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What's News

Business & Finance

Equifax said hackers gained access to some of its systems, potentially compromising the personal information of roughly 143 million U.S. consumers. **A1**

♦ **Amazon** launched a plan to establish a second headquarters in North America, setting off a competition to lure the new hub. **A1**

♦ **Low inflation readings** are giving Fed officials second thoughts about another rate increase this year. **A2**

♦ **The ECB signaled** it is likely to announce plans for phasing out its stimulus program next month. **A9**

♦ **The yuan's recent surge** has blindsided Wall Street and stands to complicate China's policy decisions. **B1**

♦ **Lilly** said it plans to cut roughly 8% of its workforce, citing issues that are plaguing many drugmakers. **B1**

♦ **The FDA issued** a scathing letter to a Pfizer unit, saying it failed to thoroughly probe EpiPen failures. **B1**

♦ **Apple's new iPhone** was plagued by production glitches this summer that could result in shortages. **B4**

♦ **Disney** intends to offer its Marvel and "Star Wars" movies on the video service it plans to launch in 2019. **B3**

♦ **VW's CEO** said talk of a merger with Fiat Chrysler was "speculation." **B5**

♦ **Financial shares sagged** amid lower bond yields and the hurricane threat. The Dow fell 22.86 to 21784.78. **B11**

♦ **RadioShack is moving** ahead with a revamp that will save a sliver of the firm. **B4**

World-Wide

♦ **Trump signaled** he was open to making more deals with Democrats in Congress as the Senate passed a bill that combined hurricane relief with an extension of the government's funding and borrowing limit. **A1, A4**

♦ **Florida authorities** ordered over 650,000 people to evacuate the Miami area as Hurricane Irma appeared headed toward the U.S. **A7**

♦ **Trump's eldest son** told Senate investigators he agreed to meet a Russian lawyer because he believed the meeting could shed light on Clinton's character. **A4**

♦ **DeVos said** the Education Department plans to roll back Obama administration guidance on how colleges should handle sexual-assault cases. **A3**

♦ **The contours** of a deal to fund insurer payments critical to the ACA took shape even as conservatives pushed a plan to repeal parts of the law. **A4**

♦ **A Turkish ex-minister** was charged by U.S. prosecutors in an alleged scheme to help Iran evade sanctions. **A8**

♦ **U.N. member countries** are helping North Korea evade sanctions meant to halt its nuclear-weapons program, a report alleges. **A18**

♦ **The administration** filed a brief backing a Colorado baker who refused to make a wedding cake for a gay couple. **A3**

♦ **A federal appeals court** dealt a new blow to the administration's travel ban. **A2**

♦ **Americans are losing** faith in the value of a college degree, a survey shows. **A3**

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Florida Braces as Hurricane Irma Tears Through Caribbean



CLOCKWISE FROM THE LEFT: MARK WILSON/GETTY IMAGES; RICARDO ROJAS/REUTERS; NOA GOES PROJECT/GETTY IMAGES



DESTRUCTIVE PATH: (Clockwise from top right) In Nagua, Dominican Republic, residents Thursday surveyed wreckage left by Hurricane Irma; a satellite image showed Irma moving toward the Florida coast; in Miami, park officials filled sandbags for those girding for the storm. **A6, A7**

STORMS TEST CEO RESPONSE

Harvey swamped one of America's biggest corporate hubs; next challenge, Irma

By Erin Ailworth,
Vanessa Fuhrmans
and Lynn Cook

"It's a small price to pay," said Jerry MacCleary, the North America chief for Germany's Covestro, which was forced to stop production at its Baytown, Texas, manufacturing site, its biggest in the U.S., after Hurricane Harvey knocked out key local suppliers and many of its em-

ployees couldn't get to work. "We can't run this place without people."

Never before in the modern era has a hurricane created such damage in one of the U.S.'s major corporate hubs. Houston, the nation's fourth-largest city with 2.3 million people, has an economy roughly the size of Sweden's and is home to more

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♦ Worker shortage to slow rebuilding.....A6

♦ Small insurers backstop Florida.....A7

Equifax Reveals Huge Breach

BY ANNAMARIA ANDRIOTIS
AND EZEQUIEL MINAYA

berattack at J.P. Morgan Chase & Co. about three years ago.

The Equifax breach could prove especially damaging given the gateway role credit-reporting companies play in helping to determine which consumers gain access to financing and how much of it is made available.

The attack differs, too, in that the attackers in one swoop gained access to several pieces of consumers' information that could make it easier for the attackers to try to commit fraud.

Equifax said hackers gained

access to systems containing customers' names, Social Security numbers, birth dates and

addresses. The company also offers credit-monitoring and identity-theft protection products to guard consumers' personal information.

"This is the nightmare scenario—all four pieces of information in one place," said John Ulzheimer, a credit specialist and former manager at Equifax.

The incident comes at a time of heightened sensitivity to cyberattacks in the political, commercial and personal realms, especially in the wake of presumed Russian interference in the U.S. presidential election last year.

The number of large hacks

Please see HACK page A9

All the Nudes That's Fit to Print: Burning Man's Newspaper War

* * *

'Burnalists' at offline festival battle

dust, distractions; reporting in hot pants

By JACK NICAS

BLACK ROCK CITY, Nev.—The Black Rock Beacon's morning news meeting started an hour late one day last week. A dust storm the night before blew the newsroom down.

Around 11 a.m., while many attendees of the weeklong Burning Man counterculture festival were still awake from the night before, a crew of 10 "burnalists" gathered under a new tent to plan the next day's newspaper.

The photographer was a blue-haired mailman from Canada. The masthead designer was a San Francisco graphic artist, drinking a beer and wearing a bacon-themed outfit who intro-

duced himself as Francis Bacon. The copy editor was Lawrence Breed, known as Ember, a 77-year-old Silicon Valley computer programmer. "I always wanted to be a pressman and I never got around to it," he said.

Black Rock City, the alien-like village in the barren Nevada desert that draws about 70,000 festivalgoers each August, is a functioning temporary town with post offices, hospitals, a library, a gas station and a department of public works. One thing it lacks, however, is reliable connectivity.

The tech entrepreneurs who flock to Burning Man have fueled the digital revolution that

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Black Rock Beacon

Yuan's Surge Defies Expectations

A recent climb in the value of China's currency has blindsided Wall Street and stands to complicate the country's effort to manage a slowdown in growth while deepening ties to global markets. **B1**

How many Chinese yuan one dollar buys

Exports' contribution to China's GDP

Export growth, change from a year earlier



Sources: Thomson Reuters (yuan); Wind Info (exports)

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INSIDE



KEEPING FRIDAY NIGHT LIGHTS ALIVE

LIFE & ARTS, A12



LUXURY CONDOS, CUSTOM-BUILT

MANSION, MI

proposals for a new campus location, which eventually could result in the company investing more than \$5 billion and creating up to 50,000 high-paying jobs, many in software development and most of them new. Proposals are due Oct. 19, with a decision expected next year.

The move to build a second headquarters, which Amazon Chief Executive Jeff Bezos envisions as a full equal to the company's Seattle campus, follows years of rapid growth.

Cities from Toronto to Chicago to Denver raised their hands Thursday, saying they would submit proposals. The competition to win Amazon's business likely will be fierce and could break records for tax incentive packages, according to consultants who advise companies and governments on such deals.

"I would expect the interest to be unmatched and unrestrained by every location, even ones that really don't have a much of a shot," said Mark

Please see AMAZON page A2

Amazon Sparks Race To House Second Hub

Amazon.com Inc. on Thursday launched an unusual plan to establish a second corporate headquarters in North America, signaling the online retail giant's growth ambitions for the years ahead and setting off a race among local and state governments hoping to win it over.

Amazon said it was soliciting

By Laura Stevens,
Shayndi Raice
and Cara Lombardo

proposals for a new campus location, which eventually could result in the company investing more than \$5 billion and creating up to 50,000 high-paying jobs, many in software development and most of them new. Proposals are due Oct. 19, with a decision expected next year.

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Please see AMAZON page A2

Trump's Debt Deal Moves Forward

President signals he's open to working with Democrats as relief bill passes Senate

WASHINGTON—President Donald Trump signaled he was open to making more deals with Democrats in Congress despite anger from fellow Republicans over a bipartisan agreement that passed the Senate Thursday yoking hurricane aid to an extension of the government's ability to borrow.

For months, Mr. Trump has publicly mused about negotia-

By Kristina Peterson,
Siobhan Hughes and
Janet Hook

ting with Democrats, only to stop short. But Wednesday's agreement on \$15.25 billion in relief for Hurricanes Harvey and Irma, combined with a three-month extension of the government's funding and its borrowing limit, was followed by further outreach to Senate Democratic Leader Chuck Schumer (D., N.Y.) and House Minority Leader Nancy Pelosi (D., Calif.).

As he had Wednesday, on Thursday Mr. Trump singled out "Chuck and Nancy" by name when speaking to reporters, without mentioning their Republican counterparts.

Mr. Trump also announced he was open to eliminating the need for Congress to hold votes on raising the country's borrowing limit, a policy change supported by Democratic leaders and opposed by many conservatives. Later, after a phone call with Mrs. Pelosi, who had told him that young immigrants were anx-

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♦ Debt deal boosts pressure on Ryan.....A4

♦ Agreement to fund health insurers coalesces.....A4

♦ Trump's son gives reason for meeting Russian lawyer.....A4

U.S. NEWS

Low Inflation Gives Fed Pause on Rates

BY NICK TIMIRAO

Stubbonly low inflation readings are giving Federal Reserve officials second thoughts about whether they will be in a position to raise short-term interest rates again this year.

Several Fed officials have indicated they are poised to announce at their Sept. 19-20 meeting that in October they will start slowly shrinking the central bank's \$4.5 trillion holdings of bonds and other assets and will leave rates unchanged.

The bigger question about the meeting is how many officials will again project one more interest-rate increase this year, as a large majority did in June. It is unclear what Fed Chairwoman Janet Yellen will say on the matter after the meeting in light of an inflation soft patch that has lasted longer than officials expected.

With the unemployment rate falling to the low range of officials' projections, most expect inflation should eventually rise to the Fed's 2% target. But because inflation has been weak for several months and short-term interest rates have moved closer this year to their long-run level, some officials said they want to see more evidence of a pickup in prices before moving again.

Fed governor Lael Brainard argued Tuesday against further rate increases if inflation

pressures remain subdued. She said it was troubling that the Fed for five straight years has seen inflation fall short of 2%, despite sharp declines in measures of slack across the economy.

In June, Ms. Yellen said inflation appeared to be soft due to transitory factors, including one-off declines for a handful of items, such as wireless phone plans and prescription drugs.

Ms. Yellen in July said that was still her expectation, but she qualified her statement with a nod to the inherent uncertainty.

"It's premature to conclude that the underlying inflation trend is falling well short of 2%," Ms. Yellen told lawmakers.

She added, "Policy is not something that's set in stone, and if our evaluation changes with respect to inflation, that will make a difference."

Officials are puzzled because inflation has remained weak despite solid, if moderate, economic growth and very low unemployment, which was 4.4% in August.

One possible explanation is that inflation readings can vary a lot over short periods. Another is that labor market slack is greater than the jobless rate indicates.

Federal Reserve Bank of New York President Bill Dudley said in a speech Thursday night he was surprised by the persistence of the inflation

Harvey Prompts Data Fluctuations

Hurricane Harvey is expected to distort measures of the U.S. economy in the months ahead, making it more difficult for economists and policy makers to gauge the economy's trajectory at a sensitive time for the Federal Reserve.

Everything from jobless claims, which already surged in a report on Thursday, to gross domestic product and inflation will be knocked off course, with brief spikes across a wide range of reports, economists said. And that is before any impact from Hurricane Irma, which could devastate cities across the Southeast.

It will be hard to discern whether bad reports result from storm damage and then whether good reports are due to the effects of rebuilding. It could be well into 2018 before the effects of the storms have fully washed out of the economic data.

Forecasters in The Wall

shortfall, which "suggests more fundamental structural changes" in the economy. Mr. Dudley, a close adviser to Ms. Yellen, said he hoped the Fed could differentiate between competing explanations "over the coming months."

Several officials have said

Street Journal's survey of economists expect the storm to reduce the pace of job gains by about 27,000 jobs a month in the third quarter on average, followed by little change in the fourth quarter and then a boost of 13,000 in the first quarter of 2018, as many people find work rebuilding. Fed policy makers watch job growth closely for signs of whether the labor market is tightening.

Economists also expect the growth rate of gross domestic product, the broadest measure of goods and services produced across the economy, will fall by about 0.3 percentage point in the third quarter, followed by no effect on the fourth quarter, and a 0.2-percentage-point boost in the first quarter of 2018.

"The devastation in the surrounding Houston area, America's fourth-largest city, will be significant enough to negatively impact activity and employment nationally," said Chad Moutray, chief economist for the National Association of Manufacturers.

—Josh Zumbro and Sarah Chaney

U.S. retail gasoline prices

week hurricane occurred=100

140

120

100

80

60

40

20

0

weeks before weeks after

Harvey
Katrina
Ivan
Dennis
Ike

Initial jobless claims

week hurricane occurred=100

140

120

100

80

60

40

20

0

weeks before weeks after

Katrina
Sandy

Average estimates in The Wall Street Journal's survey of economists on the impact of Hurricane Harvey to:

Gross domestic product

0.2 pct. pts.

0.1

0

-0.1

-0.2

-0.3

Sources: Moody's Analytics (gasoline, claims); WSJ survey of economists (GDP, jobs)

Monthly job growth

20,000

10,000

0

-10,000

-20,000

-30,000

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could decide to forego another rate move by year's end.

Already, the probability of another rate rise as implied by futures markets has fallen to around 1 in 3, according to CME Group, reflecting markets' grasp of the central bank's inflation dilemma.

ing to be sustainable unemployment," said Boston Fed President Eric Rosengren in an interview last month.

Still, if inflation doesn't soon show signs of an upturn and the unemployment rate doesn't fall much further from its recent low of 4.3%, officials

could decide to forego another rate move by year's end.

Already, the probability of another rate rise as implied by futures markets has fallen to around 1 in 3, according to CME Group, reflecting markets' grasp of the central bank's inflation dilemma.

