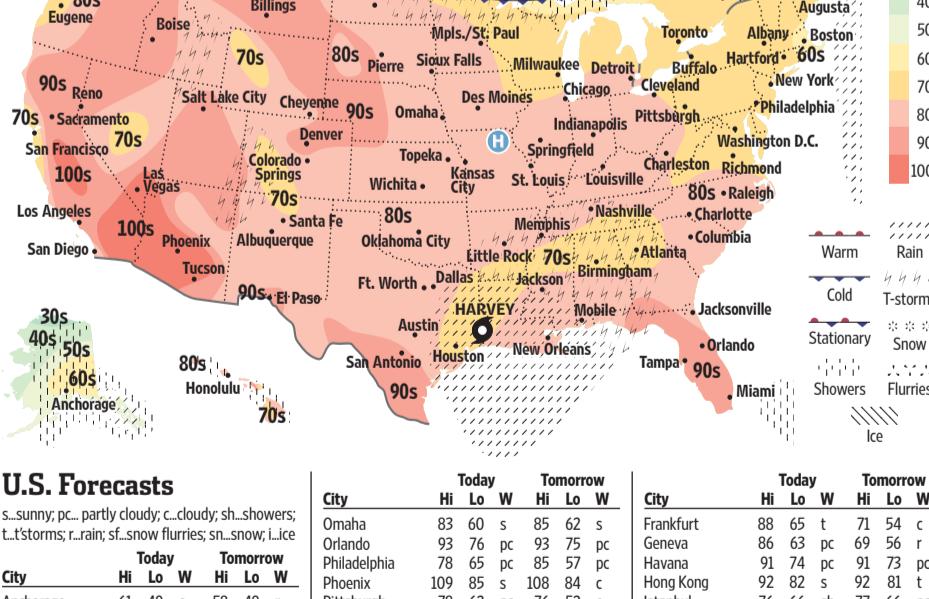
Odds: 7.6% (BP), 5.6% (FG), 10% (538)

Run differential: +21

Opp. W%: .507

The Rangers don't look like the best team in the chase, but don't ignore them: They entered Tuesday having scored 21 more runs than they have allowed this season, the best run differential of any team in the hunt besides the Yankees. That would indicate they might have their best baseball still ahead of them. Bet against Adrian Beltre at your peril.

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers;

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo

OPINION

First Resilience, Then Boondoggle



BUSINESS WORLD
By Holman W. Jenkins, Jr.

An arrow straight up in recent decades has been the rising severity of hurricane damage. The culprit is the ever larger number of people and their stuff in the path of these storms.

It has nothing to do with climate change.

During the past decade that we keep being told was the hottest on record (the record being skimpy), the U.S. also saw a dearth of hurricane landfalls. A major storm hadn't hit the U.S. since 2005.

Sandy, as many in the press played down at the time, had actually been downgraded to a tropical storm when it reached the New York and New Jersey shore in 2012. The impact was worse than it might have been for a simple reason: The storm followed an unusual westward track, and a garden-variety storm surge happened to coincide with a full-moon high tide.

Harvey has been an energetic storm but also an uncharacteristically stationary one. The deluge that fell and continues to fall on Houston is created by a storm hovering in place, sucking up moisture from the Gulf of Mexico and dumping it on land.

Even press accounts that noted a lack of discernible connection to climate change somehow, by paragraph three,

were quoting climate-change campaigners. This is a counsel of despair. Daily tides rise and fall along the East Coast anywhere from 2 feet to 11 feet. Storm surges associated with hurricanes range from 7 feet to 23 feet. These dwarf the effect of any global-warming-caused increase in the steadily rising sea levels of the past century.

Our economy consists of millions of Americans who are not waiting around for someone to tell them what to do. This makes it resilient. Private boat owners in Houston leapt into action to rescue the stranded, many whose pleas were transmitted via social media, bouncing server to server until they reached the guy with a skiff down the block.

Gasoline prices ticked up on reports of damage to the Gulf's massive refining industry, encouraging some to forgo filling up and leaving more fuel available for those who value it most. Foreign refiners are eyeing the higher margins available in the U.S. and dispatching cargoes our way.

Thousands in Houston have been flooded out, and thousands more are without power and likely to be so for days. The outages Americans experience nowadays are not more frequent, but tolerance for them is lower, hence a growing number of householders who outfit themselves with emergency generators.

Even those Houston-area residents who were free to move around in their cars

were quoting climate-change campaigners. This is a counsel of despair. Daily tides rise and fall along the East Coast anywhere from 2 feet to 11 feet. Storm surges associated with hurricanes range from 7 feet to 23 feet. These dwarf the effect of any global-warming-caused increase in the steadily rising sea levels of the past century.

found their way blocked by a massive cattle drive down U.S. 90, as ranchers moved their herds to higher ground. Disrupted drivers didn't mind; they stopped to take pictures, according to the Houston Chronicle, eyewitnesses to a phenomenon seen only in John Wayne movies. Another expression of resilience.

not be "climate change"—perhaps the political sound effects will dwell instead on Houston's role in protecting America's "energy independence."

Only 10% of California residents have earthquake insurance; 85% of the public assets in San Francisco are "self-insured"—i.e., uninsured. What will be the accompanying music then? If Gov. Jerry Brown is still in office, maybe he will find some way to connect an earthquake to global warming. Otherwise taxpayers in the Midwest can expect to hear how vital Silicon Valley is to America's global leadership.

If the U.S. were a private business, such "contingent" liabilities would show up in measures of the federal debt and deficit. In Washington, they do things differently.

One of the most interesting quotes collected by Journal reporters this week comes from Michael Williams, a ballpark maintenance worker for the Houston Astros, whose position atop the American League West will be a solace to the hard-hit city. He noted succinctly: "Houston floods fast. They're doing all this construction but we still got no [storm] outlets."

Between the immediate displays of self-help and resilience, and the predictable federal spendathon that's coming, let Mr. Williams be heard too. A few such lessons and better planning might help lighten the burden of those facing future emergencies.

BOOKSHELF | By D.G. Hart

Infallibility and Its Discontents

The Pope and the Professor

By Thomas Albert Howard
(Oxford, 339 pages, \$45)

In his 2015 remarks to a joint session of Congress, Pope Francis was the picture of a modern pontiff. He noted that "the contemporary world . . . demands that we confront every form of polarization which would divide it." He cheered the future technological contributions of "America's outstanding academic and research institutions." He saw it as his papal duty "to build bridges" and, departing the Capitol, asked for the good wishes of those "who do not believe or cannot pray."

This was a far cry from his 19th-century predecessor Pius IX, who in 1864 issued a "Syllabus of Errors" to correct some of the alarming social and intellectual trends that had proliferated over the previous decades. Among the errors that "Pio Nono" condemned were the notions that "every man is free to embrace and profess that religion which, guided by the light of reason, he shall consider true" and that "the Roman Pontiff can, and ought to, reconcile himself, and come to terms with progress, liberalism, and modern civilization."

Those seeking to understand this dramatic transformation of the modern papacy would do well to read Thomas Albert Howard's "The Pope and the Professor." Mr. Howard, a professor at Valparaiso University, explains in captivating detail the circumstances of the papacy's historical conservatism. He also resurrects the plucky scholar who sought to calibrate papal authority for modern times, the German theologian Ignaz von Döllinger (1799-1890).

The conflict between Döllinger's critique of papal supremacy and Pius IX's defense makes for a riveting story that goes well beyond church history and explores the key intellectual and political developments of 19th-century Europe.

This debate, as Mr. Howard shows, emerged from the historical cauldron of the French Revolution, Napoleon's march across Europe and the formation of new nation-states, particularly Italy. In a relatively short span, the Catholic pontiff went from being an influential member of Europe's political class and the prince of local Italian lands to seeing his authority limited mainly to churchly, spiritual affairs. Along the way, Roman Catholics saw church lands seized, seminaries disbanded, priests guillotined, and popes kidnapped and held prisoner. Conservatives regarded these events as proof that, without an authoritative church headed by a pope with both spiritual and temporal powers, liberalism would usher in social chaos. This reaction fueled the rise of ultramontanism, an outlook that understood the papacy as the locus of stability for the church and society. The ultramontanists' great hope was Pius IX.

Ironically, Pius began his reign in 1846 with sympathy for liberal reforms in Italian society. But by 1848 he had changed. When Italian revolutionaries invaded Rome, Pius had to flee the city in disguise in order to save his authority and his life. When he was finally able to return, he proceeded to assert papal authority as a means for order in the church and stability in politics.

As Pius IX asserted papal supremacy, Ignaz von Döllinger's opposition to the pontiff's authority made him an international celebrity.

The first major step in this strategy was Pius's 1854 declaration of the immaculate conception of Mary—her birth without the taint of original sin—as an official dogma of the church. A decade later came his "Syllabus of Errors." Pius had long contemplated convening a council of bishops—the first since the 16th century—in part to build support for papal authority. That gathering finally occurred with the First Vatican Council in 1869-70. That gathering ratified the dogma of papal infallibility, the capstone of Pius's expansion of the papacy's power.

Throughout Pius's tenure, Ignaz von Döllinger remained skeptical. From a scholarly family, Döllinger was an ordained priest and teacher at the University of Munich. His work prided historical investigation, and in his eyes papal authority was a historical claim that could be supported or undermined by research. His own study convinced him that the Donation of Constantine, which established the papacy's political authority as head of the Papal States, had been fabricated in order to prove Rome's supremacy in the church and society. Döllinger also wanted to improve relations between Roman Catholics and Protestants in Germany, where Otto von Bismarck was, like Italian nationalists, seeking unification. The papacy, Döllinger believed, was a barrier.

Döllinger's opposition to papal authority made him an international celebrity, especially among Protestants. In Germany, France and England especially, the professor ignited a vigorous debate about the papacy and its place in European politics. Among his greatest supporters were England's prime minister, William Gladstone, and the English historian John Emerich Edward Dalberg Acton (Lord Acton), for whom the new doctrine of papal infallibility was proof of his well-known maxim that "absolute power corrupts absolutely." For the most part, the dispute between ultramontanism and Döllinger's position remained indirect: Theologians wrote journal articles, and bishops made appointments. But when Pius IX secured the declaration of papal infallibility, Döllinger refused to concede and was excommunicated, remaining under church condemnation until his death in 1890.

Pius IX's own victory was mixed. The papacy lost its territories around 1870, with Italy's unification. And as Mr. Howard shows, Döllinger influenced a generation of theologians like Henri de Lubac, Hans Urs von Balthasar and Joseph Ratzinger (later Pope Benedict XVI), who, at the Second Vatican Council in the early 1960s, prevailed in reframing the papacy as a spiritual authority that was capable, contra the "Syllabus of Errors," of adapting to the demands of modern politics, economics and law.

Today, Döllinger himself is a name that all but a few in Roman Catholic circles have forgotten. But he was a foreunner of the contemporary church, and Pope Francis can be seen as a vindication of his opposition to an anti-modern papacy. Mr. Howard's book does not pretend to be the complete story of how Roman Catholicism evolved from Pius IX to Francis, but it does reveal—with impressive scholarship and lively prose—the fascinating drama of how that transformation began.

Mr. Hart is the author of "Calvinism: A History."

Those Who Commute Deserve a Salute

By James Bruce

Crammed almost to the point of suffocation, surrounded by hard plastic and metal, you glide through the darkness, wondering whether you will survive.

You're not piloting a submarine or a spacecraft headed toward Mars. You're just a New York commuter trying to get home, as the "Summer of Hell" for public transit nears its end.

Or perhaps you're leaving Los Angeles on Tuesday to beat the Friday traffic.

Nearly 40% of American workers—more than 50 million people—travel 30 minutes or more to work, according to the Census Bureau. It's a grind: the delayed trains, the stink of sweaty dress shirts, the motionless traffic on the "freeways." But the worst part is the incessant reminder that you are the world's problem. Walking doesn't pollute. Cars and trains do. Today's cultural trends protest your lifestyle. Think about it the next time you drink your

fair-trade coffee on a train built before the Hogwarts Express. Your trip is not recyclable.

As you face the day ahead—and the straphanger next to you, who really needs a shower—you may begin to forget why you commute. Here's a fresh reminder:

Your daily grind brings prosperity to me—and the world.

• For your family. How you used to love the city when you were single and carefree! But that cute neighbor became your spouse, and then came marriage and maybe children. A kitchen the size of a waffle iron felt hip when you were eating out all the time, but then you learned to cook.

• For the community. If you drive from suburbia to an office downtown, you're leaving a place where first comes love, then comes marriage, then

comes a baby in a carriage. In cities the baby often comes first, sometimes with no marriage at all. That's a crucial difference.

MARRIED FATHERS WORK TO MAKE THEIR NEIGHBORHOODS PLACES WHERE CHILDREN CAN FLOURISH, AND TOO MANY UNMARRIED FATHERS DON'T, AS CHARLES MURRAY EXPLAINS IN "COMING APART."

• For the schools. If you can afford a private education for your little angels, then good for you. But for many parents, choosing a school means changing districts. So get into that car, dad. Take that train, mom.

• For the opportunity. What do New York, Washington and San Francisco have in common, apart from terrible traffic? The answer is good white-collar jobs and a chance for a better life. Cities are America's economic engines, and they can take you to success only if you hop on board.

• For America. According to Mark J. Perry, in terms of economic output, New York state

beats South Korea, but with 17 million fewer workers. California beats France, but with six million fewer workers. This kind of performance wouldn't be possible without millions of American commuters. Your disagreeable journey helps support the productivity that delivers prosperity to the country, indeed the world.

That includes the small town in Arkansas where I live. I walk to work, which isn't without hazards. One time I was bitten by a duck overeager (in my estimation) to protect its nest. But, overall, it's wonderful. Yet I know how much I depend on you, the big-city commuters: You set up my retirement account, approved my mortgage application, and routed my new shirt from a distribution center to my doorstep. So thank you—and have a safe trip home.

Mr. Bruce is an associate professor of philosophy at John Brown University in Siloam Springs, Ark.

OPINION

REVIEW & OUTLOOK

The Hurricane Learning Curve

Hurricane Harvey is still pouring torrential rain on Texas and Louisiana, which means more damage to come. But it isn't too soon to point out some compensating news: Storm responders are putting into practice the lessons of past extreme weather and saving lives as a result.

By late Tuesday the storm had dropped 50 inches of rain on parts of Texas—breaking continental records. Harvey appears to have claimed at least 15 lives, including a family of six swept away in a vehicle that remains missing. The Houston police by Tuesday morning had rescued at least 3,400 people from rising floodwater, and the Coast Guard rescued 3,000 on Monday. Officials are predicting the storm will force 30,000 people into shelters and the economic damage will be at least \$30 billion.

Yet as terrible as the toll is, it's impossible to ignore the improved response compared to storms past. Hurricane Katrina in 2005 left New Orleans a chaotic scene of failed evacuation, stranding 100,000 people in the low-lying city. It killed 1,833, left three million without power and cost an estimated \$100 billion to \$130 billion. A few weeks later more than 100 people died attempting to leave Houston, part of a panicked evacuation before Hurricane Rita.

The federal government, local officials and private and charitable interests are now applying the lessons of these past failures. Katrina exposed the Federal Emergency Management Agency's dysfunction, and Congress responded with reforms that altered how the agency works—particularly on pre-storm preparation. Prior to Katrina, FEMA waited until governors requested assistance, often arriving late as it did in New Orleans.

FEMA was on the ground in Texas nearly 48 hours before Harvey made landfall, working with local partners and unifying a larger federal effort. In addition to thousands of FEMA employees and the Coast Guard, the Energy Department was on hand to monitor oil and gas facilities, and Health and Human Services sent 650 staffers to provide medical assistance. The Department of Homeland Security on Saturday activated a post-Katrina program that stands up a "surge" force of non-FEMA federal employees trained to assist in natural disasters.

Former Louisiana Gov. Kathleen Blanco dawdled about getting her National Guard on the streets to help with rescues and maintain order. Texas Governor Greg Abbott quickly activated the entire Texas National Guard, including those preparing to deploy overseas. By

Monday more than 12,000 Guardsmen were assisting with search and rescue, and preparing to help with recovery.

The state ramped up more than 200 buses to transport people out of coastal areas, and more than 40,000 shelter beds in safe zones. Houston Mayor Sylvester Turner gave clear instructions to residents to stock up and avoid roads, and he quickly deployed police and firefighters. Dallas opened a mega-shelter at its convention center and put hundreds of buses on standby for flood victims. Officials in smaller, coastal towns worked with state authorities on mandatory evacuations.

One theme is communication and clear lines of authority. Every analysis of Katrina has pointed to confusion between Louisiana and Washington about who should be in charge. In this case, Governor Abbott and local officials appear to be taking the lead but are working closely with the feds to marshal resources. These agencies are also using social media to provide instructions to victims, cut through rumors, and work with Houstonians rushing to help neighbors.

Corporate America also learned from Katrina. Telecom companies have upgraded their networks against natural disasters after Katrina knocked out more than 1,000 cell sites and put 911 calls and other networks in gridlock. As Harvey neared, AT&T and Verizon dispatched fuel for emergency generators and deployed mobile cell sites.

The Federal Communications Commission reported Sunday that just 4% of 7,804 cell sites in Harvey's path were knocked out. While Texans are certainly getting busy signals, many emergency calls are getting through. By last Friday Wal-Mart had already dispatched more than 1,000 trucks of goods to Houston, and Bass Pro Shops is handing over 80 of its Tracker boats for rescues.