U.S. WATCH

IMMIGRATION

Court Deals Blow To Trump Travel Ban

A federal appeals court on Thursday dealt a new blow to the Trump administration's plan to suspend travel to the U.S. from six Muslim-majority countries, ruling that 24,000 vetted refugees may enter the country while the Supreme Court weighs the policy's legality.

The Ninth U.S. Circuit Court of Appeals in San Francisco said the government had "cherry-picked" sections of federal immigration law to exclude aliens who should be able to enter the U.S. while the case is pending. The administration has argued that the move is needed to help prevent terrorist attacks.

A Justice Department spokeswoman said that "we will now return to the Supreme Court to vindicate the executive branch's duty to protect the nation."

—Jess Bravin

ECONOMY

Worker Productivity Rose 1.5% in Quarter

U.S. worker productivity grew faster than initially estimated in the second quarter, though it has remained sluggish.

Nonfarm business-sector productivity, measured as the goods and services produced per hour worked, increased at a 1.5% seasonally adjusted annual rate in the second quarter, up from a 0.1% growth rate in the first quarter, the Labor Department said.

Output rose at a 4% rate from the first quarter, while hours worked were up at a 2.5% pace. Compared with a year earlier, productivity was up 1.3% in the second quarter. Productivity growth averaged 1.2% a year from 2007 through 2016.

Weaker productivity throughout the current economic expansion is one factor that has likely held down worker wages.

—Sarah Chaney

CORRECTIONS & AMPLIFICATIONS

United Airlines considered ordering **Bombardier** C Series planes before opting for planes from **Boeing**.

The Middle Seat column Thursday about roomier aircraft incorrectly said United canceled an order for C Series planes.

Susquehanna International Group expects **Apple** Inc. in the September quarter to ship five million units of the pricier new iPhone it is expected to unveil on Sept. 12. A Technology article on Sept. 1 incorrectly said the estimate was 25 million.

Kurdish Peshmerga fighters seized the northern Iraqi city of Kirkuk in October 2014. A World News article on Aug. 31 about a planned referendum on Kurdish

tan's independence incorrectly gave the date as June 2014.

The amount of new one-to-four family mortgage debt funneled through **Fannie Mae**, **Freddie Mac** and other taxpayer-backed entities roughly doubled after the financial crisis, to around 70%. A Page One article Aug. 15 about sales of securities by Fannie and Freddie didn't make clear that the sentence referred to new mortgage debt for one-to-four-family housing units rather than all mortgage debt.

The solution to the Aug. 19 Varsity Math problem "Heads Up" was 2/9. The solution published in Review on Aug. 26 incorrectly said it was 1/3.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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AMAZON

Continued from Page One

Sweeney, partner at the Greenville, S.C.-based McCallum Sweeney Consulting. Mr. Sweeney's firm advised Boeing Co. on its \$8.7 billion tax-incentive package with the state of Washington in 2013 to manufacture a new jet there, setting a U.S. record. He anticipates states will offer Amazon a package in "that neighborhood."

Amazon said it would prefer its new headquarters to be in a metropolitan area with more than a million people, near a strong university system and within 45 minutes of an international airport.

The project likely will go down as one of the biggest economic developments announced in a decade, said Greg Burkhardt, a Detroit-based consultant with Duff & Phelps Corp. "This is the same economic impact as a medium-sized city," he said.

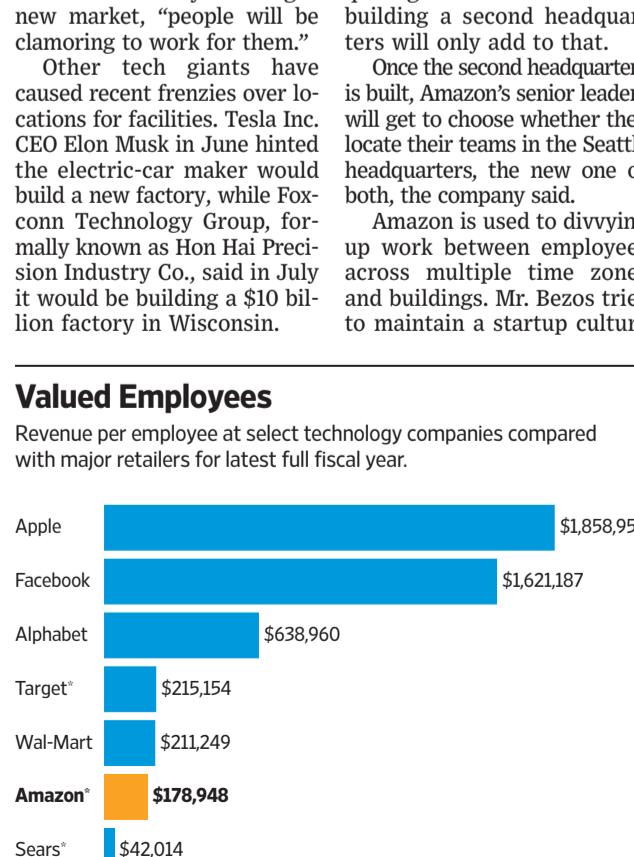
Over the past two decades, Amazon has grown from an online bookseller founded in Mr. Bezos's garage to a sprawling tech giant. It now has a Hollywood studio, a booming device business including its artificial intelligence assistant Alexa, and a profit-driving cloud-computing service.

The number of employees at Amazon's Seattle headquarters has grown rapidly over the past decade from a few thousand to more than 40,000. But Amazon recently has faced both space and hiring constraints as a result, according to people familiar with the company's thinking.

Amazon has struggled to attract and retain enough engi-

Valued Employees

Revenue per employee at select technology companies compared with major retailers for latest full fiscal year.



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Jacquie McNish and Shabani Mahtani contributed to this article.

U.S. NEWS

DeVos Puts Rape Policy Under Review

Education Department to overhaul schools' guidelines for handling sexual assault cases

By MELISSA KORN

Education Secretary Betsy DeVos on Thursday said the department plans to roll back the Obama administration's guidance on how colleges and universities should handle sexual assault cases.

Expressing concern about the toll such cases take on both survivors of assault and on the accused, Mrs. DeVos said the Education Department will seek "more effective, equitable enforcement of Title IX" that provides "justice for all students."

Title IX of the Education Amendments of 1972 prohibits schools from discriminating on the basis of sex.

The federal government will solicit public comment and establish a new regulatory framework to help schools adjudicate the cases, Mrs. DeVos said.

Sexual assault has been a flashpoint on college campuses for years, as schools struggled to interpret a 2011 letter that spelled out how the institutions should investigate such allegations. That advisory, known as the "Dear Colleague" letter, recommended that schools use a lower standard of evidence in determining guilt than many criminal cases require and detailed recommendations on who should preside over hearings and how quickly the cases should be wrapped up.

"The current approach isn't working," she said in a speech at George Mason University's Antonin Scalia Law School. She said that students and campus administrators "have all told me that the current approach does a disservice to everyone involved," including survivors of sexual assault as well as some of the accused who she described as "victims of a lack of due process."

In the Dear Colleague guidance, the Education Department had threatened to withhold federal funds from schools



Education Secretary Betsy DeVos says the current system does a 'disservice' to sex-assault survivors as well as some of the accused.

that didn't comply, saying they would be violating Title IX.

In response, schools hired victim advocates and Title IX coordinators. Some schools redefined what action counts as sexual assault or harassment—and many faced criticism for bungling investigations.

Opponents of the Obama-era guidance argue that it forced schools to jettison due process for the accused, often not allowing them access to a lawyer or the opportunity to question

their accusers.

A report released this week from the Foundation for Individual Rights in Education, a nonprofit group that focuses on civil liberties in academia, found that nearly three-quarters of America's 53 top universities—as ranked by U.S. News & World Report—don't guarantee that students will be presumed innocent until proven guilty, and the vast majority don't allow the accused to have counsel participate in hearings.

"Through intimidation and coercion, the failed system has clearly pushed schools to overreach," Mrs. DeVos said, citing examples of individuals who were wrongly accused or disciplined for what seemed to be minor infractions or misconstrued actions.

The Education Department confirmed after Mrs. DeVos's speech that it is reviewing and will replace, but at this time is not rescinding, the 2011 Dear Colleague letter.

U.S. Backs Baker Who Refused Gay Couple

By JESS BRAVIN

WASHINGTON—The Trump administration told the Supreme Court Thursday that the First Amendment entitles a Colorado baker to turn away gay couples seeking wedding cakes, despite state law prohibiting discrimination based on sexual orientation.

While businesses that sell off-the-shelf goods may be bound by antidiscrimination laws, those that make custom products, like the Masterpiece Cakeshop in Lakewood, Colo., could be exempt if filling an order forces them to express views contrary to their own beliefs, the Justice Department said in a friend-of-the-court brief.

"The department filed an amicus brief in this case today because the First Amendment protects the right of free expression for all Americans," said Justice Department spokeswoman Lauren Ehrsam.

"Although public-accommodations laws serve important purposes, they—like other laws—must yield to the individual freedoms that the First Amendment guarantees," she said. "That includes the freedom not to create expression for ceremonies that violate one's religious beliefs."

The American Civil Liberties Union, which represents the gay couple denied service, saw it differently.

"This Justice Department has already made its hostility to the rights of LGBT people and so many others crystal clear. But this brief was shocking, even for this administration," said Louise Melling, the ACLU's deputy legal director.

"What the Trump administration is advocating for is nothing short of a constitutional right to discriminate," she said.

The department filed its brief in a case pitting Masterpiece Cakeshop against the Colorado Civil Rights Commission, which is likely to be scheduled for Supreme Court argument after November and decided before July.

The government brief argues that by making a custom wedding cake, bakery owner Jack Phillips both employs his creative skills to express support for the marriage and participates, at least vicariously, in the ceremony itself.

Compelling Mr. Phillips to sell a cake to a gay couple would be akin to forcing him to declare his support for gay marriage or actually participate in a same-sex ceremony, the brief says.

Critics argue that argument could also be invoked to deny service to, for instance, interracial couples.

Fewer Americans Value a College Degree

By JOSH MITCHELL
AND DOUGLAS BELKIN

Americans are losing faith in the value of a college degree, with majorities of young adults, men and rural residents saying college isn't worth the cost, a new Wall Street Journal/NBC News survey shows.

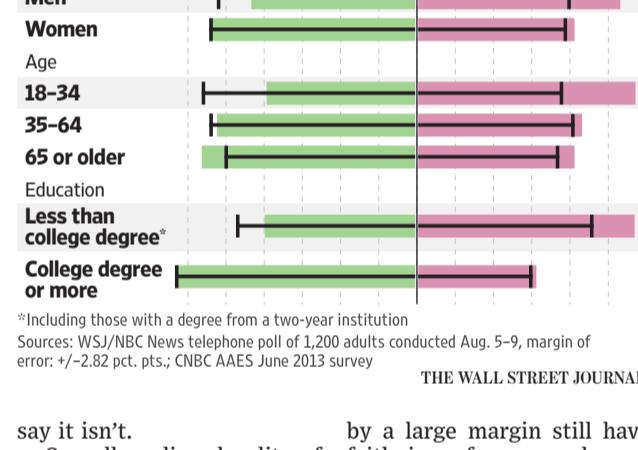
The findings reflect an increase in public skepticism of higher education from just four years ago and highlight a growing divide in opinion falling along gender, educational, regional and partisan lines. They also carry political implications for universities, already under public pressure to rein in their costs and adjust curricula after decades of sharp tuition increases.

The shift was almost entirely due to growing skepticism among Americans without four-year degrees—those who never enrolled in college, who took only some classes or who earned a two-year degree. Four years ago, that group used to split almost evenly on the question of whether college was worth the cost. Now, skeptics outnumber believers by a double-digit margin.

Conversely, opinion among college graduates is almost identical to that of four years ago, with 63% saying college is worth the cost versus 31% who

Slipping Grades for Higher Education

Fewer Americans say a four-year college degree is worth the cost, especially younger people and those without such a degree. A5



Sources: WSJ/NBC News telephone poll of 1,200 adults conducted Aug. 5-9, margin of error: +/- 2.8 pct. pts.; CNBC AAES June 2013 survey

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say it isn't.

Overall, a slim plurality of Americans, 49%, believes earning a four-year degree will lead to a good job and higher lifetime earnings, compared with 47% who don't, according to the poll of 1,200 people taken Aug. 5-9. That two-point margin narrowed from 13 points when the same question was asked four years earlier.

Big shifts occurred within several groups. While women

by a large margin still have faith in a four-year degree, opinion among men swung significantly. Four years ago, men by a 12-point margin saw college as worth the cost. Now, they say it is not worth it, by a 10-point margin.

Likewise, among Americans 18 to 34 years old, skeptics outnumber believers 57% to 39%, almost a mirror image from four years earlier.

Today, Democrats, urban residents and Americans who

ACT Shows Wide Gap in Readiness

Nearly half of the two million high-school students who took the ACT college-entrance exam and graduated this year face a daunting reality when they get to college: They likely aren't ready for the challenge.

While scores were largely flat last year, students who identified themselves as low-income or racial minorities, or expected to be the first in their families to attend college, fared dramatically worse than those who didn't, according to new metrics breaking down the background of test takers.

More than four of five test takers who had all three of

those "underserved" characteristics, as ACT calls them,

showed college readiness on one or none of the exam benchmarks in English, reading, math and science. Only 9% met the benchmark in at least three of the four areas. That compares with 54% for test takers who didn't mark that they had these characteristics.

Among students who identified having just one of the criteria—low-income, racial minority or first-generation college student—26% met three or four benchmarks; 60% met one or none at all.

"It's quite alarming," said Marten Roorda, chief executive of the Iowa-based nonprofit organization that produces and administers the ACT.

—Melissa Korn

consider themselves middle- and upper-class generally believe college is worth it; Republicans, rural residents and people who identify themselves as poor or working-class don't.

Research shows that college graduates, on average, fare far better economically than those without a degree. For example, the unemployment rate is 2.7% among college graduates, compared with 5.1% among high-school graduates

who never attended college, and Labor Department research shows that bachelor's degree recipients earn higher salaries than those who never went to college. But the wage premium of getting a degree has flattened in recent years, Federal Reserve research shows.

Meanwhile, student debt has surged to \$1.3 trillion, and millions of Americans have fallen behind on student-loan payments.

Court Says Assisted Suicide Not a Right

By JACOB GERSHMAN

New York's highest court ruled that physician-assisted suicide isn't a fundamental right, rejecting a legal effort by terminally ill patients to decriminalize the practice.

The state Court of Appeals, though, said it wouldn't stand in the way if New York's Legislature decided assisted suicide could be "effectively regulated" and pass legislation allowing terminally ill and suffering patients to kill themselves.

Physician-assisted suicide is illegal in most of the country. But advocates have been making gains. Doctor-assisted dying has been legalized in several states, most recently in California and Colorado, the former by legislation and the latter by a ballot measure approved by voters in November.

Oregon, Vermont and Washington have enacted similar "end-of-life" measures. Washington, D.C., also passed an "assisted dying" law last year.

Montana's highest court in 2009 ruled that physicians who provide "aid in dying" are shielded from liability.

No state court has recognized "aid in dying" as a fundamental right.

In its unanimous opinion, the state Court of Appeals said its ruling affirms a "well-established distinction between

refusing life-sustaining treatment and assisted suicide."

The judges also said the state has a rational interest in preventing "the distribution of prescriptions for lethal dosages of drugs that could, upon fulfillment, be deliberately or accidentally misused."

Three patients were among the plaintiffs who brought the case, two of whom have since died. One had suffered from amyotrophic lateral sclerosis—also known as Lou Gehrig's disease—and the other "was 57 years old and terminally ill with acquired immune deficiency syndrome," among other ailments, according to the court's opinion. A third patient is in his 80s and has cancer.

The plaintiffs argued that New York's prohibition on assisted suicide violated guarantees of equal protection under the law. They alleged the law unlawfully discriminates between terminally ill patients who have the option of dying by declining life-sustaining medical assistance and other terminally ill patients who are unable to hasten their deaths simply by requesting medical assistance.

"We are very disappointed by the court's decision. It will prevent terminally ill New Yorkers from exercising an important option to achieve a peaceful death," said Edwin Schallert, a litigator who rep-

resented the patients.

New York Democratic Attorney General Eric Schneiderman's office argued against recognizing assisted suicide as a fundamental right. His office declined to comment on Thursday's decision.

Physician-assisted suicide is legal in several countries, including Canada.

In a concurring opinion, New York Court of Appeals Judge Eugene Fahey cited the

Netherlands—where euthanasia and assisted suicide have been legal since 2002—as a cautionary example.

"The Netherlands has displayed another very disturbing trend: the countenancing of both voluntary euthanasia and non-voluntary euthanasia," wrote the judge, citing studies on the number of patients in the Netherlands who were administered lethal drugs without their explicit request.

Bottles of prescription drugs stand on reading material in the Manhattan apartment of a terminally ill cancer patient.

"Our ability to fully capitalize on new science, and maintain FDA's gold standard for product review means FDA also needs to modernize itself alongside the new platforms that we're evaluating," Dr. Gottlieb said.

Small companies sometimes overestimate the amount of information needed to file an application and so "too many of the costs of development therefore get front-loaded, increasing the cost of advancing new science," he said.

"The FDA's review staff is sometimes able to help significantly streamline the early development process by eliminating unnecessary preclinical tests," he said.

Some of the therapies at issue include CAR T-cell treatment, in which a patient's immune cells are altered and magnified in the laboratory and reinfused in the patient in order to create a treatment that is most effective against that patient's specific cancer.

The first such treatment involving genetic engineering of a patient's cells to combat cancer was approved by the FDA last month. Novartis AG's new medicine, called Kymriah, was approved to treat children and young adults with an aggressive type of leukemia.

FDA Adapts to Surge In Gene, Cell Therapy

By THOMAS M. BURTON

Food and Drug Administration Commissioner Scott Gottlieb said the FDA is hurrying to modernize the way it evaluates a flood of new drug applications in the fast-growing fields of gene and cell therapy.

In a talk Thursday before corporate and academic research entities, he announced steps the agency will take to begin to grapple with the new science. For one thing, he said, the FDA will focus on conducting early scientific conversations with startup and small biotechnology companies.

Dr. Gottlieb said they "sometimes don't have a full understanding of what it will take to get" applications filed and approved. "It's often the smaller companies or individual researchers who are working with the most novel technology platforms," he said.

He estimated the agency already has at least 626 active investigational new-drug applications related to gene and cell-therapy products.

"A lot of our policies, and yes, our regulatory framework, are fashioned to a much different paradigm of science and drug development," he said. "So we're challenged to adapt those policies."

U.S. NEWS

Debt Deal Boosts Pressure on Ryan

President's accord with Democrats increases tensions with GOP lawmakers

BY KRISTINA PETERSON AND SIOBHAN HUGHES

WASHINGTON—President Donald Trump's decision to strike a deal with Democrats this week will land House Speaker Paul Ryan (R., Wis.) in an uncomfortable position Friday: fighting to pass a bill he had argued against both in public and in the Oval Office only two days earlier.

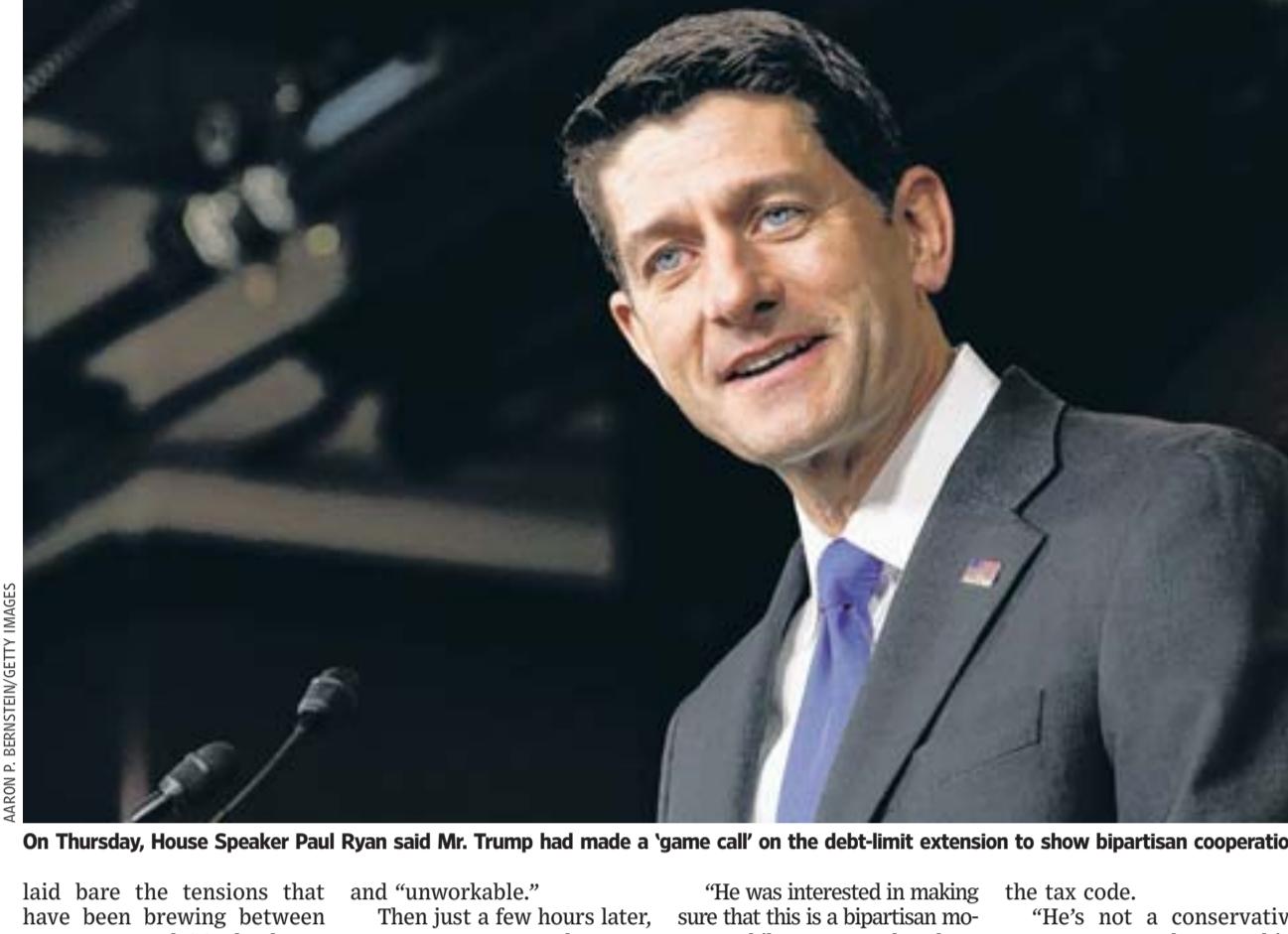
Mr. Ryan likely will need Democratic votes to pass legislation providing emergency aid to Hurricane Harvey victims and a three-month extension of the government's funding and debt limit, given that many House GOP lawmakers are unhappy with the deal. Some have started to train their anger not on the president who cut it but on Mr. Ryan for failing to prevent it.

"What was the leadership's plan on raising the debt ceiling? Was there a plan?" asked Rep. Mark Meadows (R., N.C.) at a Bloomberg News event.

"The leader is responsible for everything that happens or fails to happen," said Rep. Warren Davidson (R., Ohio).

Mr. Ryan's predecessor as speaker, Rep. John Boehner (R., Ohio), carried a heavy political burden in having to pass high-stakes fiscal legislation without majority support from House members of his own party.

Mr. Trump's decision to strike a deal with House Minority Leader Nancy Pelosi (D., Calif.) and Senate Minority Leader Chuck Schumer (D., N.Y.) over the public objections of Mr. Ryan and private pressure from other Republicans



On Thursday, House Speaker Paul Ryan said Mr. Trump had made a 'game call' on the debt-limit extension to show bipartisan cooperation.

laid bare the tensions that have been brewing between Mr. Trump and GOP leaders.

On Tuesday night, GOP leaders, who supported an 18-month extension of the federal government's borrowing limit, firmly believed they were on the same page as the White House ahead of the next day's meeting in the Oval Office, according to GOP aides in both chambers.

Rank-and-file colleagues had been briefed on the plan. So Mr. Ryan didn't mince words Wednesday morning when reporters asked him about Democrats' offer to pair just a three-month extension with aid for Hurricane Harvey victims, calling it "ridiculous"

and "unworkable."

Then just a few hours later, Mr. Trump accepted Democrats' deal to raise the debt limit for three months, leaving Mr. Ryan and other GOP leaders shocked and frustrated, according to House GOP aides.

Mr. Ryan said nothing publicly Wednesday about the deal. He plowed through a schedule packed with meetings and attended lawmaker fundraisers in the evening, according to a GOP aide. On Thursday, he told reporters that Mr. Trump had made a "game call" to show bipartisan cooperation in the aftermath of Hurricane Harvey and with Hurricane Irma barreling toward Florida.

"He was interested in making sure that this is a bipartisan moment while we respond to these hurricanes," Mr. Ryan said.

Republicans on Capitol Hill frequently say that signs of friction with the White House are overblown. But in Wednesday's deal, Mr. Trump sided with Democrats on the core GOP matter of fiscal policy—an area that Mr. Ryan is closely associated with, due to his time at the helm of the House Budget Committee.

An overarching question, Republicans say, is whether Mr. Trump could be a trustworthy partner of GOP leaders on other consequential issues, such as the effort to rewrite

the tax code.

"He's not a conservative. He's not moored to anything Republicans have stood for," said former Republican National Committee Chairman Michael Steele.

Mr. Ryan spoke skeptically about Mr. Trump's 15% corporate-tax goal in an interview with the New York Times streamed live Thursday.

The White House didn't immediately respond to a request for comment.

"The numbers are hard to make that work," said Mr. Ryan. He said he agreed with Mr. Trump's goal, but said that "at the end of the day, we have to make those numbers work."

Agreement To Fund Insurers Coalesces

BY MICHELLE HACKMAN

WASHINGTON—The contours of a deal to fund insurer payments critical to the Affordable Care Act took shape Thursday, even as conservative lawmakers and the White House pushed an alternative plan to repeal parts of the law.

Senate Health Committee Chairman Lamar Alexander (R., Tenn.) said he hoped to reach an agreement with Democrats by the end of next week on the insurer payments, which offset subsidies they provide low-income consumers.

At a hearing Thursday, Mr. Alexander suggested he would be willing to authorize the subsidy payments for multiple years, as Democrats are demanding, in exchange for "structural changes" to the ACA, also called Obamacare.

Mr. Alexander, who is crafting the package jointly with Sen. Patty Murray (D., Wash.), aims to win Congress's final approval before the end of the month, when insurers will sign their ACA contracts for 2018. The urgency was underlined Thursday when two insurers announced they would pare back coverage in Virginia and Maine because of uncertainty surrounding the payments.

At the same time, Sen. Bill Cassidy (R., La.), an architect of a competing plan that would repeal large parts of the ACA, said he would formally introduce his own plan on Monday, raising the possibility of a clash between the two Republican-led efforts.

Lawmakers like Mr. Cassidy and his co-sponsor, Sen. Lindsey Graham (R., S.C.), face a deadline of their own. The procedural vehicle allowing them to pass legislation through the Senate with 50 votes, rather than the 60 typically needed, expires Sept. 30.

The primary sticking point in the insurer payment talks involves ACA waivers that let states seek exemption from certain requirements, as long as the changes don't affect the federal deficit or increase the number of uninsured.

Republicans, including Mr. Alexander, say the waivers are too narrow to allow states to make changes that will lower health-care costs. Democrats say the safeguards governing the waivers are needed to prevent states from paring back consumer protections.

Without significant changes to the ACA waiver process, Mr. Alexander said Thursday that GOP lawmakers and President Donald Trump wouldn't support funding for the insurer subsidies.

—Louise Radnofsky and Byron Tau contributed to this article.