The Texas stretch of the Gulf Coast is home to nearly five million barrels a day of oil and gas refining capacity. Post-Katrina, refineries hardened their facilities against the flooding threat by investing in systems that guard electric equipment. They stacked up on emergency generators and fortified against wind and storm damage. So while refineries are closed as they ride out the storm, they should be back online quickly when weather and roads clear.

The storm isn't over, and no doubt some will find reasons to point fingers. But at a time when Americans have so little trust in government, it's worth noting when it shows it can learn from previous failures.

Nixing the \$520,000 'Footlong'

The Seventh Circuit Court of Appeals has given the plaintiffs bar something to chew on. Writing for a three-member panel, Judge Diane Sykes on Friday threw out a class-action lawsuit settlement involving the Subway food chain's "Footlong" sandwich on grounds that the only beneficiaries were the lawyers.

The case started in 2013 after an Australian teenager posted a photo on Facebook of a Subway Footlong sandwich next to a tape-measure showing it to be 11 inches. The post went viral—and so did the lawyers. Nine class-action suits were launched around the U.S., later consolidated into one.

Subway soon announced steps to ensure its baked rolls would be at least 12 inches. In 2016 a lower court approved a settlement under which Subway promised to maintain practices to ensure more uniformity in its bread. The suing

attorneys were to collect \$520,000 in fees.

Enter Theodore Frank, who directs the Center for Class Action Fairness at the Competitive Enterprise Institute. He objected to the settlement on grounds that while the lawyers were "handsomely compensated" the class received "negligible to no relief."

During litigation it emerged that though the baked length of a roll may vary, the amount of dough is uniform. Judge Sykes also noted that "after the settlement—despite the new measuring tools, protocols, and inspections—there's still the same small chance that Subway will sell a class member a sandwich that is slightly shorter than advertised," owing to the inherent vagaries of food production. It's safe to assume, wrote Judge Sykes, that Subway customers "know this as a matter of common sense." These days we'll take any victory for common sense.

Nuclear Missiles Over Tokyo

Residents of northern Japan awoke Tuesday to sirens and cellphone warnings to take cover as a North Korean rocket flew overhead. The intermediate-range missile test will further roil the politics of security in Northeast Asia and is another prod toward Japan acquiring its own nuclear deterrent.

Pyongyang tested long-range missiles over Japan in 1998 and 2009, claiming they were satellite launches. The first shocked Japanese and led to cooperation with the U.S. on theater missile defense. Tuesday's launch is even more threatening because U.S. and allied intelligence agencies assess that North Korea now has the ability to hit Japan with a miniaturized nuclear warhead mounted on a missile.

Much of Japan is protected by its own missile defenses as well as systems operated by U.S. forces in the region. Japan also recently deployed four Patriot PAC-3 missile-defense batteries to the west of the country, but these didn't cover the northern island of Hokkaido overflowed by Tuesday's missile.

Japan's ultimate security is the U.S. defense and nuclear umbrella, with its treaty guarantee that the U.S. will respond if Japan is attacked. But the logic of deterrence depends on having a rational actor as an adversary, and rationality can't be guaranteed in North Korea. Its recent development of an ICBM capable of hitting the U.S. mainland also changes the equation. If North Korea attacked Tokyo and the U.S. responded with an attack on Pyongyang, U.S. cities might then be endangered.

Japanese leaders have long resisted building their own nuclear arsenal, but that could change

Accepting a nuclear North Korea probably means a nuclear Japan.

if they conclude America isn't reliable in a crisis. Or Japanese may simply decide they can't have their survival depend on even a faithful ally's judgment. Some Japanese politicians are already talking about their own nuclear deterrent. And while public opinion currently opposes nuclear weapons, fear could change minds. Japan has enough plutonium from its civilian nuclear reactors for more than 1,000 nuclear warheads, and it has the know-how to build them in months.

This prospect should alarm China, which would suddenly face a nuclear-armed regional rival. The U.S. also has a strong interest in preventing a nuclear Japan, not least because South Korea might soon follow. East Asia would join the Middle East in a new era of nuclear proliferation, with grave risks to world order. This is one reason that acquiescing to a North Korea with nuclear missiles is so dangerous.

Yet this is the line now peddled by former Obama National Security Adviser Susan Rice and former Director of National Intelligence James Clapper, who says the U.S. must begin "accepting it and trying to cap it or control it." Having said for eight years that a nuclear North is unacceptable, they now say that President Trump and Japanese Prime Minister Shinzo Abe had better get used to it.

But "control it" how? North Korea has made clear it won't negotiate away its nuclear program. The U.S. can threaten mutual-assured destruction, but Tuesday's missile test over Japan shows how North Korea will use its nuclear threat to coerce and divide the U.S. and its allies. Accepting a nuclear North Korea means accepting a far more dangerous world.

LETTERS TO THE EDITOR

The Problems With Bundled Health Billing

Jason Furman and Bob Kocher claim that because health care is so complicated a single bundled fee based on quality measures is the solution ("A Health-Care Fix That Works, Now Being Rolled Back," op-ed, Aug. 21). Their approach is one size fits all that is designed to rein in cost and theoretically improve care. This isn't the solution.

You can perform the same operation in many ways at different costs with similar outcomes because every patient is unique; it's why personalized cancer therapies are becoming so effective. Believe it or not, doctors spend years training and studying to determine what works best and that alone should dictate care. Money spent has little to do with outcome. Some of the best care has come from front-line trauma surgeons in the poorest neighborhoods.

Get rid of the incentives, pay only for services rendered at a transparent price and give the physicians the latitude to do their job without imposed restrictions. I guarantee the cost will be lower and the outcomes better.

PAULA MUTO, M.D., FACS
Lawrence, Mass.

I've been a practicing physician for 36 years. I ask Mr. Furman, an economist, how many patients has he treated? How can he have any clue what it's like to care for people?

The answer to the health-care crisis is simple: a direct-pay cash system and health savings accounts with catastrophic coverage. HSAs put the purchasing power back with the patient. When physicians are freed from the third-party system and are paid directly by the patient, they will no longer need the staff for billing, coding, electronic medical records, compliance, reimbursements and audits. Their overhead will plummet, resulting in lower fees for the patients as they compete for their cash business.

Currently, the patient who pays a set fee for coverage wants his money's worth so will seek any test or procedure that might be beneficial. The doctor, looking to satisfy the patient and not get sued, will be happy to order the scan or procedure even if he thinks it isn't worth it. Heaven forbid a doctor could miss something.

With a cash system, the physician will be aligned with the patient's interest and decide with the patient what's the best and cost-effective way to proceed. It's been down hill since government and third-party intrusion.

More of the same isn't the answer.

KEN CARTAXO, M.D., ABFM, ABIHM, CNS
Kinnelon, N.J.

In fee-for-service payments, there is 100% transparency. Administrators can pay or not pay for "unnecessary" procedures and consultations. In bundled

and capitated-pay schemes, the patient has no idea what corners were cut.

BRANT S. MITTLER, M.D., J.D.
San Antonio, Texas

The authors oppose fee-for-service in health care, yet every other profession and economic activity runs on fee-for-service—dentistry, the law, auto repair, architecture, etc. Except for the uninsured who pay cash, patients are essentially isolated from health-care costs. Bundled payments can definitely save money, as we learned in the 1980s and '90s with health-maintenance organizations. However, HMOs save money through a gatekeeper system which often limited patient access to timely care.

The easiest way to show "improved quality" is to not take care of the sickest patients, denying access to those who need care the most.

ROGER STARK, M.D.
Redmond, Wash.

Bundled-payment methodologies should work for a knee replacement with rigidly defined start and end-points of service and the measurable outcomes of reduction of pain and improvement in function.

The problem with the Comprehensive Care for Joint Replacement Model program is that it is a one-size-fits-all, top-down government mandate. It calls on about 800 hospitals to initiate the program through which the hospital will receive one payment for all hospital care, medicines, devices, medical services and all postoperative care for 90 days. There was no place in the rule from the Centers for Medicare & Medicaid Services that allowed for physician input into the program. None.

Bundled payment is thriving in the private-practice setting when controlled by orthopedic surgeons contracting with health-insurance companies and self-insured unions and corporations. As usual, the revolution goes on in the private sector where all true economic dynamism resides—when and where it is allowed to occur. The essential benefit of bundled payments is that they reintroduce price into the medical marketplace. This is the only mechanism that will contain costs and maintain quality in a reasonable fashion as the incidence of this type of knee procedure will likely increase 700% in the next two decades.

The alternatives are more mandates designed by the likes of Jason Furman and Robert Kocher through the single lens of decreasing what the government pays. You can tell the authors have already lost the argument when they contend that this reasonable rollback will lead to shorter lives for Americans.

LOUIS F. MCINTYRE, M.D.
White Plains, N.Y.

ETFs Not Eating the Economy or the Market

"Streetwise: Let's Prevent ETFs From Eating the Economy" (Business & Finance, Aug. 18) cites concerns that the growing percentage of exchange-traded funds and index assets under management could someday impair the ability to find the right price for stocks. Rather than focusing solely on the amount of assets managed in ETFs and index funds, a better way to understand their possible impact on market pricing is to examine the percentage of the stock market they own and the turnover of stocks in these funds relative to others in the market.

Index funds hold only 15% of the outstanding \$34 trillion of market capitalization in U.S. and European stock markets. Active mutual funds, on the other hand, hold roughly 21% of the same market cap. More significantly, active fund managers dominate the price setting for stocks, turning over asset values of their portfolios 22 times those of ETF and index funds.

ETF volumes are dwarfed by the stock-index-futures markets, which in-

Far Right and Left Equally Authoritarian and Thuggish

Reading the recent stories and letters (Aug. 21) about President Trump's remarks concerning the riot in Charlottesville, Va., I couldn't help but recall an argument I had while in college in 1963. The subject was fascism/Nazism versus communism. My argument then and now is this: There's no difference between them. Both believe in suppression of all dissent through violence, thought control, no free expression or free press, no individual rights and everything subject to the control of the government. Pretending that one or the other has some higher moral standing is hypocrisy at its worst. A pox on both their houses.

FREDERICK L. WASHBURN
Celina, Tenn.

includes the S&P E-Mini Futures contract. These futures contracts trade \$186 billion per day compared with \$125 billion per day in S&P stocks, and only \$20 billion in S&P 500 ETF shares. No one ever worries that the futures market is eating the economy. Rather, it is seen as an indispensable part of a vibrant capital market. ETFs are similarly creating more vibrant capital markets.

MARTIN SMALL
U.S. Head of iShares
BlackRock Inc.
New York

Limiting Prosecutors' Abuse

Regarding your editorial "Texas Political Prosecution" (Aug. 21): One sure way to trim the sails of over ambitious prosecutors is to require judges to inform grand jurors—formally in writing, as well as verbally when they are empaneled—of their functions and duties. They should be made aware that they are not an arm of the prosecution, but of the court, and their sworn duty is to protect the innocent from unnecessary prosecution.

SAMUEL COLMAN
Boca Raton, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Trump's Reassuring Hurricane Response

By Tevi Troy

President Trump visited Texas Tuesday to assess the damage from Hurricane Harvey and show concern for its victims. So far, his administration is largely getting praise for effective handling of the crisis. Washington's disaster authorities appear to be in sync with the state on roles and responsibilities; the Federal Emergency Management Agency and its leader, Brock Long, deployed resources as Harvey approached; and the government response as a whole appears well coordinated.

The White House has shown a focus on Harvey that extends even to the president's Twitter feed.

"I give FEMA a grade of A-plus, all the way from the president down," Texas Gov. Greg Abbott told "Fox News Sunday." Yes, Mr. Abbott is a fellow Republican, but he is also interested in protecting Texas and would not have said "A-plus" if the state weren't getting what it needed. That assessment is backed up by Rear Adm. W. Craig Vanderwagen, a former career emergency manager who is plugged into the Harvey effort. "Early read," he told me in an email, "is that Executive Branch is performing well under this President."

WORLD NEWS

Lebanon Boots Islamic State From Its Turf

Victory for U.S.-trained forces is latest defeat for terrorists after losses in Iraq, Syria

BY MARGHERITA STANCATI

RAS BAALBEK, Lebanon—One of the lesser-known chapters of Islamic State's occupation of parts of the Middle East drew to a close on Tuesday, with Lebanon reclaiming all the territory that the extremist group controlled in the country for the past three years.

Lebanese forces said they had captured the last sliver of land held by Islamic State after they launched a ground operation this month to clear the militants from the roughly 120 square kilometers of rugged mountain terrain near the border with Syria where they were based.

"All the lands are now Lebanese and secure," Lebanese Army Brig. Gen. Fadi Daoud, who commanded troops during the ISIS offensive, said in an interview on Tuesday.

Lebanon is the latest in a string of military defeats for Islamic State. The extremist group has lost more than half of the territory it captured three years ago in a blitz across Iraq and Syria.

It recently lost its Iraqi stronghold of Mosul and was defeated this past weekend in the strategic town of Tal Afar near Iraq's border with Syria. The militants are also rapidly losing ground in Raqqah, their de facto capital in Syria.

The victory for the U.S.-trained and equipped Lebanese forces was an important milestone, removing a threat that had been hanging over Lebanon for years. It also helped boost the reputation of the



Lebanese army soldiers drove vehicles flying the Lebanese flag this week in an area they recently took from Islamic State militants, during an army-organized press tour.

army, which has struggled to demonstrate it can be the sole guarantor of the country's security.

"The Lebanese army has proved itself. It has shown what it can take on Islamic State," said Fawaz Gerges, a Lebanese academic and author of "ISIS: A History." "This isn't just a battle. Islamic State has suffered a lasting defeat in Lebanon. It has lost its foothold."

Islamic State militants were allowed to evacuate Lebanese territory on Monday under terms of a controversial surrender deal brokered by the Iran-backed Lebanese militia Hezbollah. Hezbollah is the most powerful group in Leba-

non, and it has played a vital role on the Syrian battlefield propping up the regime of Bashar al-Assad.

In the operation, Hezbollah and the Lebanese army both contributed to beating back the Sunni extremists of Islamic State from the country's borders. Syrian forces and Hezbollah pressed their own offensive against Islamic State from the Syrian side of the border at the same time as the Lebanese army fought on its side.

Hezbollah's deal with Islamic State drew criticism from many in the country, who saw this as a humiliation. The Lebanese military denies cooperating with Hezbollah.

Lebanon has suffered from spillover of the conflict in neighboring Syria that has been going on for more than six years. Islamic State established a foothold along the country's largely uninhabited northeast and briefly overran the border town of Arsal in 2014. Its fighters kidnapped 30 Lebanese soldiers and policemen, most of whom were later released in a prisoner swap.

But the fate of nine missing soldiers remained unknown. On Sunday as part of the surrender agreement with Hezbollah, Islamic State revealed the location of eight of their bodies in return for being allowed to evacuate with their family

members.

Around 600 people on Monday departed on buses for the eastern Syrian province of Deir Ezzour, which is one of the terror group's last strongholds. Lebanese military officials say they believe the ninth soldier had joined Islamic State and was later killed in a battle in Syria.

The offensive was a test for the state's army to prove its ability to secure the country. But despite repeated assurances from government officials that the military would lead the battle to clear Islamic State from the border region, Hezbollah played an important role.

Hezbollah frequently points to the Lebanese military's weakness as a reason for its existence. But critics accuse the militia of undermining the military to preserve its leading role protecting the country.

"We would have won. The victory would have been complete and we would have captured senior leaders of Daesh [ISIS]. This didn't happen and the responsibility is of the Lebanese government," said Khalil Helou, a retired Lebanese Army general who informally advised military commanders during the operation. "Our army did a great job, but its success was overshadowed by this humiliating deal."

Manila Vows 'Big Battle' to Expel Militants

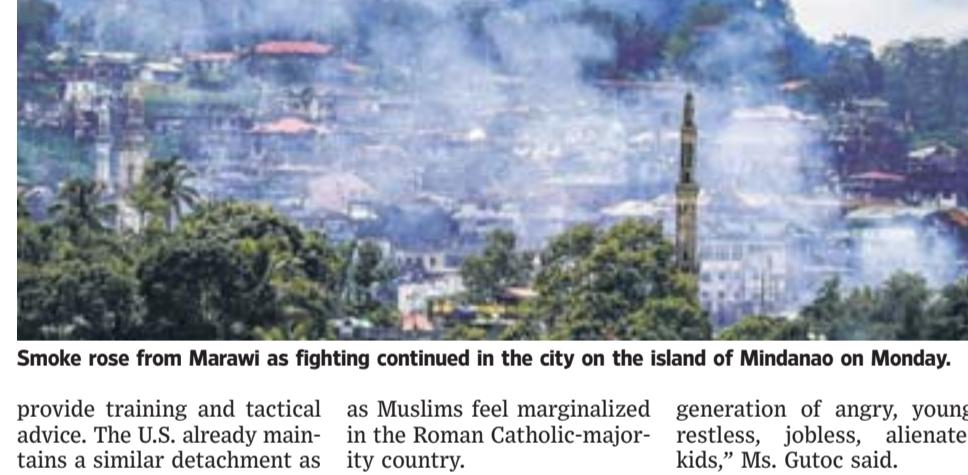
BY JAKE MAXWELL WATTS

Nearly 100 days after Islamic State-linked militants occupied the southern Philippine city of Marawi, the army said it was planning a final assault to end a battle that took Manila and allied countries by surprise for its stubbornness and violence.

If successful, the operation will allow the tens of thousands of residents who fled to return home. But counterterrorism experts and humanitarian workers said the government faces a mammoth task of rebuilding a devastated city and risks further attacks elsewhere by energized terrorists.