WASHINGTON WIRE

POLITICS

Bannon Takes Aim At Catholic Church

Former presidential adviser Steve Bannon criticized in a television interview the Roman Catholic Church's opposition to President Donald Trump's decision this week to rescind protections for some young undocumented immigrants.

The onetime White House strategist and Trump campaign chief executive, who returned as editor of Breitbart News after his departure from the administration last month, said the church's opposition to Mr. Trump's immigration decision stemmed from an economic need.

"They need illegal aliens to fill the churches, it's obvious on the face of it," Mr. Bannon said in an interview to air on CBS' "60 Minutes" on Sunday. "They have an economic interest in unlimited immigration."

—Eli Stokols

HOMELAND SECURITY

Program Has 690,000 Current Enrollees

Some 690,000 undocumented immigrants are currently enrolled in the Deferred Action for Childhood Arrivals program and risk losing protections if Congress doesn't act, the Department of Homeland Security said.

The program provides two-year, renewable work permits and safe harbor from deportation to people brought to the U.S. as children. This week, President Donald Trump ordered that the program end in March.

Administration figures show that nearly 800,000 people have enrolled since the program was created in 2012. Not all of those initial enrollees are still participating. Nearly 40,000 of them, for instance, have been approved for legal permanent residence, also known as green cards, said DHS spokesman David Lapan.

—Laura Meckler

Trump Jr. Gives His Reason For Meeting Russian Lawyer

BY BYRON TAU AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump's eldest son told congressional investigators Thursday he agreed to meet a Russian lawyer last summer who, he was told, had damaging information about Hillary Clinton because he believed the meeting could shed light on the "fitness, character or qualifications of a presidential candidate."

In a closed-door interview with the bipartisan staff of the Senate Judiciary Committee, a Republican-run panel investigating Russian activity during the election, Donald Trump Jr. delivered his most in-depth statement so far about a June 2016 meeting at Trump Tower in New York with a Russian lawyer with ties to the Kremlin.

"Depending on what, if any, information they had, I could then consult with counsel to make an informed decision as to whether to give it further consideration," Mr. Trump said in the statement, released by his spokesman.

Mr. Trump added: "I did not collude with any foreign government and do not know of anyone who did." He previously said no useful information came from the meeting.

On Thursday, Mr. Trump also defended his reply of "I love it" to the email promising damaging Clinton information, saying the response "was simply a colloquial way of saying that I appreciated Rob's gesture," referring to a publicist who set up the meeting.

Mr. Trump said he had three "very short" phone calls with Emin Agalarov, an Azerbaijani-

Russian pop star who also helped arrange the meeting, on June 6 and June 7, 2016, but that he didn't recall the content of the conversations.

Two other attendees of the June 2016 meeting—Jared Kushner, the president's son-in-law, and Paul Manafort, the elder Mr. Trump's former campaign chairman—have been interviewed by Senate Intelligence Committee staff.

Democrats on the Judiciary panel have called for the younger Mr. Trump to appear in an open hearing.

"I'm very much looking forward to a public hearing in front of the Senate Judiciary Committee where I and other senators can ask questions on the record—sworn testimony—of Donald Trump Jr. and others," said Sen. Chris Coons (D., Del.).

TOMI WILLIAMS/ZUMA PRESS



GOP Sens. Orrin Hatch, center, and Steve Daines, left, talk after a vote on Harvey aid on Thursday.

Continued from Page One
ious about his decision to scrap in six months an Obama-era program providing a shield from deportation, Mr. Trump tweeted that they had "nothing to worry about."

Together, the developments suggested a new interest by Mr. Trump in collaborating with Democrats—if necessary against the wishes of his own party's leadership—on areas including infrastructure, taxes, trade policy and immigration. Such agreements could help enact some of Mr. Trump's top legislative priorities.

The Harvey package, originally proposed by Democrats and approved on an 80-17 vote, now heads to the House, which is expected to vote on it on Friday. The House approved a smaller hurricane aid bill, without anything else attached, earlier in the week. Many conservatives there are reluctant to vote to increase the debt limit without taking any other steps to curb federal spending. But most, if not all, Democrats are likely to support it, as are many Republicans from Texas, Louisiana and Florida, all states affected by or bracing for the storms.

Asked Thursday if the deal on the debt ceiling signaled more bipartisanship, Mr.

their own activist supporters who are wary of any compromise with Mr. Trump. And GOP leaders could face backlash from their own members and constituents who want top Republicans to push a GOP-friendly agenda and protect the party's majority.

The most immediate test may come on tax policy, the area that GOP leaders and Mr. Trump have said is their top priority this fall. Some of Mr. Trump's campaign rhetoric on taxes lined up clearly with Democrats. He talked about reducing tax breaks for high-income households and limiting

tax incentives to shift corporate jobs and profits abroad.

But his other ideas haven't been consistent with some of these themes. For instance, he wants to repeal the estate tax and also sharply reduce the rates that many wealthy individuals pay for "pass-through" income earned in businesses not subject to the corporate tax, such as law or accounting partnerships.

Both measures benefit the wealthy disproportionately and are likely to be opposed by Democrats. Still, some activist Democrats are already worried that the party might strike a

deal.

"I am not confident that the Democratic Party will hold and present an effective opposition on taxes as they did on health care," said Jonathan Tasini, a progressive activist who was a national surrogate for Vermont Sen. Bernie Sanders' presidential campaign.

For their part, some Republicans say they wonder whether a president who sided with Democrats in crafting a three-month budget deal can be trusted as a partner on a more significant tax plan.

Trump administration officials huddled with House Speaker Paul Ryan (R., Wis.), Senate Majority Leader Mitch McConnell (R., Ky.) and the chairmen of the tax-writing committees on Thursday, with all sides saying they had made significant progress toward a framework. But outside the Hill, Republican strategists warned GOP lawmakers to be careful.

"He's not a conservative," said Michael Steele, the former Republican National Committee chairman, of Mr. Trump. "He's not coming to the table with a thought-out, established conservative perspective or agenda, so to go into a negotiation thinking that's how he's going to present his position is ludicrous."

Mr. Ryan had a dinner meeting with Mr. Trump on Thursday night to discuss the fall legislative agenda.

Trade policy is another area that Trump aides have long seen as ripe for cooperation with Democrats, and they talk often of seeking a "new coalition" built around emphasizing stronger enforcement of trade laws. Mr. Trump's protectionist pitch during the 2016 campaign was one of his clearest breaks with traditional Republican ideology. Mr. Trump's choice for U.S. trade representative, Robert Lighthizer, a longtime advocate of tougher trade enforcement policies, won strong Democratic praise and support.

Clues to the limits of an alliance between Mr. Trump and Democrats may be found in a push to rebuild the U.S. transportation, water and energy infrastructure, which was early on seen as possible common ground between Mr. Trump and Democrats. The two camps remain divided about how such an effort would be structured and funded.

Early on, Mr. Schumer and Senate Democrats attempted a political equivalent of a bear-hug, endorsing Mr. Trump's goal of \$1 trillion in infrastructure spending, but insisting it come from public funds, even if that increased deficits.

That approach is anathema to congressional Republicans, as well as to members of the Trump administration.

—Louise Radnofsky and Byron Tau contributed to this article.

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HURRICANE HAVOC

Worker Shortage to Slow Storm Rebuild

By LAURA KUSISTO
AND DOUGLAS BELKIN

HOUSTON—A severe shortage of construction workers is expected to cause widespread delays and push labor costs higher as Texas begins to rebuild from Hurricane Harvey.

The labor squeeze could get worse still if Hurricane Irma slams the Southeastern U.S. this weekend, as expected.

Already, an estimated 30,000 homes in Houston were destroyed by Harvey, more than the city was expected to build in all of 2017, according to the Greater Houston Builders Association. Tens of thousands more were damaged.

The spike in construction demand comes at a time when contractors say they already are facing delays of one to two months to find workers for their projects. Now those wait times could grow to many months, they said.

Wages and material prices also are expected to rise, potentially by double-digit percentages, based on the historical example of Hurricane Katrina in 2005, according to real-estate tracker John Burns Consulting.

"It's going to be a monumental challenge that is going to be frustrating for people who just



Clayton Mosley stripped flood-damaged walls in Houston earlier this week in the aftermath of Hurricane Harvey.

want to get their lives back," said Scott Norman, executive director of the Texas Association of Builders.

Dan Bawden, president and chief executive of Legal Eagle Contractors Co., said he has been getting so many calls, emails and texts that he has been working until midnight seven days a week.

In low-lying Meyerland, Texas, where Mr. Bawden primarily works, soccer trophies and family photos are still piled on clients' lawns, and it will take a month for their homes to dry out. Contractors will be stockpiling drywall and interior doors the way most people load up on milk and eggs before a storm, he said.

Supplies Tight Across the U.S.

Before Hurricane Harvey hit Texas last month, construction workers across the U.S. were already in tight supply and materials costs were rising.

As it rebuilds, Houston is likely to face such a severe crunch that it could affect the national economy by pushing up materials costs and driving down the U.S. unemployment rate for construction workers further, according to Robert Dietz, chief economist at the National Association of Home Builders.

There were 225,000 unfilled construction jobs in June, near the recent high of 238,000 recorded in July 2016,

according to a National Association of Home Builders analysis of Labor Department data.

In all, 10,000 to 20,000 workers could be needed to rebuild the homes damaged by Harvey alone, or 10% to 20% of the total number of residential construction workers in the Houston metropolitan area, according to the National Association of Home Builders.

After Hurricane Katrina in 2005, construction-worker wages in Mississippi jumped 12%, according to an analysis by Todd Tomalak, vice president of research at John Burns Consulting. New housing permits increased by about 27% from 2006 to 2007 in the New Orleans area, according to the analysis.

—Laura Kusisto
and Douglas Belkin

bump comes because he is paying them \$160 a day plus room and board, up from \$100 a day.

"Nobody blinks at the prices," said Mr. Hernandez, who specializes in fire and water restoration.

After Hurricane Katrina, thousands of construction workers descended on New Orleans to help with work and ended up staying because the rebuilding process lasted years.

After the housing bust, many construction workers left the industry and never returned. And young people are largely eschewing a profession that can involve risky work in all kinds of weather. Builders said tighter immigration policies also could contribute to the squeeze.

Lumber and drywall prices were up in 2017 before Harvey, and prices are likely to rise, according to Mr. Dietz.

Augie Bering, owner of two hardware stores in Houston, said he has struggled to keep up with the jump in demand since the storm ended. The stores, each about 30,000 square feet, typically take one delivery a week that fills up part of an 18-wheeler. Since the storm they have taken a full load every day.

—Sarah Nassauer
contributed to this article

CEOS

Continued from Page One

Fortune 500 companies than any U.S. metropolis except New York.

Harvey's record-setting floods, which have damaged or destroyed more than 300,000 homes in southeast Texas, disrupted lives here on a scale seldom before seen in the U.S., affecting executives and laborers alike. The scale of the problem is testing CEOs, who see themselves as caretakers for their workers in and out of the office and as civic and community leaders in times of crisis.

Managers said they are focused primarily on giving staff the time and help they need to take care of their homes and families and cope with deep personal loss.

For now, the interests of employers and employees are aligned—both want to get their lives in order and get back to work. In the long run, their interests may diverge, if costs become intolerable. Companies will face pressure to get back to full strength to meet business targets to satisfy customers and shareholders, economists and analysts said. Missteps could harm corporate images.

It is a dilemma more bosses may soon face as a second major storm, Hurricane Irma, threatens to slam into the Southeastern U.S. coastline this weekend.

The assistance companies are committing to flooded employees could be one of their biggest costs as they scramble to get back to work. Many businesses estimated that plants and refineries will be back to 100% in weeks but that it will be months before employees are.

An informal poll by the Greater Houston Partnership, the regional chamber of commerce, found that the typical company had 10% to 11% of employees with homes substantially affected by flooding.

"That's a very high level of impact that's hard to really make the office function as you'd like," said Bob Harvey, the partnership's chief executive. Companies in some heavily flooded areas, such as oil and gas producer ConocoPhillips, were opting to keep main offices closed until next week.

Productivity could drop 10% in the Gulf Coast region for at least the next two months, which would cause a \$3 billion reduction in economic output, said Ray Perryman, a Texas economist and forecaster based in Waco.

Covestro, a maker of raw materials for adhesives, polyurethanes and other chemicals spun off from the pharmaceuticals giant Bayer AG in 2015, estimated 15% of its more than 1,000 Houston-area staff were hit by flooding.

Company managers assigned flooded employees a score to determine how much assistance to provide: Level 1 meant minor home damage and an estimated recovery time of less than a month; Level 2 indicated recovery could take up to three months and that some temporary housing was required; and



Covestro is helping Jill and Javan Williamson, an employee, with temporary housing and the use of a car after their Baytown house flooded.

Level 3 signified total losses or major home damage and as much as six months of recovery and shelter were needed. Of the roughly 150 employees who sustained damage, more than 60 were either Level 2 or 3.

"All the stuff we're doing in the first couple of weeks, those are, in a way, the easier things," Mr. MacCleary said. "It's the longer term that's tougher."

Three miles from Covestro's Baytown plant, a team of company employees worked Wednesday to finish stripping the inside of co-worker Javan Williamson's three-bedroom home down to its studs—it had been flooded to 5 feet.

Water covered the SUV in the garage and set the backyard deck afloat like a raft, saving the two dogs that had been left behind.

Productivity could drop 10% in the Gulf Coast region for at least the next two months.

hind when Mr. Williamson—expecting only a few inches of flooding—moved his pregnant wife and two small daughters to a friend's house for what he thought would be the night. A co-worker, Brett Ward, later waded with him through waist-high water to rescue the dogs.

On Wednesday, the family's ruined belongings—nearly all of them—were piled high on the sidewalk around the house: a couch, a mirror, various toys. Mr. Williamson's wife, Jill, said the couple's wedding photos were a total loss, but some snapshots of the children would dry.

Covestro also lent the Willm-

a furnished apartment for the family for three months.

"I never thought a company I work for would be so willing to put out these types of resources," Mr. Williamson said. "Allowing me to be off work and not worrying about my job is absolutely critical."

Companies now tending to their employees are likely in for a long haul.

Paul Kusserow, CEO of Amedisys Inc., a home health-care company based in Baton Rouge, La., said it has taken until now for the company to recover fully from catastrophic floods last year that left a quarter of its 400 employees with flooded homes and properties.

Mr. Kusserow estimated the company has spent "well into the millions" of dollars in housing, cash, counseling and other aid for displaced employees, plus countless hours helping them negotiate with insurers, purchasing supplies and finding quality contractors to rebuild workers' homes.

"Even if it's not a question of economics, you as an employer get so much in return," he said. "What we got was a lot of good will and a lot of cohesion and loyalty."

He said he believes the effort is one reason the company's turnover rate has fallen to about 18% from the low-30% range before the floods.

Amedisys never hit a point where it considered pulling back and didn't feel pressure from investors to rein in spending, he said. "Our board wrote checks, and I expected them to write checks," Mr. Kusserow said.

He said he has gotten calls from companies in Houston and Florida asking for advice in building their own employee-recovery plans. "It ain't that tough. You just got to give," he said.

As Harvey inundated Occidental Petroleum Corp.'s Houston-area facilities with several feet of water, CEO Vicki Hollub tracked the whereabouts of the roughly 3,000 company employees in the storm's path using a company app and spreadsheet—and called and texted some herself, along with other company leaders. Ms. Hollub knows many of the workers personally because she came up through the ranks of the company.

"I would see names missing," said Ms. Hollub, adding, "We were trying to make sure we hadn't missed anybody."

All staff were eventually accounted for.

The company estimates more than 400 employees had to evacuate their homes, and about half of those suffered damage.

"If employees are stressed about their personal situation, they can't really do a good job, and we wouldn't expect them to," Ms. Hollub said.

BP PLC, which has 5,000 employees in Houston, shut down its corporate campus after its main office tower flooded. BP temporarily moved part of its wind business unit to Barber County, Kan., and many oil and gas employees are working remotely from home. It has a plan over the coming weeks to get about 60% of its Houston crew into shared workspace in its buildings that didn't flood.

As he waded through waist-deep water around BP's corporate campus last week, John Mingé, president of BP America, said he realized it isn't just desks and cubicles that were swamped, but the company's expansive day-care center, too. About 300 children are cared for from early in the morning until the end of the workday.

"This is going to create stress, and we'll have to work through it," he said, referring to

Office Help

Houston's corporate giants are assisting employees who have hurricane damage. A few examples:

Covestro

- Temporary housing and autos
- Drive-through station for supplies including bleach, plastic tarps, gas
- Storage pods and trailers
- Volunteer and hired cleanup crews

Occidental Petroleum

- Temporary housing
- Food supplies
- Interest-free loans
- \$5,000 grants
- Volunteer cleanup crews

Exxon Mobil

- Temporary housing
- Helicopters delivered water and supplies
- Helped Beaumont restore water
- Interest-free loans
- Hired cleanup crews

working parents who counted on campus child care.

At Exxon Mobil, which has about 23,000 employees in Texas and Louisiana, senior executives held a conference call each day with about 50 people keeping tabs on the status of Exxon business units and personnel, said Steve Hart, vice president of global logistics and leader of Exxon's relief effort.

Mr. Hart and his team also guided operational priorities such as the refinery shutdowns and startups. He said he realized only later that some people on the calls coordinating the recovery were trying to manage their own flooded homes.

Some had moved in with co-

workers and quietly kept doing their jobs. "They look at this as their role," Mr. Hart said. "They know that this is what they need to do."

Reno Castillo, an Exxon instrument specialist, was among a large crew of critical employees that stayed at the Baytown refining and chemical complex and helped safely shut it down during the storm.

He and others were stuck at the plant for days after floodwaters cut off access. He eventually got home—traveling at one point on a friend's bass boat—where his house was also flooded with 2 feet of water.

Exxon hired a crew to rip out drywall and clean up—one of more than 100 contractors the company has mobilized to help employees.

In less than a week, his home was ready to start renovations, and by Tuesday he was able to get back to work on the turbines in the Baytown plant.

"They were trying to get my life back in order as quickly as possible," he said.

Once people get back to work, "their attention is going to be divided," said Curt Ross, a managing director in the Houston office of recruiting and consulting firm Russell Reynolds Associates. "These people are going to be talking to insurance companies and adjusters and contractors for months."

He estimated it could be six months before workers return to full productivity.

"Given that people will need time off...absenteeism is likely to be a drain on productivity," said Mr. Perryman, the economist. "Perhaps an even greater concern will be 'presenteeism,' where workers are physically present but preoccupied with family and property concerns."

—Bradley Olson
contributed to this article

HURRICANE HAVOC

After Andrew, Irma to Test Building Codes

Regulations put in place after 1992 storm could face their toughest test yet

MIAMI—After Hurricane Andrew pummeled Florida 25 years ago and leveled entire blocks of homes, local and state officials responded by creating some of the strictest building codes in the U.S., hailed by many as a model.

By Arian Campo-Flores,
Cameron McWhirter
and Peter Grant

Florida adopted a new statewide building code in 2002 that included a host of new requirements, including the use of stronger roof fasteners, nails instead of staples and impact-resistant windows in certain areas. It increased the amount of wind pressure homes must withstand and added more-detailed and rigorous inspections of building plans.

With Hurricane Irma—among the strongest Atlantic storms in history—closing in on South Florida, those regulations could face their toughest test yet.

More is at risk than when Andrew hit in 1992—Florida's population has grown more than 50% to 20.6 million and real-estate development has boomed. Housing units in Miami-Dade County increased 30% from 1990 to nearly one million in 2015 according to data from the U.S. Census Bureau. The county's population has swelled in tandem, to 2.65 million in 2015 from 1.94 million in 1990—a 37% increase.

A hurricane like Irma “is something we have been fearing for a long time,” said Ned Murray, associate director of the Metropolitan Center at Florida International University.

CoreLogic Inc., a financial and property data analytics company, calculates that there

are more than 2.7 million homes at risk along 1,350 miles of Florida's coast, according to a 2017 report. The metropolitan area encompassing Miami, Fort Lauderdale and West Palm Beach had the greatest number of homes at risk of any of the 15 regions CoreLogic analyzed. The coastal area of New York, New Jersey and Pennsylvania ranks second.

Andrew was the largest storm to hit South Florida directly in recent decades. The Category 5 storm came ashore south of Miami, crossing Biscayne Bay. Andrew killed 61 people in the U.S., and caused more than \$26 billion in damage, in 1992 dollars—the costliest storm in U.S. history until Hurricane Katrina in 2005. It destroyed more than 25,500 homes and damaged more than 101,000 others, according to a National Hurricane Center assessment.

In the aftermath, many blamed shoddy home construction for the broad destruction, resulting in pressure to create more exacting building codes which promoted the statewide push to strengthen the building code.

A study by the Institute for Business and Home Safety of the effects of Hurricane Charley, which hit Charlotte County, Fla., in 2004, found that the changes made a difference. Homes built after the new code was implemented had fewer and less-severe insurance claims than those built before, according to the report.

Groups like the International Code Council, which develops model building codes, have hailed Florida's regulations as some of the strongest in the country and said they make the state more resilient in the event of a major storm.

But the new building code hasn't been tested by a storm comparable to Andrew until possibly Irma, said Peter Zalewski, principal at Cranespotters, which tracks new construction



Volunteers in Miami helped residents fill sandbags on Thursday as they prepared for Hurricane Irma, expected to hit South Florida Sunday.

Irma Hits Caribbean, Takes Aim at Florida

MIAMI—Authorities on Thursday ordered more than 650,000 people to evacuate the Miami area as Hurricane Irma churned toward a possible collision with the mainland U.S. and after the Category 5 storm killed at least seven people in the Caribbean.

“These are areas that may experience life-threatening storm surge,” said Carlos Giménez, the GOP mayor of Miami-Dade County. “I cannot stress this enough: Don't wait to evacuate.”

Irma—one of the most powerful storms ever recorded over the Atlantic—remained a “potentially catastrophic” storm, according to the National Hurricane Center's latest update.

The current forecast track calls for the storm to reach south Florida by early Sunday, and tropical storm-force winds could arrive by Saturday.

Hurricane and storm-surge watches were officially issued for south Florida including the Florida Keys on Thursday, and Gov. Rick Scott expressed worry about both the breadth of the

storm and the flooding potential as he implored residents to heed evacuation orders.

“Look at the size of this storm. It's huge. It's wider than our entire state and could cause major and life-threatening impacts on both coasts,” Mr. Scott, a Republican, said.

The National Hurricane Center forecast the storm surge in parts of south Florida could reach 5 to 10 feet above ground, if the peak surge coincides with high tide. “We could see houses covered,” Mr. Scott said.

Miami-Dade County's Mr. Giménez said officials are preparing shelters to accommodate as many as 100,000 people. He urged residents to stay with friends who live in safe areas in the county, rather than drive away.

“Look, if 600,000 people decide they want to leave Miami-Dade tomorrow, that's going to be a mess,” he said. “We need our neighbors and co-workers, etcetera, to take some folks in.”

Evacuees were clogging highways and backing up traffic on Thursday amid worries about gasoline shortages in the state.

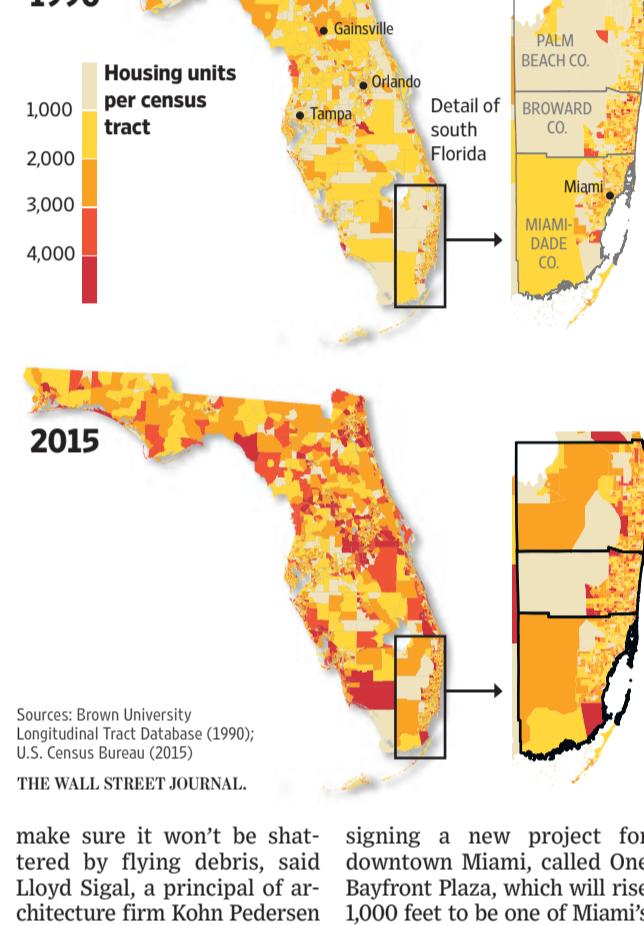
—Jon Kamp

struction in Miami-Dade, Broward and Palm Beach counties. “South Florida will be a laboratory for the new building code,” he said.

Among Miami's requirements is one that any material on the outside of a building—glass, metal, assemblages—has to pass a ballistics test to

Building Up the Sunshine State

Housing construction has increased dramatically since Hurricane Andrew hit parts of southern Florida in 1992.



Powerful Path

As Hurricane Irma approaches Florida it will be passing over water warmer than 86 degrees Fahrenheit, hot enough to sustain a category 5 hurricane.



Source: NOAA

THE WALL STREET JOURNAL

Smaller Insurers Backstop Florida

BY LESLIE SCISM

Hurricane Irma will test a Florida insurance market where a wave of large insurers aggressively reduced their footprint, replaced by smaller firms and a state body.

Florida's insurance market nearly collapsed in 2006 after some of the costliest storms in U.S. history. Besides Katrina, there were Charley, Frances, Ivan, Jeanne, Rita and Wilma in 2004 and 2005. In their wake, many big national home insurers shed policies in the state, frustrated by regulators and lawmakers who rebelled against the large rate increases they said were essential.

What followed has been a

winding path. At first, state leaders used their **Citizens Property Insurance** Corp. entity to plug the gap, and it became the largest insurer in the state, with nearly 1.5 million policies in 2011. From there, some 50 small to midsize home insurers have played a growing role.

They have grabbed so much business that Florida's top-20 market-share list for homeowners' insurance is rife with names of carriers most people have never heard of outside its borders.

This transformation occurred during a 12-year hurricane dry spell, lasting long enough for state officials to shore up the foundations of Citizens. But it is also long enough

to make sure it won't be shattered by flying debris, said Lloyd Sigal, a principal of architecture firm Kohn Pedersen Fox Associates. His firm is de-

signing a new project for downtown Miami, called One Bayfront Plaza, which will rise 1,000 feet to be one of Miami's tallest towers.

A sister organization, the Florida Hurricane Catastrophe Fund, has about \$17 billion, the spokesman said.

John Rollins, an executive with Cabrillo Coastal General Insurance Agency LLC in Gainesville, Fla., who was Citizens' chief risk officer until early this year, said Citizens and the Catastrophe Fund “have been replenished significantly through a combination of meteorological luck and prudent planning.” Citizens still has about 443,000 policyholders in Florida.

—Nicole Friedman contributed to this article.

◆ Heard on the Street: Gauging Irma's risk to insurance.... B12

Hurricane Further Stresses Puerto Rico

BY ANDREW SCURRI

Hurricane Irma's destructive path through the Caribbean is exacerbating financial crises in Puerto Rico and the U.S. Virgin Islands.

The storm downed power lines and left more than one million customers in Puerto Rico without service Thursday, forcing hospitals to activate backup generators and disabling water service for more than 221,000 people, according to the island's government. The coastal capital of San Juan registered waves of up to 30 feet, and Gov. Ricardo Rosselló warned of possible landslides and floods.

The physical damage is another stress on the island's dilapidated power infrastructure, already weakened by years of neglect. Puerto Rico's central government and its public power monopoly are both under bankruptcy protection, the culmination of years of overborrowing and economic stagnation on the island. Congress last year installed an oversight board to



JOSE MENEZ-TIRADO FOR THE WALL STREET JOURNAL

renegotiate roughly \$73 billion in debt and coax business interests back to Puerto Rico.