Military Chief of Staff Gen. Eduardo Ano told reporters Monday that the army was preparing "one big battle" to retake Marawi after clearing the city's Grand Mosque and municipal police station last week. He didn't give details.

On Tuesday, reflecting international concern about the spread of violence throughout the region, Australia offered to deploy special-forces soldiers to the southern Philippines to



and 45 civilians, some of whom were beheaded, have also died.

"I think what's going to happen is we're going to see some of the fighters disperse into other areas," said Sidney Jones, director of the Jakarta-based Institute for Policy Analysis of Conflict. Ms. Jones said she expects to see attacks in other parts of the Philippines, along with the danger that surviving fighters could create a regional training center for aspiring jihadists.

There is also the risk of violence spreading to other parts of Southeast Asia, such as neighboring Indonesia, the world's most populous Muslim-majority nation. Several killed in Marawi were foreigners, including Indonesians.

For most of Marawi, prospects remain bleak. Save the Children, a charity, said this month more than half of the 60,000 children who fled the fighting haven't re-enrolled in school. The military says many residents can't return due to improvised explosive devices militants have placed in the city.

Taliban Claim Bombing of Kabul Bank

Associated Press

KABUL—A suicide bombing in a busy commercial area in Kabul near a string of banks and not far from the U.S. Embassy killed at least five people on Tuesday, Afghan officials said. The Taliban claimed responsibility.

Separately, at least 13 civilians were killed in an overnight airstrike by the Afghan air force that targeted the Taliban in western Herat province.

In the Kabul attack, the explosion likely targeted a branch of privately owned Kabul Bank, according to Basir Mujahid, spokesman for the Kabul police chief. The U.S. Embassy compound is located about 500 yards down the road from the bank.

In addition to the five killed, nine people were wounded in the Kabul attack, said Mohammad Salim Rasouli, chief of Kabul hospitals at the Health Ministry.

provide training and tactical advice. The U.S. already maintains a similar detachment as part of its global counterterrorism operations.

Reclaiming the city of 200,000 has been an uphill battle for the ill-equipped Philippine military, which is unused to urban warfare. Its failure to end the conflict swiftly and the use of destructive airstrikes have alienated the population, many of whom

as Muslims feel marginalized in the Roman Catholic-majority country.

Samira Gutoc—a former negotiator for peace talks between the government and more-traditional rebel groups, who now serves as a humanitarian worker—said the extent of the damage, with as much as 90% of the city destroyed, has led some youngsters to call the militants heroes.

"We are creating another

generation of angry, young, restless, jobless, alienated kids," Ms. Gutoc said.

A coalition of extremist Islamists, who for years existed as rival religious or criminal gangs, joined forces to occupy Marawi on May 23, riding on trucks and waving the black Islamic State flag. The Philippine military estimates about 40 remain in Marawi and that 600 have been killed. About 130 soldiers

The country's population has surged by three-quarters in 30 years, to 123 million, outstripping the supply of good jobs. Half the country remains poor. Low productivity plagues the four-fifths of the economy not involved in manufactured exports. And nearly six in 10 workers work off the books in the informal sector.

Even within the manufacturing-export sector, where productivity is growing, Mexico faces stiff competition from China and other low-cost locations in Asia.

The failure of wages to rise faster partly reflects the same global pressures that keep U.S. wages from climbing faster, said Alfonso Navarrete Prida, Mexico's labor secretary, such as increasing automation.

Now working from dawn to midafternoon on an assembly line, Ms. Palacios is increasingly dissatisfied with the chronic low pay.

"I don't know why I've been satisfied with this all these years," Ms. Palacios said in the dirt yard of her home. "But these are the only jobs available for me. I have to care for my family."

Mexico's Stubbornly Low Pay Emerges as Target in Nafta Talks

BY DUDLEY ALTHAUS

CIUDAD JUÁREZ, Mexico—

Emma Palacios started working in factories in this city on the Texas border in 1994, the year the North American Free Trade Agreement came into effect. Ever since, she says, it has been easy to find work at the scores of U.S.-owned factories that opened here. What's proved harder to find is decent pay.

Military Chief of Staff Gen. Eduardo Ano told reporters Monday that the army was preparing "one big battle" to retake Marawi after clearing the city's Grand Mosque and municipal police station last week. He didn't give details.

On Tuesday, reflecting international concern about the spread of violence throughout the region, Australia offered to deploy special-forces soldiers to the southern Philippines to

provide training and tactical advice. The U.S. already maintains a similar detachment as part of its global counterterrorism operations.

Reclaiming the city of 200,000 has been an uphill battle for the ill-equipped Philippine military, which is unused to urban warfare. Its failure to end the conflict swiftly and the use of destructive airstrikes have alienated the population, many of whom

as Muslims feel marginalized in the Roman Catholic-majority country.

Samira Gutoc—a former negotiator for peace talks between the government and more-traditional rebel groups, who now serves as a humanitarian worker—said the extent of the damage, with as much as 90% of the city destroyed, has led some youngsters to call the militants heroes.

"We are creating another

generation of angry, young, restless, jobless, alienated kids," Ms. Gutoc said.

A coalition of extremist Islamists, who for years existed as rival religious or criminal gangs, joined forces to occupy Marawi on May 23, riding on trucks and waving the black Islamic State flag. The Philippine military estimates about 40 remain in Marawi and that 600 have been killed. About 130 soldiers

The country's population has surged by three-quarters in 30 years, to 123 million, outstripping the supply of good jobs. Half the country remains poor. Low productivity plagues the four-fifths of the economy not involved in manufactured exports. And nearly six in 10 workers work off the books in the informal sector.

Even within the manufacturing-export sector, where productivity is growing, Mexico faces stiff competition from China and other low-cost locations in Asia.

The failure of wages to rise faster partly reflects the same global pressures that keep U.S. wages from climbing faster, said Alfonso Navarrete Prida, Mexico's labor secretary, such as increasing automation.

Now working from dawn to midafternoon on an assembly line, Ms. Palacios is increasingly dissatisfied with the chronic low pay.

"I don't know why I've been satisfied with this all these years," Ms. Palacios said in the dirt yard of her home. "But these are the only jobs available for me. I have to care for my family."

Higher wages in Mexico are in the interests of Mexico and the U.S.," economist Peter Navarro, a trade adviser to President Donald Trump, told The Wall Street Journal recently. "Without this adjustment Mexico will never have a robust middle class, and our middle class will wither if not die."

With that in mind, the U.S.

is expected to push for tougher

labor standards, such as ensuring

Mexican workers may

freely organize unions and

stage strikes without losing

their jobs.

"Low labor standards are an

unfair advantage," Robert

Lighthizer, the U.S. Trade Representative, told the House Ways and Means Committee recently, espousing a view many congressional Democrats also hold.

When Nafta began in 1994,

labor and environment standards

were relegated to largely toothless

side agreements.

"Mexican officials say they are

open to including mechanisms

to ensure stricter enforcement

of its labor laws. What they

don't want, they say, are mea-

sures that force Mexico to

raise wages.

"We think wages are part of

the free market and we want

to keep it that way," said Moi-

ses Kalach, a member of the private-sector board that advises the Mexican government on the negotiations.

Wages have remained low in

Mexico for many reasons, and

any modified labor standards

in Nafta may have little impact

on raising them, at least in the

short run.

Now working from dawn to midafternoon on an assembly line, Ms. Palacios is increasingly dissatisfied with the chronic low pay.

"I don't know why I've been satisfied with this all these years," Ms. Palacios said in the dirt yard of her home. "But these are the only jobs available for me. I have to care for my family."

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Wednesday, August 30, 2017 | B1

S&P 2446.30 ▲ 0.08%

S&P FIN ▼ 0.47%

S&P IT ▲ 0.41%

DJ TRANS ▲ 0.88%

WSJ \$IDX ▲ 0.15%

LIBOR3M 1.317

NIKKEI (Midday) 19468.73 ▲ 0.55%

See more at WSJMarkets.com

Aerospace Firms Close In on Deal

United Technologies' tie-up with Rockwell would form huge maker of aircraft equipment

United Technologies Corp. is nearing a deal to buy Rockwell Collins Inc. for more than \$20 billion, a tie-up that would create one of the

By Dana Mattioli,
Joann S. Lublin
and David Benoit

world's biggest aircraft-equipment makers.

The companies are discussing a per-share price for Rockwell of \$140 or less and could

come to an agreement as soon as this weekend, according to people familiar with the situation.

Rockwell shares rose on the news, first reported by The Wall Street Journal Tuesday, closing up 2.1% at \$130.74 and giving the company a market value of about \$21 billion. United Technologies, meanwhile, jumped 2.9% to \$118.70, giving the industrial conglomerate a market value of about \$95 billion. United Technologies investors cheered the likelihood that the company will be able to secure the deal without paying a higher price than some had expected.

As with all acquisition talks,

it's possible these could hit a snag and not result in a deal, or the expected price could change.

Should the transaction happen, it would rank as the larg-

est aerospace deal on record, eclipsing United Technologies' 2012 acquisition of Goodrich Corp. for about \$16.5 billion, according to Dealogic. It

would also be one of the five-biggest takeovers of the year, Dealogic data show.

The deal would boost

United Technologies' business

supplying Boeing Co. and Air-

bus SE as the aerospace industry ramps up for a new genera-

tion of jets. The company

already owns one of the

world's biggest jet-engine

makers, Pratt & Whitney, part

of an aerospace division that

also makes parts such as

wheels and landing gear.

Rockwell specializes in

cockpit displays and commun-

ication systems for passenger

jets and military programs. In

April, the Cedar Rapids, Iowa,

company closed its roughly \$6

billion acquisition of B/E Aero-

space Inc., a maker of plane seats and interiors.

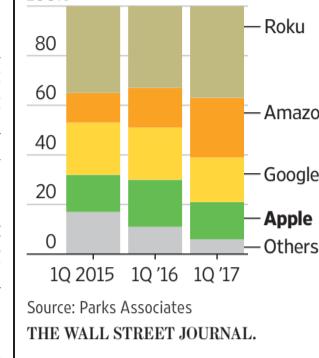
Since word of the talks surfaced this month, several analysts have said they don't expect significant antitrust issues, given that United Technologies and Rockwell make different airplane parts. But airplane manufacturers might voice concerns about any consolidation among their suppliers. Boeing and Airbus have also been nudging their way into aftermarket business to capture some of the profit from selling and servicing parts—putting them on a collision course with suppliers.

The possibility of a United

Please see DEAL page B2

Media Player Battle

Apple has lost market share to rivals that offer higher resolution media players.



Source: Parks Associates

THE WALL STREET JOURNAL

Apple, Movie Studios At Odds

Apple Inc. is scrambling to strike deals with Hollywood studios to offer ultrahigh-definition films on its new Apple TV, but discussions have been hampered by disagreements over pricing, according to people with knowledge of the talks.

The tech giant will unveil the new version of its streaming media device at an event Sept. 12 and tout its compatibility with new 4K televisions, people with knowledge of its plans said. The 4K format offers more than 8 million pixels per frame—significantly sharper than traditional high-definition video at the same size. Apple will also reveal updates to its iPhone and Apple Watch, according to people briefed on its plans.

Apple wants to have major Hollywood films available in ultrahigh definition on the new device, expected to go on sale later this year. However, it wants to charge \$19.99 for those movies—on par with what it sometimes charges for new HD movies, the people with knowledge of the discussions said. Several Hollywood studios want to charge \$5 to \$10 more for 4K movies, the people said.

Conflicts over pricing between Apple and media companies are nothing new. The technology company typically argues lower prices will help expand a category and generate more long-term revenue, while studios often worry more about preserving profit margins and higher prices for higher quality formats.

"I wouldn't tell Apple how to price their iPads," said an executive at one studio in talks with Apple.

An Apple spokeswoman declined to comment.

Closing deals with studios

Please see APPLE page B2



Mystery Visitors Dog Insurer's Critics

By MARK MAREMONT

The newest smartphones are taking their screens to the edge. Apple Inc. and Samsung Electronics seem to be doing the same with prices, in what amounts to a gamble to revive growth.

Both companies saw smartphone revenue decline in their latest fiscal years. They are betting they can revive growth by selling ever more expensive phones. Last week, Samsung unveiled its Galaxy Note 8, which offers an edge-to-edge display design using curved glass and organic light-emitting diode technology.

It is expensive: Samsung's Galaxy Note 8 will start at around \$950 depending on the carrier, which is 8% to 12% higher than the starting price of last year's Galaxy Note 7. Apple is expected to introduce three iPhone models Sept. 12. At least one model is seen starting at \$1,000 or more.

Price increases seem risky in a slowing market, though Apple may be hoping to repeat some of the success of the iPhone 6, which launched in late 2014. That phone boosted both iPhone unit sales and Apple's operating profit by more than 36% for the company's 2015 fiscal year.

The iPhone's average selling price rose 11% to \$671 for the same period. Apple's stock price, which rose about 30% in the six months prior to the iPhone 6 launch, gained another 30% in the six months that followed.

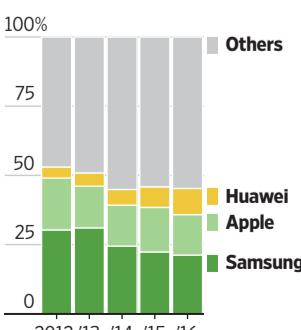
Still, prices approaching \$1,000 will be a shock. A Barclays survey earlier this month found that only 18% of iPhone users are willing to pay more than \$1,000.

Both Apple and Samsung have proven skilled at making eye-catching designs.

But now the price of those new designs seems likely to make their customers' eyes bulge.

Dialed Down

Share of global smartphone sales



Source: IDC

THE WALL STREET JOURNAL

was contacted in July by a woman who identified herself as a London-based consultant to a European software multi-millionaire seeking contributors to a new investment website. He agreed to meet at a Philadelphia-area restaurant.

At the dinner, Mr. Irons said, the woman, whom he described as gorgeous, plied him with drinks and slipped in several questions about critiques of AmTrust and its accounting methods.

"It was the second or third follow-up question on

AmTrust that gave me a lot of

pause," he said, adding that she "laughed at many things I said that probably weren't that funny."

But the name the woman gave—Diana Illic—appears to be a pseudonym. The email address she used with Mr. Irons links to a domain name established a few days before the meeting. The London address for her consulting firm turns out to be a mailbox drop.

A woman who made initial contact on social media on behalf of the purported Ms. Illic doesn't appear to be who she

said she was either. The social-media pages under her name used photos of another woman, a French retail marketer.

The purported Ms. Illic didn't return phone calls or emails to the contacts provided to Mr. Irons.

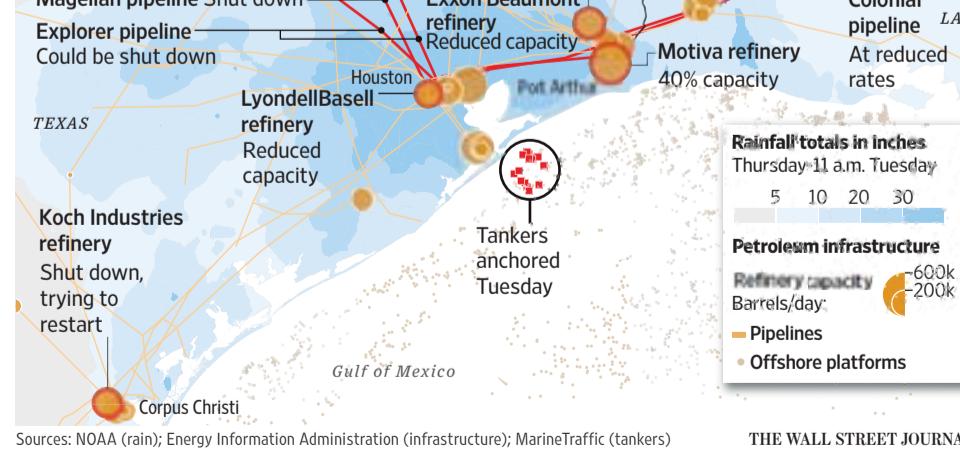
AmTrust, a rapidly growing, New York-based insurance company with \$5.5 billion in 2016 revenue, in recent years has attracted skepticism about its results from investors betting against its stock, which has nearly halved this year.

Please see INSURER page B2

Harvey's Destruction Tests U.S. Shale

In the Wake of the Storm

The deluge of rain in one of the petroleum industry's busiest areas has reduced the flow of oil to refineries, pipelines and tankers. Some of the impact as of Tuesday:



Sources: NOAA (rain); Energy Information Administration (infrastructure); MarineTraffic (tankers)

THE WALL STREET JOURNAL

erate, according to Paul Sankey, an equities analyst with Wolfe Research. Many big shale producers in the Eagle Ford shut their oil and gas wells before Harvey made landfall as a hurricane Friday.

While some companies made efforts to restart production Tuesday, a snarled supply chain is keeping a lot of oil in the ground for now.

Shale producers rely on a vast multibillion-dollar network of energy infrastructure—from ports to train tracks to pipelines—that has developed in recent years along the Texas coast. Many pieces of that network appear to be swamped, and since there hasn't been a storm of this magnitude since shale drilling took off about a de-

cade ago, it is harder to predict how long it will take for the infrastructure to recover.

ConocoPhillips, one of the biggest producers in the area, normally pumps 130,000 barrels a day in the Eagle Ford; it shut its wells ahead of the hurricane. As of Tuesday, it had restarted some fields on a limited basis but was struggling

Please see SHALE page B2

INSIDE



GOOGLE TO CHANGE SEARCHES IN EU

TECHNOLOGY B4



THE EURO'S RISE GIVES PAUSE TO ECB

MARKETS B13

BUSINESS NEWS

Best Buy To Boost Spending; Stock Falls

By KHADEEJA SAFDAR

Best Buy Co. reported another quarter of rising sales but said it would increase spending on its e-commerce operations and supply chain to boost growth in a competitive marketplace.

The electronics retailer said expenses were higher in its fiscal second quarter and that it plans to make similar investments in shipping, compensation and online operations in the next two quarters.

Focusing on profits would be "shortsighted," said Chief Executive Hubert Joly, adding that the company's strategy will be "offensive" and "growth-oriented" as it battles **Amazon.com** Inc. and other retailers to sell smartphones, laptops and other gadgets.

The retailer's shares tumbled nearly 12% Tuesday to close at \$55.02, although they remain up nearly 29% this year.

Sales at stores open at least a year increased 5.4% in the July-ending quarter, more than twice what analysts were expecting. Much of the growth came from e-commerce sales, which rose 31% from a year before to \$1.1 billion.

"So much of the customer experience has been starting online," Mr. Joly said. "What

\$700M

Amount slated for e-commerce and supply-chain operations.

we're seeing today is the continued effect of the cumulative investments we've made in simplifying and streamlining the customer experience."

Mr. Joly said the company plans to spend about \$700 million in fiscal 2018 on e-commerce and supply chain operations, higher than its previous estimate of about \$650 million.

Gross margins in the latest quarter were hurt by increased sales of low-margin products such as wearable devices and by the shift to online shopping.

Best Buy has been focusing on services to reduce its dependence on new products releases. It has been testing out new pricing models for its Geek Squad unit, which installs products and provides tech support, and rolling out additional services.

Mr. Joly said the company plans to roll out its in-home advisory program, in which employees visit customers' homes and provide product advice free of charge, across the U.S. starting next month. "They help customers do things they would not have otherwise done," he said.

Over all, Best Buy's revenue climbed 5% in its second quarter to \$8.9 billion. The company posted earnings per share of 69 cents, up from 57 cents a year before.

The company raised its fiscal year 2018 revenue growth outlook to 4% from 2.5%. The outlook reflects the release of the Apple's next generation iPhone. Apple has scheduled a product announcement event for Sept. 12.

—Cara Lombardo contributed to this article.

Advisory Board Is Sold in Parts

UnitedHealth snags health-care business, Vista Equity to buy education unit

By ANNA WILDE MATHEWS AND LAURA COOPER

The Advisory Board Co. will be split up and sold in a deal valued at around \$2.21 billion, with its health-care business going to **United-Health Group** Inc. and its education unit to private-equity firm **Vista Equity Partners Management** LLC.

The consulting and software company had announced in February that its board was exploring strategic alternatives, including a possible sale. That move came after activist hedge fund **Elliott Management** Corp. said it and related entities had bought about 8.3% of the company's shares, saying at the time they were undervalued and it wanted to engage in a dialogue with the company's board.

The companies said Tues-

day that the total value of the deal was around \$2.58 billion, a figure that includes the assumption of debt. Advisory Board shareholders will get approximately \$54.29 in cash per share.

Vista will pay about \$1.55 billion for EAB, the education unit, which focuses largely on colleges and universities. After that deal closes, UnitedHealth will complete its acquisition of the Advisory Board's health operation, which goes by the name of the parent company, paying \$1.3 billion including the assumption of debt.

The Advisory Board, which is a well-known name in the hospital industry, had around \$803 million in revenue last year.

The Advisory Board becomes the latest high-profile takeover for UnitedHealth's Optum health-services arm. Optum has grown rapidly over the years with an aggressive slate of acquisitions, bolting together everything from a burgeoning network of doctor practices to a major pharmacy-benefit manager to a large

outpatient surgery company.

Eric Murphy, chief executive of OptumInsight, the unit that will absorb Advisory Board, said there are "terrific synergies" between the two companies, with the acquisition bringing research and other capabilities that Optum doesn't currently have.

Advisory Board CEO Robert Musslewhite will stay on at the health-care business.

UnitedHealth said Robert Musslewhite, who is the chief executive of the Advisory Board parent company, will continue to lead its consulting work within Optum.

The acquisition may raise questions among some Advisory Board clients, who entrust their data to the firm and may rely on its work in their pricing negotiations with big insurers such as UnitedHealth-

care, the insurance unit of UnitedHealth.

Michael J. Dowling, chief executive of **Northwell Health**, a big New York hospital system that is an Advisory Board client, said before the deal was announced that he would want to understand the details. "It would all depend as to what the nature of the relationship would be," he said. "You'd want to be able to be sure...that the data is protected and doesn't bleed into other entities." Northwell already has a good relationship with Optum, which he expects to continue, he said.

Rod Hochman, chief executive of Providence St. Joseph Health in Seattle, a 50-hospital system that is a customer of Advisory Board consulting, said he received a flurry of emails from the Advisory Board after the deal was announced seeking to reassure customers. Providence St. Joseph Health also sells health insurance in Oregon and Texas, making it a competitor of UnitedHealth.

Optum itself is already a

major adviser to hospitals, as well as insurers that compete directly with UnitedHealthcare. UnitedHealth has always said that Optum clients' information is walled off completely from the company's corporate sibling, and Optum has long been able to win business despite the relationship. Mr. Musslewhite said it expected questions from some clients about the UnitedHealthcare relationship, but "we'll be able to answer that question easily."

Vista Equity Partners invests in software, data and technology-focused companies—including a major education-related firm, PowerSchool, which provides software for the K-12 market. The investment firm recently closed its largest buyout fund, collecting over \$11 billion in capital—making it one of the largest technology-focused vehicles ever. Across its differentiated funds, the firm has raised over \$30 billion to pursue deals.

—Melanie Evans contributed to this article.

Hain Looks Past Sales Decline

By ANNIE GASPARRO

Hain Celestial Group Inc. said it expects sales of its organic chips and baby food to rise next year despite a recent investigation into its accounting practices.

Hain's stock has languished for the past year since it acknowledged accounting problems that prompted an investigation by securities regulators and several missed earnings reports. Hain and the Securities Exchange Commission have declined to provide an update on the status of that probe in recent months.

Hain said Tuesday that the outlook for its business is nevertheless improving. Hain expects fiscal 2018 sales of about \$3 billion—better than analysts were expecting—after reporting its fourth-quarter sales slipped 2% to \$725 million. Adjusted earnings per share of 43 cents for the quarter, which ended June 30, were flat while also topping analyst forecasts.

Shares in the Long Island-based company shot up early Tuesday, but finished down 1.4% at \$40.05.

Barclays analyst Andrew Lazar said enthusiasm over the company's outlook was likely tempered by a 5% U.S. sales decline in fiscal 2017 in the face of tougher competition.

"The biggest thing we have to do is connect with our consumers," Chief Executive Irwin Simon told analysts Tuesday.

A year ago, Hain said it was reviewing whether revenue associated with concessions granted to certain U.S. distributors should have been recorded in the quarter when the products were sold to retailers rather than when they were shipped to the distributors.

Hain's board said in November that the company had done nothing wrong, but the company still missed four deadlines to report quarterly results, and in February said it was under investigation by the Securities and Exchange Commission.

The accounting controversy derailed a company that had been well placed to capitalize on the fast-growing demand for organic food. Hain has acquired more than 55 brands, including Terra vegetable chips and Earth's Best baby food, since it was founded by Mr. Simon in 1993.

But in recent years, mainstream rivals such as General Mills Inc. and Kellogg Co. started acquiring natural and organic brands and winning shelf space from Hain. The company has also pared back some of its products.

In June, hedge fund Engaged Capital LLC amassed a 9.9% stake. The activist investor said it had nominated seven candidates to the company's eight-member board of directors, and that it could take further action, such as pushing for a sale.



MUHAMMAD ADIMAJA/ANTARA FOTO/REUTERS

Freeport-McMoRan will cut its stake in the Grasberg copper and gold mine to 49%, which could help end a dispute with Jakarta.

Freeport Eases Indonesia Tensions

By ANITA RACHMAN AND I MADE SENTANA

JAKARTA, Indonesia—**Freeport-McMoRan** Inc. will give up its majority stake in the giant Grasberg copper and gold mine in a significant step toward ending a long dispute with Indonesia, dropping the U.S. mining company's ownership from 90.64% to 49%.

The agreement, announced by Indonesian and Freeport officials on Tuesday, will extend the mining company's permit until as long as 2041. It caps an important chapter in a struggle between Jakarta and foreign mining companies in recent years, as the Southeast Asian nation seeks a greater share of the wealth made from its vast mineral resources.

The agreement requires Freeport to build a smelter by October 2022—consistent with a goal of President Joko Widodo's government to increase domestic-processing capacity in Indonesia, but seen by mining companies as an extra cost at the same time that slowing demand from China has hurt commodity prices.

Freeport Chief Executive Richard Adkerson said the company will invest as much as \$20 billion between now and 2041 to develop what had been a largely open-air mine underground. Freeport has invested \$12 billion in develop-

Waning

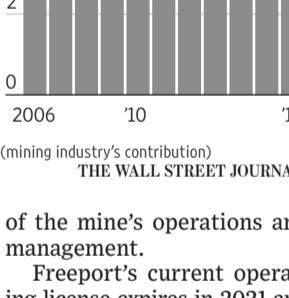
Mining's contribution to Indonesia's growth declined in recent years, amid depressed commodity prices and government policy changes.

GDP growth



Sources: World Bank; Bank of Indonesia via PwC (mining industry's contribution)

Mining industry's contribution to GDP



THE WALL STREET JOURNAL

ing Grasberg, located in Indonesia's eastern province of Papua, since the 1970s. The company is Indonesia's largest single taxpayer.

The divestment and the agreement to build the smelter, estimated to cost \$2 billion, amounted to a "major concession" from the company, Mr. Adkerson said.

Freeport said in a statement released early Wednesday that the divestment will be done in a way that will leave the company in control

of the mine's operations and management.

Freeport's current operating license expires in 2021 and negotiations over its renewal had been going on for years. The company had been reluctant to make new investments without an agreement in place, and labor unrest had been increasing.

Tom Lembong, chairman of the Indonesia Investment Coordinating Board, called the pact "a positive milestone" but said both parties still have to talk about details, such as pricing and fiscal terms.

Under the new agreement, Indonesia has agreed to extend Freeport's license by 10 years to 2031, and if requirements are being met, a further

10 years.

The value of the 41.64% stake Freeport will have to sell remains to be determined. The government and its state-owned enterprises are unlikely to have the financing to buy it in one piece, so the divestment could be spread across many holders and Freeport might retain the largest single holding, analysts said.

Bill Sullivan, a Jakarta-based legal adviser to mining companies, said foreign investors could see the agreement as a positive development—depending on how outstanding details are resolved.

The mechanics, pricing and timing of the divestiture are critical issues, Mr. Sullivan said, which, until resolved, make it "impossible" to say whether the long-running dispute between Freeport and Indonesia is over.

This agreement lifts a government threat to ban Freeport exporting a form of unrefined copper, which was to have taken effect in October.

Copper prices rose to their highest level in nearly three years in Asian trading Tuesday, largely because of falling Shanghai inventories, with the benchmark three-month price trading at \$6,802 a metric ton on the London Metal Exchange on Tuesday afternoon.

—Deden Sudrajat in Jakarta and Biman Mukherjee in New Delhi contributed to this article.

By STU WOO

LONDON—Rupert Murdoch's **21st Century Fox** Inc. said Tuesday it stopped broadcasting its Fox News Channel in the U.K., amid the media conglomerate's \$15 billion bid to buy the 61% of British pay-television company **Sky PLC** that Fox doesn't already own.

Fox said it was a business decision to withdraw Fox News, which in the U.S. is popular with conservative viewers and recently retained its No. 1 cable-news ranking despite a sexual-harassment scandal that has roiled the unit and its parent company.

"Fox News is focused on the U.S. market and designed for a U.S. audience and, accordingly, it averages only a few thousand viewers across the day in the U.K.," a spokesman said.

"We have concluded that it is not in our commercial interest to continue providing Fox News in the U.K."

A spokesman for Sky said the move was Fox's decision.

Fox News went off U.K. airwaves at 4 p.m. British time. Fed live from the U.S., its prime-time shows in the U.S. aired during Britain's wee hours. A person close to Fox said the channel's British operation lost money and aver-

aged only 2,000 viewers a day.

The person said the decision wasn't related to Fox's bid to buy Sky, which had been the only British broadcaster that aired Fox News.

Sky is a subscription service that offers Fox News as part of its offerings. Still, the decision could affect the proposed acquisition's regulatory gauntlet.

Fox's predecessor, News Corp., abandoned a bid to buy Sky in 2011 amid revelations that a newspaper it owned hacked into the phones of politicians and crime victims. The company apologized, closed the implicated newspaper, and spun off other newspapers

into a new company, which took News Corp. as its name.

Mr. Murdoch and his family are major shareholders in Fox and News Corp., which publishes The Wall Street Journal as well as British newspapers.

As of December 2016, Fox proposed acquiring the 61% of Sky it doesn't already own for £11.7 billion (\$15.1 billion). The bid won approval from European Union antitrust authorities in April. But British Culture Secretary Karen Bradley, who oversees media mergers in the U.K., said in June that she would likely refer the proposal to U.K. competition authorities after Britain's media

watchdog said the merger risked giving the Murdoch family too much control of the country's media.

Britain's media watchdog this year examined the sexual-harassment scandal. In June, the watchdog said it considered allegations of sexual and racial harassment at Fox News "extremely serious," but said there was no clear evidence that senior executives at Fox were aware of misconduct before the issue was escalated to them in July 2016, after which action was taken. Fox has said it is cooperating with U.S. government probes about the sexual-harassment claims.

21st Century Fox Takes Fox News Off Air in U.K.

TECHNOLOGY

WSJ.com/Tech

Google Readies Europe Search Changes

Plan would address an order to provide rivals equal treatment in shopping results

BY NATALIA DROZDIAK
AND SAM SCHECHNER

Alphabet Inc.'s Google has sketched out to the European Union's antitrust authority how it plans to implement the regulator's recent order to stop illegally tipping the scales in favor of its own comparison-shopping service, the EU said Tuesday.

The European Commission, which has for roughly seven years been investigating Google for breaching the bloc's antitrust rules in various areas, in June fined Google a record €2.42 billion (\$2.9 billion) for discriminating against rival comparison-shopping sites in search rankings.

As part of the decision, the EU at the time also ordered Google to overhaul its shopping search results by late September so that the company treats its competitors' offerings and its own shopping service equally. The changes would have to apply for users in all European countries where Google offers its shopping service. Google was due to notify the EU by Tuesday about how it plans to implement the decision.

"The commission can confirm that, as required by the commission decision, it has received information from Google on how the company intends to ensure compliance with the commission decision by the set deadline," an EU spokeswoman said. The EU



A Google booth at a Berlin digital conference this year. The EU's antitrust authority fined the company in June over search rankings.

didn't provide more details of the proposal and Google earlier declined to do so.

The commission has left it up to Google to decide how to change its service and doesn't have to sign off on the company's plans. But should the offered remedies fall short, the EU could issue additional penalties of as much as 5% of average daily global revenue for each day the regulator deems Google not to be in compliance with the decision.

Tuesday's proposals aren't the first time Google has attempted to resolve the EU's

concerns about how it displays rivals' products in its search results. Since the bloc opened the case in 2010, Google has made at least three separate settlement offers—only to watch them fall apart because the EU's executive arm ruled them insufficient, often under political pressure from Germany and France.

Google's final binding offer in February 2014, which the EU made public, would have changed results pages that display Google shopping ads to also include shopping results from rival companies.

Those results would have appeared in a shaded box next to Google's shopping ads, according to screenshots the EU published at the time to illustrate the proposed settlement.

That settlement extended beyond the shopping case to include Google specialized results for local search, which searches for nearby businesses such as restaurants, and for travel search, which includes flights and hotels.

Neither of those two categories of specialized results would be covered in Google's proposals Tuesday. The EU

continues to investigate Google's behavior with these and other specialized results as well as with its Android mobile-operating service and AdSense advertising service.

Behind the scenes, rivals from the German publishing business, and from U.S. firms such as Yelp Inc., had lobbied heavily for the executive arm to scrap the settlement deal.

The complainants objected that the placement they would receive—to the right of Google's own results—wasn't prominent enough. And they also complained Google would

make them bid for the space via an auction mechanism, essentially making money from the settlement.

Rivals could again file complaints to the EU if they find Google's remedies in the shopping case to be insufficient. Should the commission find any merit in the complaints, it could then penalize Google for not complying.

Google has to comply with the EU's order to change its

Should the offered remedies fall short, the EU could issue additional penalties.

behavior regardless of a potential appeal by the company to the bloc's higher courts.

Besides an appeal, Google could file for an injunction, or so-called interim measures, to pause the order to change its behavior, pending the outcome of the appeal. But the bar for that relief is high, according to legal experts, as Google would have to prove to a judge that implementing the EU's order would cause the company "serious and irreparable harm."

Nicolas Petit, an antitrust professor at the University of Liege, said past EU attempts to settle with Google could bolster the company's case in court if it chooses to appeal.

"Settlement discussions are not appropriate for cases which could end with fines," said Mr. Petit, which consequently could have left Google under the expectation there would be no fine in the case.