“The government is incurring a lot of expenses to manage the emergency,” said Rep. Jennifer González, Puerto Rico's nonvoting representative in Congress. “The major problem is our power grid is down.”

But the recovery effort will unfold against a financial crisis that has pitted Wall Street firms demanding repayment on Puerto Rico's defaulted municipal bonds against its federal financial supervisors, who are trying to minimize obligations to creditors. How the repair costs will affect this multibillion-dollar standoff could be determined by the courts.

Electrical workers surveying the damage are estimating it may take six days to reconstruct high-voltage lines and had no estimate on the time to restore service to residential and business consumers, according to a person familiar with the matter.

Power service was also affected in the U.S. Virgin Islands,

Storms Test Changes To Disaster-Aid Plans

BY TED MANN
AND JOSHUA JAMERSON

WASHINGTON—The one-two punch of successive hurricanes, with a possible third in the offing, is set to test federal emergency-response overhauls enacted in 2006 in the aftermath of Hurricane Katrina.

Katrina and the storms that followed wallop the Gulf Coast in 2005, straining federal resources and revealing breakdowns in lines of authority among levels of government that exposed residents of the southern coast to weeks of desperate living conditions.

A “surge capacity force” of federal personnel to affected areas and to “pre-deploy” resources like water and tarps, as well as federal staff to begin logistical preparations for housing people uprooted by disasters.

The Senate on Thursday passed a \$15.25 billion aid package for communities affected by the Harvey and Irma hurricanes. Under the bill, the agency would direct \$7.4 billion of the funding for recovery from the storms.

FEMA said it has 5,000 staff members in Texas and Louisiana assisting local governments with Harvey recovery. The agency has roughly 370 staff deployed to prepare for the arrival of Hurricane Irma, which appears poised to strike the Florida coast.

FEMA announced Aug. 28 that it was deploying the so-called surge—hundreds of non-FEMA workers from within the Department of Homeland Security who volunteer to respond in the wake of natural disasters.

WORLD NEWS

Turkish Ex-Minister Charged in Iran Sanctions Case

By MARIA ARMENTAL

A former Turkish minister and three others were charged by U.S. federal prosecutors in an alleged scheme involving hundreds of millions of dollars' worth of financial transactions to help the Iranian government evade U.S. sanctions.

In an indictment filed Wednesday in a Manhattan federal court, prosecutors accuse Mehmet Zafer Caglayan of directing others, including officers at a Turkish state-owned bank, to handle and conceal a series of transactions prohibited under U.S. sanctions, which sought to restrain Iran's nuclear-weapons program. The alleged actions date to at least 2010 and continued through 2015, according to the indictment.

Mr. Caglayan served as Turkey's economy minister from 2011 to 2013. Before that, he had served as foreign trade minister.

Mr. Caglayan declined to comment through his lawyer.

On Thursday, Turkey's cur-

rent economy minister, Nihat Zeybekci, defended Mr. Caglayan. "The ones who make these allegations have to prove them," Mr. Zeybekci said.

The charges stem from a high-profile case against Reza Zarab, a Turkish-Iranian gold trader who owned companies in Turkey and the United Arab Emirates and whose legal defense team includes former New York Mayor Rudy Giuliani and former U.S. Attorney General Michael Mukasey.

Mr. Zarab and Mehmet Hakan Atilla, who was a deputy general manager at Halkbank, one of the largest state-owned banks in Turkey, have been accused of conspiracy to evade U.S. sanctions against Iran. They have pleaded not guilty and remain in U.S. custody awaiting trial.

Wednesday's indictment charged Mr. Caglayan and three others on charges including conspiracy to defraud the U.S. and to violate the International Emergency Economic Powers Act, and committing bank fraud and money laundering.



BURHAN OZBILIC/ASSOCIATED PRESS

Former Turkish minister Mehmet Zafer Caglayan in May 2014.

Prosecutors say Mr. Caglayan was involved with Mr. Zarab in the alleged conspiracy to evade sanctions. Mr. Zarab, they say, arranged meetings in Turkey that included Mr. Caglayan as well as Iranian government banking and oil officials in which they discussed some of the alleged transactions.

Some of the alleged transactions, according to the indictment, were disguised as food and medicine purchases by Iran, which would have been exempt from U.S. sanctions. Prosecutors said Mr. Caglayan used his position to protect the alleged scheme from competitors and scrutiny. In exchange, he was paid tens of millions of

Perceived Threat of Tehran, Hezbollah Sparks Israeli Strike

Israel launched airstrikes on a Syrian military compound in what former Israeli officials said was an attack meant to thwart military threats from Iran and its Lebanese ally Hezbollah.

The Syrian Observatory for Human Rights, a U.K.-based opposition monitoring group, said the airstrikes on Thursday were aimed at a military training base and a warehouse for short- and midrange missiles

near the town of Masyaf in central Syria. The Observatory said Iran maintains a presence at the base. Israel alleges Iran is building sites to produce precision-guided missiles in Syria and Lebanon, although this hasn't been independently verified and Lebanon denies the allegation.

The strikes also hit a facility targeted by U.S. sanctions this year for involvement in chemical-weapons production.

As a policy, Israel doesn't confirm or deny airstrikes in Syria, and the military declined to comment.

—Raja Ibrahim

charged Suleyman Aslan, a former general manager at Halkbank; Levent Balkan, who was assistant deputy manager at Halkbank; and Abdullah Happani, a business associate of Mr. Zarab's. Their lawyers couldn't be reached to comment.

—Yeliz Candemir and Erdem Aydin contributed to this article.

In Syria, a New Conflict Looms as ISIS Loses Ground



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

The Syrian regime's successful offensive in Deir Ezzour this week pushed it ahead in the race against America's Kurdish-led allies over who will inherit Islamic State's remaining Syrian real estate.

With the extremist group losing ground fast, President Bashar al-Assad has emerged in his strongest position since the Syrian uprising began in 2011. Yet large parts of the country remain outside his reach, including an American-protected zone run by the Kurds in northeastern Syria.

The question now is where precisely the line between regime and Kurdish areas will be drawn after Islamic State's defeat and whether it will solidify into a semi-permanent partition of the country or spark a new bout of violence that could force the U.S. to make difficult choices.



GEORGE OURFALIAN/AGENCE FRANCE PRESSE/GTY IMAGES

A Russian army helicopter flew above Syrian government forces during a battle against Islamic State on Tuesday.

American military planning calls for the Kurdish-led Syrian Democratic Forces, currently finishing the battle to take Raqqa from Islamic State, to push south down the Euphrates River and to seize the extremist group's remaining cities of Mayadeen and then al-Bukamal on the Iraqi border. That swath of Syria also holds most of its oil and gas reserves.

This week's blitz by the Syrian army and its Shiite militia allies to relieve a besieged garrison in Deir Ezzour could within days cut off the way for such SDF advances. Large parts of the

city remain under Islamic State control.

"It was a race but once the regime takes Deir Ezzour, it's game over for the U.S.-led coalition. They will have to stop," said Monzer Akbik, a leader of the mostly Arab Tayyar al-Ghad party loosely allied with the SDF. "After Deir Ezzour, the regime will be able to go to al-Bukamal, and once al-Bukamal is taken, the Iranians will have achieved an uninterrupted land route from Tehran to Baghdad to Damascus to Hezbollah in Beirut."

The regime and SDF aren't enemies, so far. They share a hostility to Turkey and Tur-

key's Syrian proxies, who occupy an area northeast of Aleppo. Despite skirmishes over the past year, regime-held enclaves operate in Kurdish territory in the cities of Hasakah and Qamishli, while the Kurdish enclave of Afrin in western Syria is connected to the rest of the world through regime territory.

"The SDF and the regime generally did not fight each other until now. We will see soon whether this will still hold true," said Andrew Tabler, a Syria expert at the Washington Institute for Near East Policy.

"The idea in U.S. policy

circles is that we will now have a soft partition of Syria along the Euphrates," he said. "But the regime and the Iranians are not interested in a soft partition. What they are after is a military victory."

Indeed, Mr. Assad has rejected the idea of maintaining Kurdish autonomy in northern Syria. Safwan Akkash, one of the leaders of the moderate and predominantly Sunni Arab Syrian opposition, predicted that the regime will eventually attack America's Kurdish allies.

"The regime will not tolerate a Kurdish autonomous

region," he said. "The current conflict will be followed by another conflict."

That may not happen immediately. But such a conflict appears imminent and should it erupt, it would confront Washington with an unpalatable choice of either abandoning its Kurdish allies or taking direct military action against the Assad regime, said Robert Ford, the U.S. ambassador to Syria under the Obama administration who is a fellow at the Middle East Institute in Washington.

"Sooner or later, the government in Damascus will try to reimpose its authority," Mr. Ford said. "That will be a big decision for the Trump administration: Should they use American armed forces to protect the Syrian Kurdish autonomous region? If they do, it would be against international law, and I don't think there is any country in the region that would support it."

One hope of avoiding such a scenario lies in the United Nations-sponsored peace process in Geneva. There, however, the Kurdish movement isn't even represented because of Turkish objections.

This means that, for Mr. Assad, there are few reasons to be flexible in the peace process now, said Kamal Alam, a visiting fellow at the Royal United Services Institute in London who frequently travels to Damascus. "They will still go to the talks, but they no longer have the pressure to give up too much."

FROM PAGE ONE

NEWS

Continued from Page One
is sapping the dead-tree newspaper industry. But here, they have restored the same conditions that drove the heyday of the printed press.

Burning Man doesn't have just one newspaper, but two—and they're engaged in an old-fashioned rivalry.

Adrian Roberts, editor of the alternative BRC Weekly, said, "Two newspapers are distributed [at Burning Man]. Only one is worth reading." Ron Garmon, a Los Angeles music critic dubbed Rockstar who is a reporter for the near-daily hard-news publication, the Beacon, fired back that BRC Weekly "is like a gossip column written by a 70-year-old blue-haired lady." For the record, both journalists have pink hair.

Burning Man co-founder Michael Mikel, a 73-year-old technology futurist known here as Danger Ranger, started the first Burning Man newspaper in 1992 and believes print journalism still has a long future in Black Rock City. "There's something about being in camp and getting that piece of paper," he said. "A naked person rides up to camp, hands you a newspaper out of their bike basket, and I think that is so cool."

Black Rock Beacon reporters work on 17-year-old Mac PowerBook G3 laptops that can withstand the extreme conditions.

Without reliable phone service, reporters have to find their subjects in person, leaving messages with dazed campmates or taping notes to RV doors.

Editors struggle, too, with massive art installations, trampolines and open bars on every street. "You send a reporter out on a story, and they see a shiny object and you never see them again," said Beacon Editor Mitch Martin, 59, a former International Herald Tribune editor who has been reporting at Burning Man since 2000.

BRC Weekly shortcuts the technical hurdles of producing a newspaper in the desert by putting it together before the event. BRC Weekly printed 25,000 copies of its single edition. This year's cover shouted "The Six Types of People Who Will Ruin Burning Man Just By

Being Here."

The Beacon publishes a spectrum of stories, from practical items, such as the sunrise schedule and arrest reports, to lighter fare, like a survey of whether attendees preferred bacon or pie. It also does serious journalism, such as reporting on a man who ran into the event's ceremonial fire this year, just hours after it happened.

Mr. Martin dispatched a reliable reporter—Gayle "Curious" Early—to find out why much of the mail sent to Burning Man last year was returned. Ms. Early, a 52-year-old freelance journalist from La Mesa, Calif., spent the day reporting in boots, a cowboy hat, polka-dot hot pants and a sheer top.

Black Rock City is laid out like a clock, with its own ad hoc post offices at 3:00, 6:00 and

9:00. At the 3:00 post office—designed like a giant mailbox with a DJ on the roof—volunteers there told Ms. Early an influx of packages overwhelmed the actual U.S. post office nearby. After gathering some scuttlebutt about the other faux post offices, she hopped on the white furry seat of her bike to set out for the 6:00 post office.

There, her story hit a snag. An assistant on duty said, "I'm not saying a word." At her final stop, she found a 21-year-old Russian jewelry saleswoman from New York. She didn't have any information, but did offer postcards.

Ms. Early returned to the Beacon just before deadline, and Mr. Martin agreed to hold the story until Saturday. He and another editor huddled in a cramped trailer to lay out the paper. In past years, Mr. Martin and other staffers drove three hours by car to deliver a thumb drive with the next day's paper to a Reno, Nev., printing plant. This year, they secured an internet connection at another camp. The Beacon printed 17,000 copies across five editions, picked up in a locker in a town nearby.

Adult paperboys and papergirls then made the rounds via bicycle. Ms. Early's husband, Dr. Charlie Hamori, was one of them, and he gathered gifts from readers along the way. One day's haul included two necklaces, a snow cone, an Old Fashioned cocktail and a piece of Hungarian cake. "This is the best paper route ever," he said.



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JACK NIGHT/STAFF/WSJ

Reporter Gayle Early with Burning Man attendees in Black Rock City.

9:00. At the 3:00 post office—designed like a giant mailbox with a DJ on the roof—volunteers there told Ms. Early an influx of packages overwhelmed the actual U.S. post office nearby. After gathering some scuttlebutt about the other faux post offices, she hopped on the white furry seat of her bike to set out for the 6:00 post office. There, her story hit a snag. An assistant on duty said, "I'm not saying a word." At her final stop, she found a 21-year-old Russian jewelry saleswoman from New York. She didn't have any information, but did offer postcards. Ms. Early returned to the Beacon just before deadline, and Mr. Martin agreed to hold the story until Saturday. He and another editor huddled in a cramped trailer to lay out the paper. In past years, Mr. Martin and other staffers drove three hours by car to deliver a thumb drive with the next day's paper to a Reno, Nev., printing plant. This year, they secured an internet connection at another camp. The Beacon printed 17,000 copies across five editions, picked up in a locker in a town nearby. Adult paperboys and papergirls then made the rounds via bicycle. Ms. Early's husband, Dr. Charlie Hamori, was one of them, and he gathered gifts from readers along the way. One day's haul included two necklaces, a snow cone, an Old Fashioned cocktail and a piece of Hungarian cake. "This is the best paper route ever," he said.