ADVERTISEMENT

The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

BUSINESS OPPORTUNITIES

ANNOUNCEMENTS

MEN'S SPECIALTY CLINIC

Local non-doctor owner-operators wanted. New clinically-proven, state-of-the-art European medical treatment uses acoustical waves to restore performance when pills fail. No surgery or needles. Huge profits, make \$4k+ per patient, all cash, no insur. Exclusive areas. \$99,700 inv. (800) 241-1070

BUSINESS FOR SALE

PERFECT B&B DREAM OPPORTUNITY. FULLY RENOVATED TURN KEY WITH SUCCESSFUL OPERATING RESTAURANT

Never before on the market. One of a kind OPPORTUNITY in America's #1 Travel Destination, Charleston, SC. Principals only. Serious dreamers only. 843.725.9393

BUSINESS OPPORTUNITIES

EARN 22-30% ANNUALLY INVESTING IN NJ WATERFRONT REAL ESTATE PROJECT.

THIS INVESTMENT IS ALMOST FULLY FUNDED SO CALL OR EMAIL FOR DETAILS.

BEN LYONS/
LYNK CAPITAL
410-258-3903

www.LYNKCapital.com

MOBILE HOME PARK OWNERS

Would you like to:

- Increase Monthly Cash Flow OR
- Cash Lump Sum and Monthly Cash Flow

WITHOUT Selling or Refinancing

John Yeandle
714-221-1103
JYeandle@santiagocorp.com

CAPITAL WANTED

Capital Needed

Bridge loan of \$3.5 mil or \$5.5 mil term loan. Real estate for collateral. Principals only, no brokers. 918-804-8030

TRAVEL

Save Up To 60% First & Business INTERNATIONAL

Major Airlines, Corporate Travel
Never Fly Coach Again!
www.cooktravel.net
(800) 435-8776



Logistics-software companies help to make deliveries more reliable.

'Amazon Effect' Engenders Deals For Tracking Firms

By JENNIFER SMITH

A growing number of companies are paying to track in real time everything from truckloads of pork chops to shipping containers full of exercise equipment.

Logistics providers, retailers and suppliers are signing deals with software companies that use location data and weather and traffic information to monitor shipments and alert customers to events that could hold up delivery, such as a loaded truck sitting in a yard for more than an hour.

This month, supply-chain software company **Descartes Systems Group** bought MacroPoint LLC, which provides location-based truck tracking, for \$107 million. Descartes already tracks ocean, air and parcel delivery for customers such as **Home Depot** Inc. and **CVS Health** Corp., as well as some trucking. Other so-called visibility startups are broadening their scope, adding services such as real-time temperature tracking.

The need for these services is growing as retailers and shoppers demand faster, more precise delivery. Many **Amazon.com** Inc. customers have become accustomed to reliable two-day shipping, forcing other retailers to offer similar service. Businesses are making new demands of their suppliers as they trim inventories and reduce supply-chain costs. Wal-Mart Stores Inc. in July said it would penalize companies that made deliveries too late or too early.

"It's the Amazon effect—customers are putting more pressure on their supplier to know where their product is," said Bart De Muynck, a supply chain analyst with Gartner Inc. Mr. De Muynck said he expects

more tracking startups to get snapped up by larger software companies.

Pork producer Smithfield Foods Inc. hires more than 230 trucking companies to ship about 1,000 truckloads of product in the U.S. a day.

"Managing that is an awful lot of phone calls," said Dennis Organ, Smithfield's senior vice president of supply chain.

Smithfield's on-time delivery rate improved to 94%, from 87%, after it began tracking truck freight with software from **FourKites** Inc. Smithfield plans to test its use for ocean freight, Mr. Organ said, and is incorporating a new temperature-tracking feature introduced in June.

Some businesses are using delivery speed as a way to compete on service. "We have a customer in Australia selling sand for a premium price because they can do time-definite, same-day delivery, with a one- or two-hour window," said Chris Jones, executive vice president of marketing and services for Descartes.

On Tuesday, logistics-software company Convey, which specializes in last-mile delivery tracking, said it raised \$8.25 million in a Series B funding round led by Techstars Venture Capital Fund. The firm, whose platforms are largely used by retail clients such as Wal-Mart's Jet.com, plans to focus on international supply chains and expand into additional markets, such as medical devices and construction and building materials.

Ingram Micro Inc.'s e-commerce fulfillment unit has been using Convey's software since February to monitor clients' shipments of apparel, electronics and other items from China to consumers' doorsteps.

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

Available buildings and land for new construction

Available skilled workforce

Access to highway, rail and water ports

You will be in good company with the following businesses:

Berk Enterprises, distributing food service disposables, janitorial and maintenance supplies to a variety of customers across North America.

Anderson DuBose, with an inventory that includes more than 800 food-related items shipped directly to regional McDonald's and Chipotle restaurants.

Taylor Steel, Inc., providing hot rolled, cold rolled and coated steel in a wide range of gauges, widths and grades since 1967.

Things Remembered, producing personalized merchandise for shipment to regional retail stores as well as fulfillment of website and catalog orders.

For more information about locating or doing business in the Youngstown-Warren area, contact:



Sarah Boyarko
Senior Vice President, Economic Development
Sarah@regionalchamber.com
330.744.2131, ext. 1108 • regionalchamber.com

MANAGEMENT

Corporate World Recruits Generals

Their leadership skills are seen as suited to the 'fog of business'; the Battle of Gettysburg as a teaching tool

By VANESSA FUHRMANS

At companies across America, generals are bringing battlefield lessons to business.

Software maker Red Hat Inc. and computer-security firm Symantec Corp. are among the employers turning to generals for help on numerous fronts, from corporate governance to grappling with cyberwarfare. At not-for-profit Florida Hospital, a retired general is developing global partnerships and leadership talent, while Finland's Cargotec Oyj has one running its rough-terrain-equipment unit in Texas.

Military brass have gained clout in the White House, too. Often referring to them as "my generals," the president has tapped a trio of leaders to impose order and shape his national-security policy. Retired Marine Corps Gen. John Kelly swiftly brought a forceful management style to his job as the president's new chief of staff, staffers say, while both Republicans and Democrats see Defense Secretary Jim Mattis, also a retired Marine Corps general, and national security adviser H.R. McMaster, an Army lieutenant general, as calming forces in a turbulent presidency.

Discipline, though, is only one of the traits companies say military leaders bring to boards and management teams.

In the fog of war, and in peacetime, generals are trained to anticipate unknown risks, build high-functioning teams and make quick, strategic decisions in high-pressure situations.

"They are the same traits necessary in the fog of business," says Henry Stoever, a captain in the Marine Corps who is now chief marketing officer of the National Association of Corporate Directors.

The group has put some 500 retired generals and admirals through a three-day course to prepare them for



Stephen Speakes addressed staff this month. The retired Army general heads a Texas unit of cargo-equipment maker Cargotec.

corporate board duty; half of them now sit on private and public boards, including those of Wells Fargo & Co., USA Truck Inc. and aerospace supplier Wesco Aircraft Holdings Inc.

'The people on the line will tell you in a heartbeat what's going on and why.'

Companies, especially those in crisis, covet the reputational boost that comes from seeking the counsel of a former military leader, says Wendy Monsen, president of executive recruiter Korn/Ferry's federal-government practice. Whereas more than three-quarters of

Americans trust the military to act in the public's interest, according to a 2016 Pew Research Center survey, only 41% feel the same way about business leaders.

For companies seeking cybersecurity skills or geopolitical know-how, "general officers end up on our short list quite a bit for industry clients," says Ms. Monsen.

However, outside the defense industry, military brass remain rare in c-suites and boardrooms. The number of top executives who once served has shrunk over the decades as Vietnam War-era veterans have retired. Among S&P 500 firms, only 13 are led by former service members, and just under 5% of their combined board members are veterans, according to S&P Global Market Intelligence data.

Rather than barking or

ders and enforcing hierarchy, military leaders who succeed in the corporate world know how to coax different groups into collaborating, says retired Army Maj. Gen. Michael J. Diamond, an organizational leadership consultant.

Before her retirement in 2013, Maj. Gen. Suzanne Vautrinot led the U.S. Air Force's cyber operations. She has parlayed that expertise into board seats at companies such as Wells Fargo and water-treatment- and cleaning-products maker Ecolab Inc.

Like many senior officers in the private sector, Gen. Vautrinot urges others not to use her Air Force title, and instead call her "Zan." Ecolab Chief Executive Doug Baker says her disarming style lets her push her points without ruffling feathers. "Think about that generation of women generals," he says.

"You have to have pretty good [emotional intelligence] skills, and she does."

Gen. Vautrinot says she examines company strategies much like military leaders are trained to do: "You're looking at the future and connecting the dots, and you're looking at the risks," she said. "If the assumptions that went into the strategy change, how do you think about adjusting?" The approach "isn't unique to me as a military member," she says, "but it is inherent."

Lt. Gen. Mark Hertling brought disparate brigades and regiments into a cohesive force as commander of the U.S. Army Europe. Similar challenges awaited when he joined Florida Hospital in 2013. Hired to develop idea-exchanges and other partnerships abroad, he soon after was asked to devise a

leadership course for doctors, in part to improve collaboration with administrators and get physicians more involved in broader decisions at the 32,000-employee hospital group.

Gen. Hertling's course culminates in several dozen doctors, nurses and administrators going to Gettysburg, Pa., each year. There, he assigns each to be a different figure in the pivotal Civil War battle; afterward the staff discuss how the lessons apply to health care. "They really dig into that person's personality and see how their achievements or dysfunctions contributed to the bigger disaster or accomplishment," he says.

Generals learn lessons, too. After retiring from the Army seven years ago, Lt. Gen. Stephen Speakes developed enterprise strategy at financial-services firm USAA for three years before he was let go. In hindsight, he says he failed to grasp the need to build consensus around his decisions and didn't recognize when colleagues weren't on board.

"In my old days, I was a decision-making machine. It was a quick look around the room and if no one had objections, it was go," he says. "In the corporate world, once you make a decision, you have to continue to sell its execution."

Now rounding his fourth year as CEO of Kalmar Rough Terrain Center LLC, a Texas unit of cargo-equipment maker Cargotec, Gen. Speakes says he has learned to encourage staff input and allow time for them to get behind ideas.

He keeps up other practices honed during his 35-year military career, such as making sure he knows the situation on the ground, frequently holding company meetings on the plant floor. "When manufacturing companies get too big, the leaders leave the manufacturing floor," he says. But "the people on the line will tell you in a heartbeat what's going on and why."

WORKAROUNDS

A Nudge Can Help Workers Save More

There is new evidence that employers can help persuade even their most stubborn employees to save more for retirement.

When the state of North Carolina's retirement division sent email "nudges" to older public employees taking part in its supplemental savings plans, those workers were more likely to reassess their savings strategies or increase their contributions, according to the findings of a working paper by the National Bureau of Economic Research.

The results suggest employers can have an impact on employee retirement beyond simply offering savings plans such as 401(k)s and 457s.

Even though companies leave retirement-savings plans to outside vendors like Prudential Financial Inc. and the Vanguard Group, it is important for employers to encourage workers to periodically reassess their retirement

security, says Robert Clark, a professor of economics and management at North Carolina State University and one of the study's authors.

"Encouraging workers to be prepared for retirement is certainly in a company's interest," says Mr. Clark. "An employer obviously wants satisfied workers as well as satisfied retirees."

The North Carolina experiment, conducted in 2014, involved a sample of 14,710 active workers 50 through 69 years old.

As private employers have shifted away from traditional pensions, Americans are less prepared for retirement. Financial experts advise individuals to save eight to 11 times their annual incomes to maintain their standard of living in retirement, but the average working household has virtually no retirement savings, according to the nonprofit National Institute on Retirement Security.

The median retirement account balance for all working-age households in the U.S. is \$3,000; for near-retirement households, it is \$12,000.

—Francesca Fontana

BUSINESS WATCH

ABBOTT LABORATORIES

Pacemakers Gain Hacking Protection

Abbott Laboratories released new software updates designed to protect hundreds of thousands of implanted pacemakers from external hacking that could harm heart patients, and to guard against dangerous battery depletions in a different cardiac device linked to two patient deaths.

U.S. health regulators flagged the safety risks of the devices and issued a blistering warning letter earlier this year criticizing Abbott's handling of the problems.

Abbott acquired the products with its \$23.6 billion purchase of St. Jude Medical in January and said the issues cited in the warning letter occurred before the deal closed.

—Peter Loftus

After publication, the Times corrected the article, noting that there was no evidence of a link between Ms. Palin's activities and the shooting.

—Imani Moise

Positions available with McKinsey & Company, Inc. in New York, NY, Summit, NJ & Stamford, CT. Determine & apply appropriate analytical skills & tech expertise to mgmt consult engagements & complete discrete pieces of study or work stream such as data gathering, factual & stats analysis incl mathematical modeling & synthesis of findings for specific problem. Meet w/ clients assess their needs & collect appropriate data through written surveys, interviews & the like. Min ed req's are a Bachelor's in Bus Admin, Fin, Econ, or non-business undergraduate degree. Applicants for these positions must have 2 yrs exp as a Business Analyst with a major-top tier int'l management consulting firm. Domestic & international travel typically required. Destination & frequency impossible to predict. Email your resume to CO@mckinsey.com and refer to NY0813. No phone calls please. EOE:

Senior Business Analyst
Deutsche Bank seeks a Senior Business Functional Analyst, Chief Data Office in New York, NY to work with data sourcing and business teams to analyze data quality issues and ensure prioritization. Requires a Master's degree in Information Systems, Computer Science, or related field or equivalent and two (2) years of experience working with data quality issue management and resolution processes for a global financial services institution. Must include at least two (2) years of experience producing analyses of risk reporting systems, data flows, and conversions; performing data aggregation and analysis to create management reports; engaging with business stakeholders to capture requirements in Business Requirement Documents (BRD); translating business requirements into functional requirements by writing Functional Specification Documents (FSD) for software developers; analyzing business and functional requirements and providing support in test case design; performing User Acceptance Testing (UAT) utilizing Software Development Life Cycle (SDLC) methodologies including Waterfall and Agile; working with ITIL based processes, including change management, incident management, knowledge management, release management, disaster recovery, problem management, and capacity management. Apply to www.db.com/careers and search by professionals, keyword MT0617.

Data Scientist
Davidson Kempner Capital Management LP seeks a Data Scientist in NY, NY to assist the Distressed Investments, Long/Short Equity, & Merger Arbitrage groups in utilizing data to improve investment decisions. Req'mts: Master's in Applied Stats, Math, or rel quantitative field or equiv. & 2 yrs of exp using statistical models, machine learning algorithms, data mining techniques & big data architectures to analyze noisy and/or complex datasets. Prior exp must incl 2 yrs of performing independent quantitative research using stat, modeling & data visualization methodologies; evaluating structured & unstructured data; utilizing SAS suite, R, Python, & SQL; working w/AWS & Linux/Windows svrs; & analyzing historical & point-in-time data to assist in making data-driven bus decisions. Send resumes to baron@dkpartners.com & indicate job code KW0817. NO CALLS PLS. Davidson Kempner Capital Management LP is an EOE:

Engagement Manager
Engagement Manager positions available with McKinsey & Company, Inc. in New York, NY, Summit, NJ & Stamford, CT. Lead teams of consultants to resolve complex business problems for a variety of clients in a variety of industries. Direct, plan & implement the approach & objectives for the entire engagement/study & dvp communication strategy for clients. Confer with clients to set strategic direction of consulting engagement. Min ed req's are a Master's in Bus Admin, Fin, Econ, or non-business advanced degree. Applicants for these positions must have 1 yr exp as an Associate-level management consultant with a major top-tier int'l management consulting firm. Domestic & international travel typically required. Destination & frequency impossible to predict. Email your resume to CO@mckinsey.com and refer to NY0813. No phone calls please. EOE:

Associate
Deutsche Bank seeks an Associate, Senior Business Functional Analyst, Chief Data Office in New York, NY to work with data sourcing and business teams to analyze data quality issues and ensure prioritization. Requires a Master's degree in Information Systems, Computer Science, or related field or equivalent and two (2) years of experience working with data quality issue management and resolution processes for a global financial services institution. Must include at least two (2) years of experience producing analyses of risk reporting systems, data flows, and conversions; performing data aggregation and analysis to create management reports; engaging with business stakeholders to capture requirements in Business Requirement Documents (BRD); translating business requirements into functional requirements by writing Functional Specification Documents (FSD) for software developers; analyzing business and functional requirements and providing support in test case design; performing User Acceptance Testing (UAT) utilizing Software Development Life Cycle (SDLC) methodologies including Waterfall and Agile; working with ITIL based processes, including change management, incident management, knowledge management, release management, disaster recovery, problem management, and capacity management. Apply to www.db.com/careers and search by professionals, keyword MT0617.