WORLD NEWS

ECB Weighs End to Stimulus

By TOM FAIRLESS
AND PAUL HANNON

FRANKFURT—The European Central Bank is likely to announce plans for phasing out its bond-buying program next month, bank President Mario Draghi signaled Thursday, taking a tentative step toward withdrawing a controversial stimulus tool that has helped reinvigorate the eurozone economy but also sparked fierce opposition in its largest member, Germany.

At a news conference, Mr. Draghi said policy makers this week discussed options for reducing stimulus and would likely decide at their next meeting on Oct. 26 how to calibrate bond purchases next year, amid strengthening growth across the 19-nation eurozone and early signs of an uptick in underlying inflation.

Any move to wind down the purchases, known as quantitative easing or QE, would put the world's two most powerful

central banks back on a similar policy course. The Federal Reserve has been gradually raising interest rates since late 2015 and could signal this month how it plans to start reducing its balance sheet.

But in a sign that the ECB's path out of stimulus might be as hesitant as the route in, Mr. Draghi warned that the bank's next steps would depend partly on the strength of the euro, which has surged by more than 12% against the dollar over the past five months.

The euro seesawed during Mr. Draghi's remarks. It jumped almost a cent to \$1.2047 after he unveiled higher growth forecasts, but later fell back to around \$1.20. Yields on German government bonds slid lower.

A strong currency complicates the ECB's exit from QE because it makes eurozone exports less competitive and weighs on import prices and thus inflation. That impact was evident in the ECB's new

economic forecasts, which reduced expected inflation for the coming two years.

Investors had expected Mr. Draghi to try to verbally check the euro's rise, but his remarks didn't prevent traders from pushing the currency higher.

"As long as the ECB is pre-

The bond-buying program has boosted the eurozone economy but drawn German ire.

pared to talk but not act on the exchange rate, there's little standing in the way of further euro appreciation," said Lena Komileva, an economist with G+ Economics in London.

The ECB is wrestling with a tricky combination of stronger economic growth, a rising currency and weak inflation. Eurozone inflation was 1.5% last

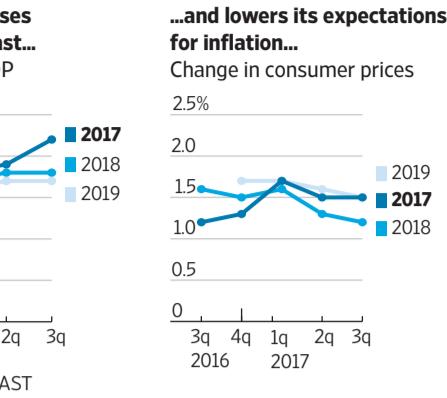
month, some way from the ECB's target of just below 2%.

Senior German officials have been calling with increasing urgency for policy reversal from Frankfurt, warning that ultralow rates hurt the nation's conservative savers and pensioners. The issue has been a hot topic in the campaign for elections on Sept. 24.

Earlier this week German Finance Minister Wolfgang Schäuble called for more "normal" monetary policy, pointing to the strong recovery.

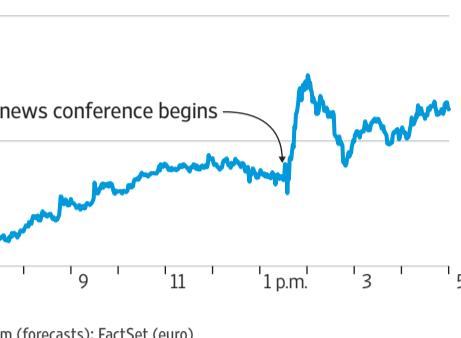
Investors are on edge, waiting for a clear plan from the ECB on the future of QE after December, when the program of buying €60 billion (\$72 billion) in assets a month is currently due to end. Since its launch 2½ years ago, QE has helped keep down borrowing costs and the euro's exchange rate, fueling a robust recovery across the eurozone.

◆ Draghi sends euro on a wild ride upward..... B11



...the euro tops \$1.20

How many dollars €1 buys, at one-minute intervals Thursday



Sources: ECB, Eurosystem (forecasts); FactSet (euro)

THE WALL STREET JOURNAL.

HACK

Continued from Page One

has increased in recent years—with incidents involving tens of millions of accounts each involving tech companies, banks, retailers and others.

More companies are putting more information online from more users, creating bigger targets for hackers who continually develop and refine their techniques and tools.

Equifax is one of the big three credit-reporting firms in the U.S. and maintains credit reports on more than 200 million U.S. adults. The other two are TransUnion and Experian. Credit reports compiled by such companies include personally identifiable information as well as records of the credit cards and loans consumers have, their spending limits on cards, and whether they are on time with their debt payments.

"This is clearly a disappoint-

ing event for our company, and one that strikes at the heart of who we are and what we do," Equifax Chief Executive Richard Smith said in prepared remarks. "I apologize to consumers and our business customers for the concern and frustration this causes."

The four pieces of information exposed in the attack are

generally needed for consumers to apply for many forms of consumer credit, including credit cards and personal loans. That means that swindlers who have access to this data could have an easier time getting approved for credit in other people's names and potentially makes it more difficult for lenders to spot a problem.

Breaking In

The breach disclosed by Equifax ranks among the largest ever publicly disclosed by a company.

Selected data breaches by number of:

COMPANY	SIZE OF BREACH	YEAR
Yahoo*	1 billion	2016
Yahoo*	500 million	2016
Equifax	143	2017
Heartland Payment Sys.	130	2009
LinkedIn	117	2016
Sony	100	2011
TJX	90	2007
Anthem	80	2015

*Believed to be separate incidents Source: the companies THE WALL STREET JOURNAL.

In addition, Equifax said the hackers gained access to some driver's license numbers.

An added concern is that the breach raises the chances of more fraudulent loan approvals occurring when various forms of fraud are already hitting lenders and contributing to higher losses.

Smaller financial institutions, including community banks, credit unions and online personal-loan lenders, are more vulnerable to the effects of this breach, said Al Pascual, head of fraud and security at Javelin Strategy & Research.

That is because they are more reliant on the four, key pieces of borrower information when determining whether they are dealing with a legitimate applicant, he said. The biggest banks, he added, have in recent years moved to relying on additional information.

Equifax said in its statement that while the incident potentially affected approximately 143 million U.S. consumers,

"the company has found no evidence of unauthorized activity on Equifax's core consumer or commercial credit reporting databases.

Equifax said an internal investigation revealed hackers exploited a vulnerability in a U.S. website application to gain unauthorized access to files from mid-May through July. The company said it discovered the breach on July 29.

In the days following the company's discovery of the breach, three top Equifax executives, including Chief Financial Officer John Gamble, sold shares worth a combined \$1.8 million, according to Securities and Exchange Commission filings. A company spokesman said the three executives who sold a small percentage of their Equifax shares on Tuesday, Aug. 1, and Wednesday, Aug. 2, had no knowledge that an intrusion had occurred at the time they sold their shares.

—Robert McMillan contributed to this article.

The Breach: What Consumers Can Do

Here are some steps you can take in response to the security breach at Equifax:

◆ Check credit reports with Equifax and other credit-reporting companies via creditreport.com.

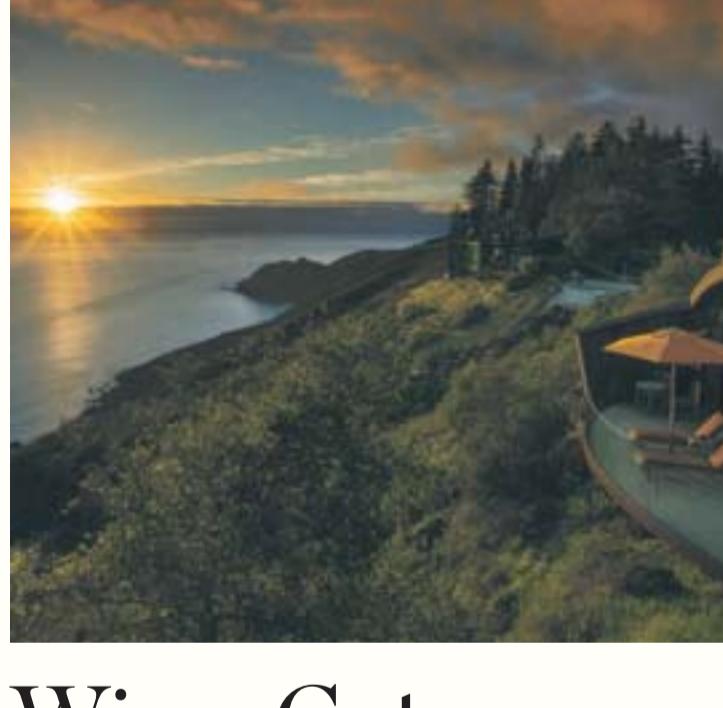
◆ Consider a credit freeze to secure your account if there are concerns related to the breach. But undoing a credit freeze can take some time.

◆ Check bank and credit-card statements for unauthorized activity.

◆ Sign up for credit monitoring offered by Equifax at www.equifaxsecurity2017.com to help determine if your information has been affected.



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GREATER NEW YORK

Hartford Warns of Bankruptcy

City says it soon won't be able to pay the bills and will seek protection if the state doesn't help

BY JOSEPH DE AVILA

Hartford officials said Thursday the city would likely file for bankruptcy in 60 days unless Connecticut provides help for the capital in the midst of a fiscal emergency.

City officials warned Gov. Dannel Malloy, a Democrat, and state lawmakers that Hartford, which has a deficit approaching \$50 million, wouldn't be able to pay all of its bills within 60 days. Hartford officials said it would file for chapter 9 bankruptcy at that point unless the state legislature passes a budget that gives the city more funding or otherwise provides it with more cash.

"We face the greatest fiscal crisis in our city's history," officials said in a letter signed by Democratic Mayor Luke Bronin, Treasurer Adam Cloud and Thomas Clarke II, president of the Court of Common Council.

"We could not agree more with the urgency of the situation, particularly for the City

of Hartford," a spokeswoman for Mr. Malloy said. "We continue to hope to have a full budget adopted by October to mitigate the harm and avoid having towns or cities go through reorganization."

The state of Connecticut is facing its own fiscal challenges and has yet to pass a budget for the current fiscal year that would close a two-year, \$3.5 billion spending gap. Since July 1, state operations have been funded by an executive order signed by Mr. Malloy that has slashed funding for cities and towns across Connecticut.

Democratic Speaker of the House Joe Aresimowicz said Wednesday that he planned to call for a Sept. 14 vote on the budget, even though lawmakers have yet to reach a consensus on a spending plan. It is unclear if there will be enough votes in both chambers to pass it.

House Democrats said calling for a vote on the budget would put pressure on lawmakers to choose between that spending plan, which likely would give more money to cities and towns, or the governor's executive order, which has made painful cuts to municipal funding.

"If you are not part of the



PAT EATON-RORRIG/ASSOCIATED PRESS

Hartford has a deficit that is approaching \$50 million.

60

Days before Hartford might file for chapter 9, city officials said

solution, you are voting for the executive order," said House Majority Leader Matt Ritter, a Democrat who represents Hartford.

Only 64 bankruptcies have been filed by cities, counties, towns and villages since 1954, according to James Spiotto, an attorney who tracks municipali-

ties' bankruptcies. Among them, the Californian cities of San Bernardino and Stockton filed for bankruptcy in 2012, and Detroit filed for bankruptcy in 2013.

Rising fixed costs for health care and pensions have been driving Hartford's fiscal challenges. The city is on the hook for nearly \$180 million in payments for debt service, health care, pensions and other costs for the current fiscal year. That is more than half of the city's budget, excluding education.

Hartford officials said the city has a debt problem. The city said a law firm it hired,

Greenberg Traurig LLP, will engage in negotiations with its bondholders.

"Our bondholders understand that our debt burden is unmanageable," city officials said in the letter.

Hartford likely can't cut spending to solve its problems, according to a recent report by Moody's Investors Service.

"There is very little room for further cuts, given the reductions in services the city has already made and its fixed costs and education mandates," Moody's said. "Hartford would likely be eliminating, rather than reducing, core services."

Hartford officials said state assistance is the only way the city can avoid bankruptcy.

City officials recommended that the state give Hartford the full amount of what it is owed under a state formula that reimburses municipalities for nontaxable property. That would give the city an additional \$52.3 million this fiscal year.

Taxes aren't levied on more than half of the property in Hartford, such as state buildings, hospitals and colleges.

Hartford officials also asked the state legislature to create a new board to settle contract disputes with labor unions.

Critics Call City Probe Of Yeshivas Insufficient

BY LESLIE BRODY

Two years ago the New York City Department of Education promised to investigate allegations that 39 Orthodox yeshivas failed to teach enough secular studies.

Critics who said the city didn't tackle the probe aggressively enough got new ammunition Thursday when the department revealed how many it had visited so far: Six.

None were surprise inspections.

"That's outrageous," said Naftuli Moster, executive director of Young Advocates for Fair Education, an activist group that says many Hasidic yeshivas fail to teach sufficient English, math and science. "During all this time, [department officials] told us they were on it, they were taking it seriously. That's really all they could do?"

Toya Holness, a Department of Education spokeswoman, said by email "we are treating this matter with the utmost seriousness" and planning more yeshiva visits. She said the department works with schools to schedule them in accordance with state guidance.

State law requires private schools to provide an education that is "substantially equivalent" to that in public schools. Like all private schools, yeshivas can tap taxpayer dollars for services including meals, textbooks and tutoring for poor children.

Earlier this year, department officials promised a report on its investigation by Sept. 22, but then said they needed

The city's education department said it has visited six yeshivas so far.

Smooth Sailing as Port Opens to Larger Ships

BY PAUL BERGER

For Robert Flannery Jr., sailing a 1,200-foot-long container ship under the Bayonne Bridge on Thursday was the easy part.

The Port Authority of New York and New Jersey spent \$1.6 billion raising the bridge's roadway to 215 feet from 151 feet so that a larger class of container ships can begin calling at the region's busiest terminals.