Vice President
Vice President positions available (NY, NY): Research various elements of the private equity market, including trends & specifics of general partners (GPs) & Limited Partners (LPs), macro- & micro-economic dynamics, & legal, regulatory, & compliance matters within the financial services industry. Complete various analyses on regional markets to enable deal teams to benchmark players in industries & markets & predominant capital flows from various sources of capital. Monitor the drafting process of primary (Private Placement Memoranda, Due Diligence Questionnaire, & pitch book) & ancillary fundraising materials. Responsible for deal management & communicate with GPs throughout the process. Assist with pitch preparation & specific tailored analyses in support of the origination function. Generate origination leads & ideas to win preferred business. Build & maintain LP relationships. Req's Master's deg plus 2 yrs exp. or Bachelor's deg plus 5 yrs exp. FINRA Series 7 license required. Please forward your resume to Asante Capital Group Advisors LLC, HR, Ref# MT-AC-1, 575 Lexington Ave., 4th Fl., NY, NY 10022. No phone calls. EOE:

Audit
Morgan Stanley Services Group Inc. seeks Audit Coverage (ISG Product Operations) Director in NY, NY to coordinate Ops audits globally, focusing on ISG bus. Req's Bachelor's in Fin, Bus Admin, Econ, or rel field of study & 5 yrs exp in position offered or 5 yrs exp as Auditor, Bus Risk Advisor, or rel audit or risk assessment role. Will accept any amount of exp w/including studies, regulatory, collateral, franchise risk, booking of structured transactions, & impact to capital & liquidity & legal entity restrictions; securities req's impacting Op's processes, such as institutional product op's; managing audit progs, incl identifying & evaluating key risks, setting audit scope, determining budgets, & staff assignments; & writing & reviewing audit reports, incl providing clear & concise findings, & finalizing through discussions w/sr client mgmt. To apply, visit <http://www.morganstanley.com/aboutcareers/careersearch.html> Scroll down & enter 3096542 as "Job Number" & click "Search jobs." No calls please. EOE

Careers

Careers</p

THE PROPERTY REPORT



Retail Pain Cuts Property-Tax Take

By ESTHER FUNG

Cushman & Wakefield estimates that the number of store closures this year will reach at least 8,000. That would be up from more than 4,000 in 2016.

More retail landlords are defaulting on securitized loans than owners of other property types. In the first seven months of 2017, the loan balances of these defaulted mortgages increased roughly 20% to \$1.34 billion, according to data from Trepp Inc.

Buyers of struggling malls that pay low prices often quickly pursue a reassessment of the property to lower the tax bill. Assessors say more store owners and mall landlords are lodging appeals for a lower assessed valuation for their shopping centers and malls.

Property-tax bills are some shopping-center owners' biggest expense, outpacing salaries and rents.

Some landlords appealing assessments point to the declining amount of sales taxes being generated by their stores. Others cite market conditions in the region, such as sales prices of vacated stores.

In the Kohl's case, the retailer challenged the Howard County assessor's valuation for 2010 to 2012. The retailer's appraiser looked at sales of what the appraiser said were comparable retail property in the Midwest, including former Wal-Mart and Kmart stores.

These properties were sold for prices ranging from \$5.13 to \$63.65 a square foot. Howard County Assessor Mindy Heady hired another appraiser who opined that only one property that sold at \$63.65 a square foot was comparable. The others were in markets with smaller demographics.

Kohl's didn't respond to requests for comment.

Investors Circle for Deals

BY PETER GRANT

facing in several markets.

To be sure, no one expects the kind of carnage that commercial property suffered during the last downturn, which cost investors billions. Many property types—like downtown office buildings and distribution centers—continue to enjoy rent growth and have access to ample financing at low interest rates.

But some analysts point out that commercial property typically runs in cycles, and it is in one of the longest-running bull markets in recent memory. Lately, the pace of sales volume has slowed, which often is a sign that the market is at or near its top.

"There's a drop coming just like when you get to the top of a roller coaster," said Michael Shah, chief executive of Delshah Capital, which is planning to raise a \$200 million fund to focus on distressed opportunities.

At the same time, values have started falling for some

property types, like shopping centers, suburban office buildings and hotels in some markets. These values are measured in terms of yields—or capitalization, or "cap," rates—which rise as prices fall. According to a recent survey by CBRE Group Inc., the property type that suffered the greatest decline in value from the second half of 2016 to the first half of 2017 were retail "power centers," where typically two or three big-box stores are surrounded by other retail and parking. Their average cap rate rose to 7.31% the first half of this year, compared with 6.92% six months earlier.

The rate of owners falling behind on loan payments also has increased this year. In July, a Moody's Investors Service delinquency tracker of a popular type of commercial mortgage-backed security was at 6.7%, compared with 6% at the end of 2016. That is well below the peak of 10.1% the

tracker hit in July 2012. But the current number is much higher than the tracker was at in 2008: 0.5%.

Executives at firms raising distressed funds say the market offers different opportunities than previous cycles because of the large number of nontraditional lenders—like mortgage real-estate investment trusts and private-equity firms—that have been active in recent years.

Apollo Commercial Real Estate Finance Inc., a mortgage real-estate investment trust, provided a \$325 million mezzanine, or junior, loan behind a \$400 million construction loan for a condominium project on 57th Street in Manhattan known as the Steinway building. Since then, a battle among equity investors has spilled into court.

Apollo this year sold at par a \$25 million junior piece of its loan to another investor, said Stuart Rothstein, chief executive of Apollo Commercial.

Retail sales and occupancy rates are falling in many parts of the U.S., partly because of oversupply of stores and competition with online retailers. That has meant lower property values, lower tax collections and—in some cases—less to pay teachers and firefighters.

But property owners and retailers say lower tax bills, which are a large part of operating costs, will help to keep them in business. "This is one of the ways to lower operating costs, and the new owner would then be able to negotiate better deals with tenants and keep them in the mall," said Thomas Dobrowski, executive managing director of capital markets at real-estate-services firm Newmark Knight Frank.

National statistics aren't available on reduced tax assessments and refunds for retail landlords. But the sector clearly is suffering reduced property values as landlords face more pressure these days from department stores and other tenants downsizing or filing for bankruptcy protection. Property-services firm

Homes For Our Troops

Our homes enable injured Veterans to

REBUILD THEIR LIVES

Join us in our mission to build and donate specially adapted custom homes for severely injured Post-9/11 Veterans.

Learn more at www.hfotusa.org



A HISTORY OF EXCELLENCE
HFOT is evaluated as one of America's
Top-Rated Veterans and Military Charities



THE PROPERTY REPORT

In Houston, the Fallout Begins

By ESTHER FUNG

Houston's office and retail real-estate markets are likely to get hurt by lost business in the weeks and months immediately following Hurricane Harvey.

But some commercial-property types may actually benefit in Harvey's aftermath. After past major natural disasters, like superstorm Sandy in 2012, demand increased for self-storage and hotel rooms as New York and New Jersey dried out and rebuilt.

That is the initial conclusion of real-estate industry executives and analysts predicting the long-term impact of Harvey.

The full impact of the Category 4 storm, which hit the Texas coast on Friday, likely won't be known for months. First responders on Tuesday were still evacuating victims from flooded areas as the record rainfall continued.

Still commercial-property owners, lenders and analysts already have begun to assess damage and analyze the impact on landlords and their lenders. Most are covered by property and business-interruption insurance, but that doesn't mean they have nothing to worry about.

Roughly 2,900 commercial properties with about \$29.6 billion of debt that was sold as commercial mortgage-backed securities was in the storm area, according to an analysis of 54 Harvey-hit counties by data firm Trepp Inc. Banks, insurance companies and other lenders also hold billions of dollars of debt backed by real estate in the affected region.

Business-interruption insurance policies typically have indemnity periods between 12 and 24 months, said Darrell Wheeler, Standard & Poor's global head of structured-finance research. If disruptions aren't rectified by then, own-

ers would incur more losses, he said.

Sandy incurred \$19 billion in damage and economic loss, according to an analysis by a recovery initiative convened by New York City. The total damage from Hurricane Katrina in 2005 reached \$108 billion, according to the Federal Emergency Management Agency.

The Houston region should be able to recover more quickly than Louisiana did from Katrina because it is above sea level and should be able to drain more quickly, Mr. Wheeler said.

Houston's office market was hurting before Harvey because of problems in the energy sector, a big employer in the region. Office vacancy rates in the second quarter reached 18.8%, the highest rate since 1994, according to data from real-estate-services firm Colliers International.

The devastation in the area

could amplify the problems for office landlords who are facing big lease expirations soon, Manus Clancy, senior managing director at Trepp, said in an email. "An extended inability to show, renovate or release those offices could be impactful."

The storm and its aftermath may also prove to be painful for retail landlords because of a decline in shopping as stores remained closed due to flooding or the lack of electricity.

"The disruption in the area is likely to last two to three months," said David Marcotte, senior vice president at consulting firm Kantar Retail, adding that stores might spend two to three weeks without power. He said there would also be pent-up demand for goods afterward as people fix their homes and replenish their refrigerators.

In the aftermath of Sandy, numerous large retailers—including Target Corp., Nordstrom Inc. and Gap Inc.—fell short of projections partly because of the storm.

On Tuesday, shares of Whitestone REIT, which owns 15 retail centers in the Houston area, fell 0.3% after dropping 4.9% on Monday.

Whitestone REIT said preliminary reports showed that Harvey caused only minor damage to the company's community-center properties in Houston, Austin and San Antonio, and all of its properties in the region are operational.

Harvey's impact on hotel owners could be mixed. Analysts say many business and leisure travelers will steer clear of the region in the short term. But hotels may also see an increase in business from displaced residents.

"We are seeing additional demand throughout the state, but there is still availability in most markets," said Scott Joslove, chief executive of the Texas Hotel & Lodging Association in an email.



The debris from a family business in Katy, Texas. Some commercial properties like hotels and self-storage facilities may benefit in Harvey's aftermath, real-estate analysts and executives say.

ADVERTISEMENT

Business Real Estate & Auctions

To advertise: 800-366-3975 or WSJ.com/classifieds

LOUISIANA

ACCELERATED E-SALE

Online Bidding September 26th - 29th

Carmel Inn and Suites

400 E. First St., Thibodaux LA 70301 (at Hwy.1)
 • 94 Guest Rooms
 • Includes Bridal Suite & King Suite
 • Kitchen
 • Hot Breakfast Dining Room
 • Fitness Room, Outdoor Pool
 • Separate House/Apartment

504.468.6800

D. Gilmore | LA Auction Lic.# 447

www.CarmellInnAuction.com

MAINE

REAL ESTATE AUCTION
17-185 Bar Harbor Corridor
169-171 Bar Harbor Rd., Rt. 3
Trenton, Maine

51,600+-SF Event Center/Office Complex - 7+/- Acres \$19,000 2yr. NNN Lease

Auction Date - Wednesday, September 27th at 11AM on SitePreview Date - Wednesday, September 13th from 10AM-12PMFor Terms & Details Visit www.KeenanAuction.comOur 45th Year & 7,650th Auction. Richard J. Keenan #236.

AUCTIONS

NEW HAMPSHIRE

AUCTION
127± ACRES
Res. Dev. Land

24 Brook Rd., Amherst, NH

ABUTS CONSERVATION LAND within 15± Miles of Nashua, Manchester & MA Border

Appraisals in Info Package

Thursday, September 21

Auction On-Site at 11am

JJ Manning
AUCTIONEERS

Info, Broker Reg., Terms & More at:

www.JJManning.com

800.521.0111

NH Lic # 6018 Ref# 17-1741

CALIFORNIA

COLDWELL BANKER COMMERCIAL WESTMAC**FOR SALE**

Beverly Hills

La Cienega and Beverly Hills

\$12.8M

215lacienga.com

T.C. Macker agent BRE# 01232033

310-966-4352 / tcmacker@westmac.com

NORTH CAROLINA

tranzon® auction**Bankruptcy: Former Spa/Event Venue and 3.67± AC Dev. Site Near Emerald Isle, NC**Info: tranzon.com/FX1879

Tranzon Fox | NCAF 4953

TRANZON.COM

910.297.5141

SOUTH CAROLINA

PRIME COMMERCIAL PROPERTY

141 Meeting Street | 174 King Street Charleston, South Carolina

Class A commercial office space for sale in historic Charleston, South Carolina. Former SCE&G Operations buildings with over one acre fronting Meeting and King Streets. Meeting St. facility 14k sf, King St. facility 3.2k sf and associated banking style 3 bay drive-through.

Property information and bid package: land.scana.com (803) 217-9171

INVESTMENT PROPERTIES

**CBRE**

Retail:

High Profile Center on Freeway 78

\$23,000,000

83,230 SF

Oceanside

Reg Kobzi CBRE

858-546-4604

real estate auctionsWILLIAMS & WILLIAMS
Worldwide real estate auction**80+ Commercial Property Real Estate Auction**

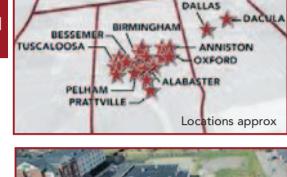
Many Sell Without Reserve!

10am Friday Sept 29
at Embassy Suites, 2410 University Blvd
Tuscaloosa, AL

- Includes ready to build lots, development land, vacant & leased buildings, Anchor Conference Center, and wooded recreation land.
- Includes open to the public and online bidding is available through auctionnetwork.com

- Visit the **Auction Information Center**, located at 1395 McFarland Blvd East, Tuscaloosa, Fridays & Saturdays from 9-6 and Sundays from 2-5, or by appointment, or go to williamsauction.com for complete due diligence packages.

Pre-Auction Offers Encouraged!



Also Seeking Investment Partner for Premier Commercial Redevelopment Opportunity Call 918.362.6565 for details

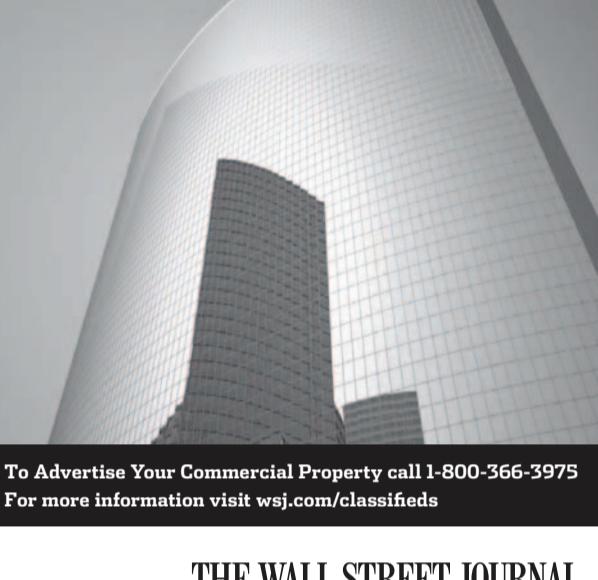
800.801.8003 • williamsauction.com/SEPortfolio

AL Daniel Nelson Re Lic 94692-0. Williams & Williams Auc Lic C-6. Thomas Barnes Auc Lic 1024.

* Property List Subject to Change

Commercial Real Estate

A Platform as Powerful as the People Who Use It.



To Advertise Your Commercial Property call 1-800-366-3975

For more information visit wsj.com/classifieds

THE WALL STREET JOURNAL.

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

AUCTIONS

BANKRUPTCY TRUSTEE'S AUCTIONS**4 Fully Leased Multi-Family Properties Located in Baltimore City**

Auctions to be held on the respective premises and online through our website.

Tuesday, September 12, 2017

12:00 PM 18-22 W. 27TH ST. • BALTIMORE, MD 21218

Fully Leased 22 Unit Apartment bldg. in the Charles Village neighborhood

Known as "The Peabody."

1:00 PM 1900 MARYLAND AVE. & 100-102 W. NORTH AVE. BALTIMORE, MD 21218

Fully Leased 2-Building Apartment Assemblage Totaling 15 Residential Units in the Station North Arts and Entertainment District Known as "The Royalton."

Thursday, September 14, 2017

12:00 PM 2300-2302 OCALA AVE. & 2900-2904 REISTERSTOWN RD. BALTIMORE, MD 21215

Fully Leased Apartment Complex Containing 36 Units Overlooking Druid Park.

1:30 PM 800-818 E. EAGER ST. 1002-1024 HILLMAN ST. & 1003-1025 HOMEWOOD AVE. • BALTIMORE, MD 21218

Fully Leased Assemblage Comprising 40 Townhomes and 2 Duplexes (with Individual Tax Accounts) Located in the "Johnston Square" Neighborhood.

Call Nick Luciani at 443-465-4761. Deposits & full terms/conditions available online.

ALEX COOPER800-272-3145 • WWW.ALEXCOOPER.COM**real estate auction****Aurora, CO Prime Commercial Land 8+/- Acres in 2 Parcels**

Prime commercial land offers a unique development opportunity along heavily traveled Chambers Road, with frontage. New construction building sizes can range from 10,000 to 52,000 SF. Quick access to I-70, I-225 and I-270. Minutes from Denver International Airport. Utilities close by.

- 3550 Chambers Road 4.24+/- acres currently zoned M-1 (Light Industrial).
- 3600 Chambers Road 3.77+/- acres currently zoned B3 (Ind/Comm).

Above properties auction: 11am, Thursday September 28 at 3550 Chambers Road, Aurora, CO or bid online at auctionnetwork.com

Also Auctioning in September

COMMERCE CITY, CO • Corner of 99th & Dallas

2.64+/- ac of Industrial land (zoned I-3).

Nominal Opening Bid: \$10,000

Bid Online Only September 24 - 27

800.801.8003 • williamsauction.com/COWILLIAMS & WILLIAMS
Worldwide real estate auctionCO PHILIP R. HEILIGER RE LIC FA100037930, WILLIAMS & WILLIAMS RE LIC EC100036900.
BUYER'S PREMIUM MAY APPLY.



Heard on the Street

Agenda-setting investment insight

Heard on the Street brings you sophisticated analysis on the economy, business and global market trends that matter most to investors. Get fresh perspectives, compelling data and concise commentary, updated throughout the day.

[Sign up at WSJ.com/Heard](http://WSJ.com/Heard)

THE WALL STREET JOURNAL.
Read ambitiously

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Industrial Average	21879.22	21673.58	21865.37	56.97	▲ 0.26	22118.42	17888.28	18.5	10.6	8.5
Transportation Avg	9246.80	9086.38	9237.18	80.22	▲ 0.88	9742.76	7755.40	16.8	2.1	3.2
Utility Average	750.32	746.15	746.47	-1.69	-0.23	748.16	625.44	12.2	13.2	9.8
Total Stock Market	25297.28	25083.45	25268.17	17.17	▲ 0.07	25692.25	21514.15	12.2	8.6	6.5
Barron's 400	635.20	630.22	634.50	-0.75	-0.12	661.93	521.59	14.3	5.5	5.5
Nasdaq Stock Market										
Nasdaq Composite	6311.26	6228.73	6301.89	18.87	▲ 0.30	6422.75	5046.37	20.7	17.1	11.2
Nasdaq 100	5871.79	5785.22	5862.14	24.06	▲ 0.41	5950.73	4660.46	22.7	20.5	12.8
Standard & Poor's										
500 Index	2449.19	2428.20	2446.30	2.06	▲ 0.08	2480.91	2085.18	12.4	9.3	6.9
MidCap 400	1708.55	1695.87	1706.68	-1.31	-0.08	1791.93	1476.68	8.7	2.8	5.9
SmallCap 600	829.11	821.78	828.26	0.12	▲ 0.01	876.06	703.64	9.5	-1.2	7.2
Other Indexes										
Russell 2000	1385.19	1371.80	1383.68	1.45	▲ 0.11	1450.39	1156.89	11.0	2.0	5.6
NYSE Composite	11801.41	11728.98	11791.88	-8.34	-0.07	12000.02	10289.35	9.2	6.6	2.2
Value Line	509.79	505.93	509.50	-0.10	-0.02	533.62	455.65	5.1	0.7	0.4
NYSE Arca Biotech	4061.83	3961.79	4046.30	46.86	▲ 1.17	4075.95	2834.14	23.9	31.6	8.9
NYSE Arca Pharma	523.34	519.16	522.76	0.01	▲ 0.002	549.20	463.78	0.1	8.6	-0.1
KBW Bank	93.22	92.16	92.98	-0.70	-0.75	99.33	69.71	28.3	1.3	9.2
PHLX® Gold/Silver	90.92	88.38	89.38	0.20	▲ 0.22	101.55	73.03	-2.7	13.3	-4.4
PHLX® Oil Service	121.26	119.09	121.16	0.69	▲ 0.57	192.66	117.79	-23.9	-34.1	-25.7
PHLX® Semiconductor	1087.32	1070.08	1084.86	2.24	▲ 0.21	1138.25	768.37	35.3	19.7	18.9
CBOE Volatility	14.34	11.48	11.70	0.38	▲ 3.36	22.51	9.36	-10.8	-16.7	-0.8

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
iShares MSCI Emg Markets	EEM	7,460.5	44.71	0.02	0.04	44.72	44.33
Van Eck Vectors Gold Miner	GDX	4,070.7	24.48	0.06	0.25	24.48	24.38
SPDR S&P 500	SPY	3,241.2	244.89	0.04	0.02	245.08	244.23
Bank of America	BAC	2,471.5	23.64	0.06	0.25	23.68	23.50
Regions Financial	RF	2,424.6	14.16	...	unch.	14.16	14.12
WPX Energy	WPX	1,851.3	9.73	-0.01	-0.10	9.74	9.72
Annaly Capital Mgmt	NLY	1,537.9	12.36	0.01	0.08	12.36	12.35
Twitter	TWTR	1,453.3	16.93	...	unch.	16.95	16.93

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Intra-Cellular Therapies	ITCI	32.9	18.20	2.30	14.47	18.63	15.79
Sonic Automotive Cl A	SAH	12.9	18.70	2.20	13.33	18.70	16.44
AeroVironment	AVAV	64.1	43.15	3.80	9.66	43.15	39.08
Vitamin Shoppe	VSI	7.8	5.25	0.25	5.00	5.50	5.00
Chico's FAS	CHS	54.9	8.20	0.37	4.73	8.25	7.82

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
H&R Block	HRB	311.8	28.02	-1.21	-4.14	29.55	27.26
ScanSource	SCSC	10.7	37.55	-1.45	-3.72	39.10	37.25
Barnes Noble Education	BNEF	16.8	6.60	-0.22	-3.23	6.84	6.60
Quorum Health							

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open	interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.		Open	High	hi	lo	Low	Settle	Chg	Open	interest
Aug 3,0825 3,0935 ▲ 3,0795 3,0810 0.0160 270										
Dec 3,0925 3,1215 3,0765 3,1045 0.0185 212,556										
Gold (CMX)-100 troy oz.; \$ per troy oz.										
Aug 1318,80 1323,80 ▲ 1314,00 1313,10 3,40 616										
Oct 1315,60 1328,20 ▲ 1306,90 1315,30 3,50 64,032										
Dec 1320,50 1331,90 ▲ 1310,60 1318,90 3,60 418,934										
Feb'18 1324,60 1335,00 ▲ 1315,00 1322,70 3,80 28,091										
June 1332,20 1342,60 ▲ 1322,90 1329,70 3,60 9,457										
Dec 1345,00 1352,10 ▲ 1333,20 1340,60 3,70 8,573										
Palladium (NYM)-50 troy oz.; \$ per troy oz.										
Aug 885,00 885,00 885,00 947,45 10,85 4										
Sept 937,80 948,85 ▲ 935,50 945,05 10,85 3,258										
Dec 934,25 947,00 ▲ 932,90 943,70 11,35 31,647										
March'18 928,55 939,35 928,55 939,65 11,30 560										
Platinum (NYM)-50 troy oz.; \$ per troy oz.										
Aug 962,60 965,30 962,60 1000,70 14,20 1										
Oct 992,80 1011,50 991,00 1003,50 14,20 63,355										
Silver (CMX)-5,000 troy oz.; \$ per troy oz.										
Aug 17,055 17,060 17,055 17,422 -0,009 70										
Dec 17,610 17,755 17,345 17,516 -0,013 144,744										
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.										
Oct 46,86 46,96 46,44 46,44 -0,13 535,948										
Nov 47,23 47,32 46,35 47,00 0,04 243,739										
Dec 47,55 47,61 46,84 47,45 0,18 331,457										
Jan'18 47,79 47,93 47,25 47,79 0,27 166,147										
June 48,35 48,65 48,12 48,57 0,37 154,587										
Dec 48,68 49,00 48,51 48,93 0,44 184,648										
NY Harbor UlSD (NYM)-42,000 gal.; \$ per gal.										
Sept 1,6478 1,6850 1,6299 1,6655 0,0303 17,304										
Oct 1,6381 1,6627 1,6259 1,6540 0,0231 100,039										
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.										
Sept 2,915 2,998 2,900 2,961 0,036 6,518										
Oct 2,959 2,990 2,934 2,983 0,022 320,159										
Nov 3,024 3,058 3,004 3,053 0,023 138,167										
Jan'18 3,261 3,291 3,242 3,287 0,018 145,916										
March 3,219 3,245 3,201 3,242 0,015 100,201										
April 2,907 2,913 2,895 2,910 0,004 115,638										

Contract

Open High hilo Low Settle Chg Open interest

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	335,50	336,00	332,00	333,50	-2,50	130,442
Sept 130,15 132,80 ▲ 131,00 131,50 3,50 64,032						
Dec 132,50 131,90 ▲ 131,60 131,80 3,60 418,934						
Feb'18 1324,60 1335,00 ▲ 1315,00 1322,70 3,80 28,091						
June 1332,20 1342,60 ▲ 1322,90 1329,70 3,60 9,457						
Dec 1345,00 1352,10 ▲ 1333,20 1340,60 3,70 8,573						
Palladium (NYM)-50 troy oz.; \$ per troy oz.						
Aug 885,00 885,00 885,00 947,45 10,85 4						
Sept 937,80 948,85 ▲ 935,50 945,05 10,85 3,258						
Dec 934,25 947,00 ▲ 932,90 943,70 11,35 31,647						
March'18 928,55 939,35 928,55 939,65 11,30 560						
Platinum (NYM)-50 troy oz.; \$ per troy oz.						
Aug 962,60 965,30 962,60 1000,70 14,20 1						
Oct 992,80 1011,50 991,00 1003,50 14,20 63,355						
Silver (CMX)-5,000 troy oz.; \$ per troy oz.						
Aug 17,055 17,060 17,055 17,422 -0,009 70						
Dec 17,610 17,755 17,345 17,516 -0,013 144,744						
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.						
Oct 46,86 46,96 46,44 46,44 -0,13 535,948						
Nov 47,23 47,32 46,35 47,00 0,04 243,739						
Dec 47,55 47,61 46,84 47,45 0,18 331,457						
Jan'18 47,79 47,93 47,25 47,79 0,27 166,147						
June 48,35 48,65 48,12 48,57 0,37 154,587						
Dec 48,68 49,00 48,51 48,93 0,44 184,648						
NY Harbor UlSD (NYM)-42,000 gal.; \$ per gal.						
Sept 1,6478 1,6850 1,6299 1,6655 0,0303 17,304						
Oct 1,6381 1,6627 1,6259 1,6540 0,0231 100,039						
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.						
Sept 2,915 2,998 2,900 2,961 0,036 6,518						
Oct 2,959 2,990 2,934 2,983 0,022 320,159						
Nov 3,024 3,058 3,004 3,053 0,023 138,167						
Jan'18 3,261 3,291 3,242 3,287 0,018 145,916						
March 3,219 3,245 3,201 3,242 0,015 100,201						
April 2,907 2,913 2,895 2,910 0,004 115,638						

Contract

Open High hilo Low Settle Chg Open interest

Contract

Open High hilo Low Settle Chg Open interest

Contract

Open High hilo Low Settle Chg Open interest

Contract

Open High hilo Low Settle Chg Open interest

Contract

Open High hilo Low Settle Chg Open interest

Currency Futures

Japanese Yen (CME)-¥1,250,000; \$ per 100%

Canadian Dollar (CME)-CAD100,000; \$ per CAD

British Pound (CME)-£62,500; \$ per £

Swiss Franc (CME)-CHF125,000; \$ per CHF

Australian Dollar (CME)-AUD100,000; \$ per AUD

Mexican Peso (CME)-MXN500,000; \$ per MXN

Euro (CME)-€125,000; \$ per €

Mini S&P 500 (CME)-\$100 x index

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBSE, National Stock Exchange, and BATS.

This list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, August 29, 2017

		Net		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg					
NYSE																							
ABB	ABB	22.92	-0.15	CBD Pao	CBD	23.32	0.14	FMC	FMC	84.43	-0.11	RHI	RHI	44.45	0.35	Wayfair	W	68.29	-0.27	AthenaHealth	ATHN	138.05	-0.63
AES	AES	11.17	-0.07	CGI Group	CGI	35.15	-0.11	FactSet	FDS	155.53	-1.11	Rockwell	ROK	168.01	0.81	WellCareHealth	WCG	167.36	-0.86	Atlassian	TEAM	34.61	-0.07
Aflac	AFL	81.71	0.91	CIT Group	CIT	44.57	-0.33	Lear	LEA	144.31	0.71	RockwellCollins	COL	130.74	2.75	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
ATT&T	T	37.85	-0.09	CMS Energy	CMS	48.74	0.11	LeggettPlatt	LEG	45.27	0.31	Rollins	ROL	44.29	-0.53	ADP	ADP	105.12	0.36	Expedia	EXPE	143.99	1.46
AbbottLabs	ABT	50.15	-0.11	CNA Fin	CNA	49.17	-0.29	Levitt	LEV	41.83	-0.66	RogersComm	RFC	51.72	0.12	Welltower	WLTW	71.93	0.69	Welltower	WLTW	137.08	-0.03
AabbVib	ABV	73.89	0.57	CECO	ECO	120.20	-0.63	Libbey	LIB	56.62	0.72	RoyalCaribbean	RCL	120.33	-0.43	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Accenture	ACN	129.66	0.42	CPLF	CPLF	17.06	-0.05	LenoxIntl	LII	161.24	-0.95	RoyalBank	RBS	6.57	-0.09	WestEnergy	WR	51.53	-0.31	ExpressScripts	ESRX	61.38	0.21
AcuityBrands	AVY	173.99	-0.80	CPG	CPG	17.06	-0.05	Lennar A	LEN	50.49	-0.43	RoyalCaribbean	RCL	120.33	-0.43	Wayfair	W	68.29	-0.27	AthenaHealth	ATHN	138.05	-0.63
Adient	ADT	68.30	0.29	CRH	CRH	34.23	-0.58	LenoxIntl	LII	161.24	-0.95	RoyalBank	RBS	6.57	-0.09	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.03
AdvanceAuto	AIA	95.12	0.46	CSV Health	CSV	76.09	-0.36	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	WestEnergy	WR	51.53	-0.31	Expedia	EXPE	143.99	1.46
AdvSemInsng	ASX	6.13	0.03	CVS Health	CVS	69.03	-0.36	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Welltower	WLTW	137.08	-0.03
Aegon	AEG	5.67	-0.17	CWp	CWP	17.06	-0.05	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AerCap	AER	49.48	0.28	CIBC	CIBC	83.51	-0.28	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Aetna	AET	156.42	-0.11	Cigna	CIGNA	91.94	-0.15	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AffiliatedMtrs	AMG	173.88	-0.11	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AgileTechs A	AT	63.49	0.03	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AigroAgile	AIG	51.02	0.14	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AigroAgile	AIG	49.70	0.09	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AirProducts	APD	145.37	-0.41	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AlaskaAir	AAL	74.38	0.07	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Albermarle	ALB	114.46	-0.35	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Alcoa	A	42.00	0.83	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AlexanderReal	ARE	118.65	-0.65	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Alibaba	BABA	167.16	-0.49	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Allegany	ALY	55.89	-3.60	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Allergan	ALLE	77.77	-0.28	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
Allergen	ALL	22.55	-0.36	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.51	Welltower	WLTW	71.93	0.69	Autodesk	ADSK	111.27	-0.21
AllianceData	ADS	223.64	-0.01	CignaR	CIGNA	101.36	-0.11	LibertyProperty	LPT	41.83	-0.16	RoyalDutch	RDSA	55.44	-0.								

BANKING & FINANCE



People carry gas cylinders at a distribution point in San Cristobal, Venezuela. The OPEC member country has faced gasoline shortages.

Cantor Cuts Out Venezuela

Firm halts debt trading after U.S. imposes financial sanctions on nation

Cantor Fitzgerald LP stopped trading Venezuelan debt Tuesday, days after the Treasury Department slapped

By Anatoly Kurmanov
in Caracas and Matt Wirz in New York

financial sanctions on the country for undermining democracy.

The move is the first blanket restriction on Venezuelan bonds by a large U.S. financial institution. Trading in Venezuelan debt, until recently among the most easily purchased emerging-market bonds, has slowed to a trickle this week, reflecting typical end-of-summer torpor as well as investor efforts to evaluate the impact of the U.S. sanctions.

Cantor, one of the largest intermediaries for Wall Street traders, as well as its affiliates GFI Group and BGC Partners

have pulled all bonds issued by the Republic of Venezuela and state oil company **Petróleos de Venezuela SA**, known as PdVSA, from auctions and told customers those trades are restricted, said Cantor clients.

Cantor declined to comment.

On Friday, the U.S. Treasury banned U.S. financial institutions from trading any new bonds issued by Venezuela or from trading with any Venezuelan government entity. Officials said the move aims to punish President Nicolás Maduro and his administration for a move toward authoritarianism and that more financial sanctions would come if the repression continues.

"Maduro may no longer take advantage of the American financial system to facilitate the wholesale looting of the Venezuelan economy at the expense of the Venezuelan people," U.S. Treasury Secretary Steven Mnuchin said last week.

Traders say they are slowing or stopping trades in the country's securities because of fear that they could be unknowingly

buying or selling bonds on behalf of people connected to the Venezuelan government.

Just \$7.4 million worth of PdVSA's flagship bond due in 2024 changed hands Tuesday, less than half the amount a year ago and down from \$141 million traded on Aug. 24, the last day before the sanctions, according to MarketAxess data.

Large Wall Street investment banks that trade with investors continued to buy and sell Venezuelan bonds Tuesday, investors said. The difference, or "spread," between the bid and offer prices quoted by the banks has widened to as much as 1 percentage point from half a point, they said, showing that the banks are charging more from clients to execute trades as the perceived risk of doing so has risen.

Venezuelan bond trading attracted public scrutiny earlier this year after the asset-management business of **Goldman Sachs Group Inc.** bought \$2.8 billion worth of the country's debt at about 30 cents on the dollar.

The Venezuelan opposition

accused the investment bank of financing Mr. Maduro's repression of peaceful protesters. Goldman Sachs had said the bonds were bought on the secondary markets and didn't add any fresh funds to the government.

Earlier this month, Credit Suisse Group said it prohibited its traders from buying and selling two existing Venezuelan bonds because of the risk the trades would finance human-rights abuses.

The policy forbids employees from trading or using as collateral two specific bonds, one issued by the Venezuelan government due in 2036 and one by PdVSA due in 2022, as well as bonds from government entities issued after June 1.

The Latin America committee of the International Swaps and Derivatives Association, which oversees credit default swap trading, scheduled a special meeting for Wednesday to discuss Venezuela, a person familiar with the matter said.

—Julie Wernau
and Carolyn Cui
contributed to this article.

Buffett's BofA Profit: \$13 Billion

By RACHEL LOUISE ENSIGN

Warren Buffett's **Berkshire Hathaway Inc.** officially became the biggest shareholder of **Bank of America Corp.** on Tuesday, notching billions in gains on the bank's recovery from the financial crisis.

Bank of America said Berkshire exercised warrants to buy 700 million of its shares at below-market prices, a deal that ties back to a crisis-era investment. The move makes the famous stock picker's firm the largest shareholder of the second- and third-largest U.S. banks—the third being **Wells Fargo & Co.**—while also providing a vote of confidence for Bank of America stock.

"Berkshire is going to keep every share for a very long time," Mr. Buffett said in an email to the Journal Tuesday.

Berkshire's exercise of the warrants, along with dividends the company has received on Bank of America preferred

stock, brings its paper gain on its investment in the bank to around \$13 billion.

Berkshire bought preferred shares in the bank in 2011 when the lender sorely needed to shore up investor sentiment. Bank of America's share price was slumping as investors grew worried about potentially billions of dollars in legal claims and fines related to the crisis.

Mr. Buffett helped change the market's perception with the investment and by calling the bank "well led."

The \$5 billion deal also included warrants for Berkshire to buy 700 million shares of Bank of America common stock for \$7.14 apiece.

At the time, the strike price was slightly above where Bank of America's shares were trading. Now, it is now far below the current price of \$23.58 a share.

—Nicole Friedman
contributed to this article.

Scotiabank Earnings Surpass Expectations

By CARA LOMBARDI

Bank of Nova Scotia's earnings grew in its latest quarter as business in Canada and internationally increased.

The Toronto-based bank, known as Scotiabank, one of Canada's largest banks, said Tuesday it earned 2.1 billion Canadian dollars (\$1.69 billion) in the quarter ended July 31, up from C\$1.96 billion a year earlier.

Earnings per share climbed to C\$1.66 from C\$1.54, while revenue rose 4% to C\$6.89 billion. Analysts polled by Thomson Reuters had expected earnings per share of C\$1.64 on revenue of C\$6.98 billion.

Scotiabank Chief Executive

Brian Porter said both Canadian and international personal and commercial banking earnings jumped more than 10% from last year as loans and deposits grew.

As a result, the bank increased its quarterly dividend 7% to C\$0.79.

In the third quarter, fee-based income rose 1%, while net interest income rose 6%. Continued investments in digital banking and customer service caused the company's noninterest expenses to rise 5%.

The loan-loss provision didn't materially change, as higher retail provisions were offset by improved provisions elsewhere.

BANKRATE.COM® MMA, Savings and CDs

Average Yields of Major Banks

Tuesday, August 29, 2017

Type	MMA	1-MO	2-MO	3-MO	6-MO	1-YR	2-YR	2.5YR	5YR
National average									
Savings	0.10	0.06	0.07	0.12	0.19	0.33	0.46	0.47	0.91
Jumbos	0.19	0.07	0.07	0.13	0.21	0.36	0.51	0.50	0.95
Weekly change									
Savings	0.00	-0.01	0.00	0.00	0.00	0.00	-0.01	0.00	0.04
Jumbos	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04

Consumer Savings Rates

Explanation of ratings: Safe Sound SM, (855) 733-0700, evaluates the financial condition of federally insured institutions and assigns a rank of 1, 2, 3, 4 or 5 based on data from the fourth quarter of 2015 from federal regulators. 5: most desirable performance; NR: institution is too new to rate, not an indication of financial strength or weakness. Information is believed to be reliable, but not guaranteed.

High yield savings

Bank/rank	Phone number	Minimum	Yield (%)
Money market and savings account			
DollarSavingsDirect /4		\$1	1.40
(866) 395-8693			
BankPurely /4		\$1	1.30
(844) 878-7359			
CIT Bank /4		\$100	1.30
(855) 462-2652			
One-month CD			
M.Y. Safra Bank, FSB /4		\$5,000	0.30
(212) 652-7200			
VirtualBank /4		\$10,000	0.15
(877) 998-2265			
AloStar Bank of Commerce /4		\$1,000	0.10
(877) 738-6391			
Two-month CD			
VirtualBank /4		\$10,000	0.15
(877) 998-2265			
Applied Bank /5		\$1,000	0.05
(800) 616-4605			
Three-month CD			
First Internet Bank of Indiana /4		\$1,000	1.00
(888) 873-3424			
TAB Bank /4		\$1,000	0.95
(800) 387-4136			
Luana Savings Bank /4		\$1,000	0.95
(800) 666-2012			
Five-year CD			
Synchrony Bank /5		\$25,000	2.35
(800) 903-8154			
First Internet Bank of Indiana /4		\$1,000	1.32
(888) 873-3424			
M.Y. Safra Bank, FSB /4		\$5,000	1.26
(212) 652-7200			

High yield jumbos - Minimum is \$100,000

Bank/rank	Phone number	Minimum	Yield (%)
Six-month CD			
VirtualBank /4		\$10,000	1.36
(877) 998-2265			
First Internet Bank of Indiana /4		\$1,000	1.32
(888) 873-3424			
M.Y. Safra Bank, FSB /4		\$5,000	1.26
(212) 652-7200			
One-year CD			
Pacific National Bank /4		\$1,000	1.60
(305) 539-7500			
First Internet Bank of Indiana /4		\$1,000	1.57
(888) 873-3424			
M.Y. Safra Bank, FSB /4		\$5,000	1.56
(212) 652-7200			
Two-year CD			
First Internet Bank of Indiana /4		\$1,000	1.81
(888) 873-3424			
VirtualBank /4		\$10,000	1.81
(877) 998-2265			
Northern Bank Direct /5		\$500	1.80
(844) 348-8996			
Five-year CD			
Synchrony Bank /5		\$25,000	2.35
(800) 903-8154			
First Internet Bank of Indiana /4		\$1,000	2.30
(888) 873-3424			
Barclays /4		\$0	2.30
(888) 720-8756			

High yield jumbos - Minimum is \$100,000

Bank/rank	Phone number	Minimum	Yield (%)
Six-month CD			
VirtualBank /4		\$10,000	1.36
(877) 998-2265			
First Internet Bank of Indiana /4		\$1,000	1.32
(888) 873-3424			
M.Y. Safra Bank, FSB /4		\$5,000	1.26
(212) 652-7200			
One-year CD			
First Internet Bank of Indiana /4</			

MARKETS

Uneasy Investors Power Utilities Stocks

Desire for havens, solid earnings and a lower chance of a rate rise spur August rally

By AKANE OTANI

Investors are paying for peace of mind.

U.S. government bonds, gold and other assets that investors view as safe stores of value rose Tuesday, extending recent gains for so-called havens after North Korea launched a missile over Japan. It was the latest reflection of investor unease in a month that has included escalating threats between the U.S. and North Korea; fallout from President Donald Trump's response to protests in Charlottesville, Va.; terrorist attacks in Europe, and some disappointing earnings from U.S. companies.

Another sign that investors have played defense in August: Utilities stocks are leading gains in the S&P 500 this month and are outperforming the broader index in 2017, after the group lagged behind earlier this year.

The utilities sector fell 0.2% Tuesday, finishing behind the S&P 500's gain of less than 0.1%. Still, utilities have risen 3.1% in August, compared with a decline of 1% for the broader index over the same period.

With economic data indicating inflation remains soft, utilities companies also have benefited from the dwindling threat of rising interest rates, investors and analysts say. Federal-funds futures, used by investors to place bets on the Fed's rate-policy outlook, on Tuesday showed a roughly 32% chance of a rate increase by December, down from 40% Monday and 47% a month ago, according to CME Group Inc. data.

As a result, government-bond yields have remained depressed, with the yield on the 10-year U.S. Treasury note fall-

ing Tuesday to 2.134%, down from 2.446% at the end of 2016. With bond yields so low, utilities remain an attractive, relatively stable income-producing investment, analysts say.

The dividend yield of the utilities sector was at 3.2% on Monday, according to FactSet.

Strong earnings also have helped some utilities companies rally.

The best-performing stock in the sector this month is Missouri-based power company Ameren Corp., which reported a jump in quarterly profits at the start of the month and raised its earnings forecast for 2017. The stock has risen 7.7% this month and 15% this year.

Power-distribution company Alliant Energy Corp. and CenterPoint Energy Inc., other top-performing stocks in the utilities sector in August, have risen more than 6% apiece over the course of the month.

Many caution that after their run-up, utilities stocks look expensive. The S&P 500 utilities sector traded Monday at 19.80 times its previous 12 months of earnings, according to FactSet, above its 10-year average of roughly 16. The broader S&P 500 traded at 21.23 times trailing earnings.

The sector's rally could pause if there are fresh signs of economic growth, or if there appear to be reduced political risks out of Washington, said Quincy Crosby, chief market strategist at Prudential Financial. The Labor Department is scheduled to report monthly employment figures Friday, giving investors another look at the state of the U.S. economic recovery.

"We've had a lot of rhetoric pushing investors into safety," Ms. Crosby said. But with more economic data on the docket in September, that rally could be short-lived, she added.

Electric

Utilities stocks are closing in on health care as this year's second-best-performing sector in the S&P 500.



The Dow Jones Utility Average has hit several records recently.



Such shares offer relatively hefty dividends, while yields remain low elsewhere.



However, the rally in utilities shares has increased their valuations, which could damp their appeal.

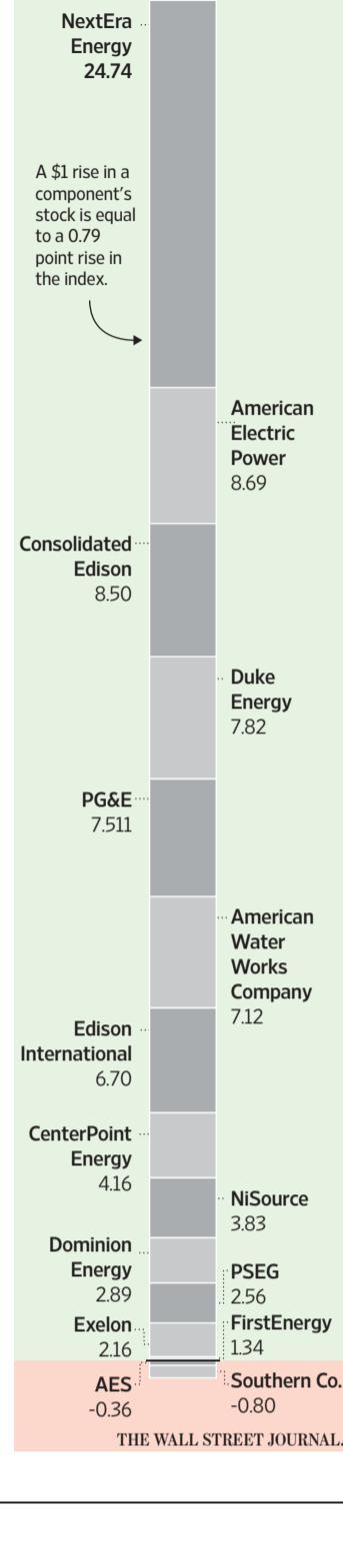
12-month trailing price/earnings ratio*



*Through Monday

Sources: FactSet (indexes, dividends, P/E); WSJ Market Data Group (points); Ryan ALM (Treasury yield)

Point contribution of Dow Jones Utility Average components so far this year



THE WALL STREET JOURNAL.

HEARD ON THE STREET

Email: heard@wsj.com

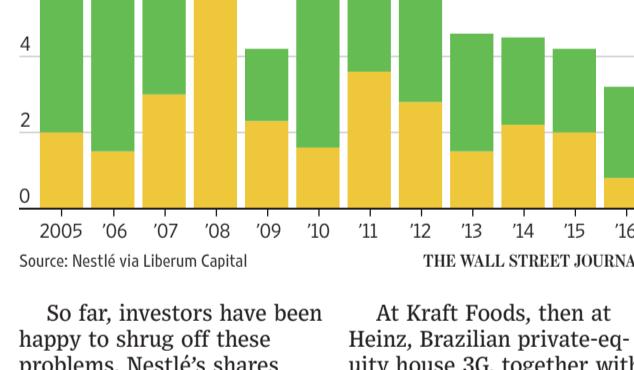
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Nestlé Needs New Growth Recipe

Slow Food

Components of Nestlé's organic growth



Source: Nestlé via Liberum Capital

So far, investors have been happy to shrug off these problems. Nestlé's shares trade at 22 times forward earnings, close to their highest level since the dot-com era. Consumer staples are still considered a low-risk investment, with a bond-like income profile. And investors are also excited about the potential for cost savings. This was the stated rationale for Mr. Loeb's \$3.5 billion investment in June.

utive, Mark Schneider, will announce a similar shake-up at his first "investor seminar" next month.

These hopes seem ripe for disappointment. Mr. Schneider has stressed the need to balance cost savings with investment in new products. He has already committed to achieving "mid-single-digit" growth by 2020; pursuing a punchy margin target at the same time would leave little room to maneuver such a large company, particularly following weak second-quarter numbers. Mr. Loeb's 1.29% stake is hardly a game changer.

Nestlé's stock trades at a premium to Unilever's, even though prospects for earnings growth look better at Unilever. Mr. Schneider has been doing his best to damp expectations; his latest results commentary was notably downbeat. If he does unveil a big package of reforms the stock could jump. But investors are probably better off preparing for another dose of reality.

—Stephen Wilmot

OVERHEARD

According to the "Urban Dictionary," "Kanoa" is slang for having your girlfriend stolen by someone good looking. "I went to the gym with my girl and I got Kanoa'd" is the sample sentence.

Kanoa may soon become slang in Silicon Valley for losing money that was given to a startup.

A company with the name Kanoa had raised funds by offering a set of its planned high-tech Bluetooth earphones for upwards of \$150, a 50% discount for paying up front for a nonexistent product.

The promised earphones were supposed to arrive about a year ago, but now the company says it is going out of business and they never will.

"Over the past 2 years you have joined Kanoa on this journey to create something special," reads a message on its website, explaining that they were "emotionally overwhelmed" with the turn of events and that they "genuinely tried."

Will Harvey Soak Auto Insurers?

Most of those cars seen floating or submerged in pictures from Houston this week are auto-insurance claims waiting to happen.

Harvey may be remembered as the biggest storm that had the smallest impact on the insurance industry. That is because most damage was caused by flooding, which is mainly covered by the federal government.

Auto insurance does cover flood damage, which is why shares of the big auto insurers in the region are down more than those of other insurers. Still, the stocks haven't fallen much.

Auto insurers with the biggest Texas market share include State Farm, an unlisted mutual insurer owned by policyholders, as well as listed companies Allstate with a 12% share, Berkshire Hathaway's Geico with 10% and Progressive with 9%, according to analysts at Morgan Stanley.

Allstate and Progressive were among the biggest decliners among insurers Monday, falling 1.5% and 2.3%, respectively. Both shares were up slightly Tuesday.

So far these mild declines seem about right because investors know that insurers have ways to limit their risk. Allstate, for instance, has substantial protection from reinsurance, notes Barclays analyst Jay Gelb. "The ultimate impact on insurers and reinsurers is likely to be absorbable within a single quarter of earnings for most major insurance companies," Mr. Gelb said.

However, with Allstate and Progressive up 22% and 33% this year, even a modest hit could knock the shares down further. Investors may want to stay away until the clouds finally part.

—Aaron Back

Another Noble Mess Emerges, This Time in Derivatives

When things go wrong, insurance policies are supposed to pay out. In the case of Singapore-listed Noble

Group, a commodity trader fallen on hard times, that is proving complicated.

Noble has suffered a grim couple of years, with earnings slumping and its market value diving amid questions over its accounting. Still, it managed to roll over billions of dollars worth of debt earlier this year and persuaded its bankers to extend its credit lines.

But should these deals to extend its repayments be counted as a credit event? That is now being debated by those who bought and

Not So Noble

Annual cost to insure \$10 million of Noble Group's debt against default for 10 years

\$8 million

Source: Thomson Reuters

6

4

2

0

'08 '10 '12 '14 '16 '17

nancial crisis.

Investors have been selling CDS on Noble's debt recently, in effect betting that it wouldn't default. As of late July, over \$1 billion of CDS had been written on Noble's debt with almost \$160 million potentially owed to buyers, according to the International Swaps and Derivatives Association.

As banks and investors that bought protection—among them Goldman Sachs, Deutsche Bank and J.P. Morgan Chase—lose ever more confidence in Noble, they are arguing its debt extensions should trigger payouts: Several have served so-called credit event no-

tices.

Enter ISDA again: Since the financial crisis, it has been charged with adjudicating on whether credit events have occurred. But earlier this month it said it didn't have enough information to determine whether Noble's recent deals represent a credit event and couldn't get hold of the underlying documentation "despite several efforts to do so."

To be fair, Noble's situation isn't clear-cut. The company says it is looking for "strategic alternatives"—code for seeking investors. Propped up by lenders, the company has remained on life support, despite consis-

tently negative cash flows.

But the Noble affair has exposed the limitations of the resolution system for disputes over CDS. If ISDA's adjudicating committee fails to make a decision again, buyers of Noble CDS will be unable to get sellers to pay up. The fact that the committee is composed of lawyers that are often from banks and investors with a financial interest in Noble's CDS leaves it open to criticism from both sides.

The reality, though, is that this situation could end up in the courts—hardly a great advertisement for the much-maligned credit default swap.

—Anjani Trivedi