The tricky part—the reason why Mr. Flannery, a docking pilot based out of Staten Island, boarded the Theodore Roosevelt at dawn—lay in the waters between the Verrazano-Narrows Bridge and the APM Terminal at Port Elizabeth, N.J.

To reach there, Mr. Flannery, 60 years old, had to guide the ship through the Kill Van Kull, a winding tidal waterway about 1,000 feet wide that runs between Staten Island and Bayonne, N.J.

Theodore Roosevelt, owned by French shipping line CMA CGM SA, is as wide as a football field and as long as the Empire State Building—minus its antenna—is tall. When the wind catches the 5,100 containers stacked along its deck, it pushes the ship sideways.

Perched on a stool at the front of the bridge 150 feet above the water, Mr. Flannery gave orders into a walkie-talkie to four tugboats surrounding the ship: "Jonathan, toward Brooklyn," and "Hold the strain," while directing the ship's Ukrainian and Philippine crew members standing behind him to alter course or speed: "Hard to port." "Full ahead."

Theodore Roosevelt, which had sailed from Asia, displaces 200,000 metric tons of water as it moves, enough to create a surge that could suck a ship from dock.

"My concern is going by that ship," Mr. Flannery said, pointing to an oil tanker tied up at the entrance to "the Kills."

He slowed to four knots and eased past the tanker as workers stared up at the ship from atop silos at the Atlantic Cement Company in Bayonne. Helicopters circled overhead, while a small flotilla, including a Coast Guard cutter and a pilot boat carrying Port Authority officials, trailed the Theodore Roosevelt.

Raising the bridge roadway opens the port to a larger class of container ship coming through the newly widened Panama Canal.

Before now, the largest port on the East Coast was able to handle ships up to about 9,500 20-foot equivalent units, or TEUs, a standard measure for container cargo. Today, it can accommodate ships up to



The Theodore Roosevelt glided under the Bayonne Bridge, above, becoming the biggest container ship to dock at the East Coast's largest port. Harbor Pilot Robert Flannery Jr., below, guides the ship through Upper New York Bay before docking in Elizabeth, N.J.



STEVE REINICH FOR THE WALL STREET JOURNAL (2)

18,000 TEUs.

Marc Bourdon, the U.S. president of CMA CGM, said the company will send one ship of a similar size as the Theodore Roosevelt, which has a capacity of 14,414 TEUs, to the port each week beginning in October as part of its South Atlantic Express route.

Mr. Flannery has spent a lifetime plying New York's waters, starting as a deckhand aboard a tugboat almost 40 years ago. His grandfather and

uncle were pilots too. "You plug yourself into the ship," he said.

On a vessel so large, he uses the horizon to read how the ship is turning. Every journey is different, he noted, as wind, tide, current and "mother nature" present different obstacles.

After the ship passed under the Bayonne Bridge, Mr. Flannery called, "Hard to starboard," to make the most difficult turn at Bergen Point. He

stepped out onto the sunshine on the wing of the bridge and guided the ship ever so slowly to dock from there.

The region's pilots have spent two years planning for the arrival of these larger ships, including training on simulators.

After the ship pulled into the dock at about 10:30 a.m., Mr. Flannery declared the first arrival to have been a success. "It was fantastic," he said. "We got it right."

Port Improvements Essential to Growth

The Port Authority of New York and New Jersey spent more than \$4 billion opening up the port to larger container ships just to remain competitive.

"These are the ships that are plying the international trades right now and if we want to grow the marine business...then we need to be able to handle these ships," said John Nardi, president of the New York Shipping Association.

A 2014 study by the shipping association found that the port directly supported 190,000 jobs and generated \$53.5 billion in business income.

"The port is growing, but other ports are growing faster," Mr. Nardi said, noting competition from East Coast ports such as Charleston, S.C., and Norfolk, Va.

The ports are preparing for what they believe will be a new era in trade. With the expansion of the Panama Canal and projects such as the raising of the Bayonne Bridge, ports from Houston to New York believe they can draw trade from Asia that now mostly heads to West Coast ports.

—Paul Berger
and Paul Page

more time. Critics said the department was stalling because of the Orthodox community's influence on Mayor Bill de Blasio, a Democrat running for reelection this fall.

Asked about the delay on Thursday, the mayor said "there is just more work to do" and the department had "a lot more schools to visit to get to a firmer conclusion."

Mr. de Blasio said that meanwhile, "there's been a lot of dialogue with the yeshivas."

Young Advocates for Fair Education estimates tens of thousands of children are harmed by a lack of secular education. The group released a report this week saying that on average, a Hasidic boy at the yeshivas under review gets secular studies for 90 minutes a day from age 7 to 12, and only Judaic studies after turning 13.

"The average young Hasidic man leaves the yeshiva system completely unprepared for life outside," the report said.

Efforts to reach individual yeshivas were unsuccessful. Many are clustered in the Williamsburg and Borough Park areas of Brooklyn.

Avi Schick, a lawyer for the 39 yeshivas under investigation, referred a call for comment to the group's public relations firm. That firm had David Zwiebel, executive vice president for Agudath Israel of America, an Orthodox advocacy organization, speak for the group.

Mr. Zwiebel said the yeshivas were cooperating with the investigation, some had bought new textbooks, and some teachers had been trained in a curriculum more in line with the state's expectations.

Yeshiva leaders were concerned, however, there might be too much intrusion into traditions at schools that parents chose for their children.

"The specter of government coming in...and telling schools what [their students] have to learn and the hours they have to devote to that learning and making fundamental changes...is something of concern to many people in the Orthodox community," he said.

GREATER NEW YORK

Creator Hopes His Bagelwich Is The Next Cronut

BY CHARLES PASSY

New York may have a new viral-food contender: the bagelwich.

It's a bagel stuffed with ice cream, a novelty concocted by Bagel Shop, a store at East 93rd Street and Third Avenue on Manhattan's Upper East Side.

Store owner Paul Dimino Sr. believes the bagelwich has the potential to wow New Yorkers in the same way as such novelties as the Cronut, a croissant-doughnut hybrid, or the rainbow bagel.

He admits, however, that the item, priced starting at \$7.50, hasn't been in demand in the few weeks since its debut. Bagel Shop is selling only about a dozen each day, he says.

"The hardest part is getting people to try it," said Mr. Dimino, a veteran restaurateur who also owns the Corner Cafe and Bakery, a casual dining spot a block away.

Once customers take the leap with this doughy-meets-creamy sandwich, Mr. Dimino says they often become fans and order it repeatedly—typi-

cally as a late-afternoon treat. "And they usually bring some body back with them."

The idea for the bagelwich was born with past viral crazes in mind, Mr. Dimino says, adding that his son and business associate, Paul Dimino Jr., suggested they come up with something unusual as a way to bring attention to the store, which has been open a little over a year as a bagel shop.

The idea alone wasn't enough, says the older Mr. Dimino, who notes that he needed months to perfect the processes and recipes behind the bagelwich. He had to determine how much ice cream to stuff between the scooped-out halves, settling on 7 ounces. And he had to decide whether to toast the bagel, opting in the end for a slight browning.

Mr. Dimino also found that the bagelwich demanded more than just bagels and ice cream, so he came up with a menu of nine versions, incorporating different ingredients. The offerings range from the Pina Colada bagelwich, with vanilla ice cream, grilled pineapple



Bagel Shop's Rainbow Connection bagelwich features vanilla ice cream on a rainbow bagel with rainbow sprinkles and gummy worms.

and bits of coconut macaroons, to the Chocoholic, with chocolate ice cream, chocolate icing and chocolate chips.

That said, Mr. Dimino isn't a slave to format. Though he says a plain bagel generally works best for a bagelwich, he lets customers substitute any

kind they want. Some have opted for a salt bagel—it is a natural fit with the salted caramel bagelwich, he says. A few have even gone to the extreme of requesting an everything bagel.

As novel as the bagelwich might seem, the idea isn't en-

tirely original. In Sicily, for example, a classic morning treat is gelato served on a brioche, notes Francine Segan, a New York-based food historian. "This doesn't seem weird at all. It's ho-hum," she said of the bagelwich.

Still, try telling that to

some of Bagel Shop's regulars. One customer, who didn't want to give his name, says he would prefer to stick with his standard order—a toasted sesame with one of the shop's flavored varieties of cream cheese. "I like my bagel the way it normally is," he said.

Police Have New Tool To ID Mystery Victims

BY ZOLAN KANNO-YOUNGS

The New York Police Department has a new tool for identifying dismembered bodies—technology that creates profiles of such victims' faces.

Police officials said they have begun using phenotyping in three of their cold homicide cases. Phenotyping is when investigators extract DNA from a body part and use technology to produce an animated snapshot of a victim's face.

"Phenotyping uses this technology based on a known fact that DNA and certain features of DNA evidence are inherited from generation to generation and passed down," said Emanuel Katranakis, head of the force's forensic investigations unit, at a news briefing this week.

Police first used the technology to assist with a cold case from January 2015. A bird watcher found a human hand near the water in Calvert Vaux Park in Gravesend, Brooklyn, said Patrick Conry, assistant chief in the detective bureau. Investigators later found a foot and a torso of the victim.

On the torso was a tattoo that read "Monique," Chief

Conry said, adding that was believed to be the victim's name.

The only characteristics police could conclude from the body parts was that their victim was a woman between the ages of 20 and 45, Chief Conry said. Police have only received one tip from the public since 2015, prompting them to look into phenotyping.

At the news briefing Wednesday, police displayed an animated composite of Monique they hope a member of the public will recognize. Police believe based on the testing that she was of sub-Saharan African descent.

"This is extremely valuable, to use phenotyping, because forensic anthropologists in essence require a head to get a sense of a person's potential ancestry or race," Chief Katranakis said, noting that the image produced isn't a precise portrait.

The police department currently enlists Parabon Nanolabs Inc. for the tests, each of which costs between \$4,000 and \$5,000.

Police also are using the technology for a cold case more than a decade old. In July 2005, police found in a Brooklyn waste facility a torso and a partial skull—with no teeth—of someone they believe is a homicide victim.

Police used the technology to produce an image of the victim—a black man between 17 and 25, weighing no more than 200 pounds, police said.

"What we're hoping to do here today is generate this photo and try to develop leads into the identity of the deceased and then take those leads and step it out to homicidal investigations," said Deputy Chief James Luongo, commanding officer of the special investigations unit.

Discourse Hardens in Governor Race

BY KATE KING

NEWARK—Accusations of racial and religious insensitivity are roiling the governor's race in New Jersey.

Democratic candidate Phil Murphy accused his Republican opponent, Lt. Gov. Kim Guadagno, of failing to forcefully denounce bigotry and intolerance. She, in turn, accused him of race-baiting while slamming what she described as his running mate's "anti-Israel" voting record.

New Jersey voters will pick their next governor on Nov. 7. Recent polls have shown Mr. Murphy leading Ms. Guadagno, though neither candidate enjoys strong name recognition.

Mr. Murphy, a former Goldman Sachs executive, criticized what he said was Ms. Guadagno's "lack of moral authority" at a news conference in Newark this week. He said his opponent should have publicly condemned New Jersey Republican Assemblyman Parker Space, who has been criticized for posing in front of a Confederate flag in a photograph on his personal Facebook page.

"That's a symbol of ha-



Candidates Phil Murphy and Kim Guadagno will face off Nov. 7.

ted," Mr. Murphy said. "Let's call it out unambiguously."

A spokesman for the Republican nominee said in an email that Ms. Guadagno "doesn't stand with the Confederate flag or what it represents."

The campaign criticized Mr. Murphy's running mate, Assemblywoman Sheila Oliver, for voting against a bill that barred the New Jersey Treasury Department from investing public-pension funds in companies that boycott Israel.

"Phil Murphy is either anti-Israel or should demand his running mate disavow her vote," said Ms. Guadagno, who has served as Gov. Chris Christie's lieutenant governor since 2010, in a statement.

Ms. Oliver said Wednesday that she didn't support the bill because it had "no business" in the New Jersey Legislature. The legislation passed 70-3 with two abstentions and was signed into law last year by Mr. Christie, a Republican who is prevented

by term limits from running for re-election.

Ms. Guadagno's campaign has also criticized Ms. Oliver for traveling last year to Cuba, where fugitive Joanne Chesimard is believed to be living. Ms. Chesimard is a former member of the Black Liberation Army who was convicted of murdering a New Jersey state trooper before escaping from prison in 1979, according to the Federal Bureau of Investigation.

Ms. Oliver, who went on the Cuban trip with other New Jersey lawmakers including one Republican, said in an interview with News 12 that the delegation discussed Ms. Chesimard during meetings with Cuban officials.

The Murphy campaign also has criticized Ms. Guadagno's running mate, Woodcliff Lake Mayor Carlos Rendo. He is named in a federal lawsuit filed by Valley Chabad, which accused the mayor and other town officials of discrimination for blocking the Orthodox Jewish group from opening a house of worship in Woodcliff Lake.

Mr. Rendo said through a campaign spokesman that the lawsuit's allegations are "completely false."

NYPD

Image created by phenotyping.

GREATER NEW YORK WATCH

TRANSIT

Cuomo Cracks Down On Subway Littering

Gov. Andrew Cuomo is targeting litter in the New York City subway system as part of an effort to improve service, his office said Thursday.

Mr. Cuomo, who oversees the Metropolitan Transportation Authority, which runs the city's subways, directed a state agency to double fines against people who litter in the subway system from \$50 to \$100.

He released a public-service ad imploring New Yorkers to throw garbage in trash bins, and rolled out new machinery to better pick debris off the train tracks. The ad links problems such as track fires and even flooding to stray trash.

—Mike Vilensky

LONG ISLAND

Teen Football Player's Family to Sue District

The family of a 16-year-old boy who died when a log fell on his head during a preseason high-school football drill in Long Island has filed notice they intend to sue for \$15 million in damages.

Attorney Jay Dankner said notice of the suit was filed Wednesday against the Sachem Central School District and Sachem East Touchdown Club Inc.

Joshua Miletto died last month after a 400-pound log he and other players were carrying struck him on the head.

A district spokeswoman said it doesn't comment on pending litigation. Club officials, who operated the preseason camp, didn't respond to emails seeking comment.

—Associated Press



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THE WALL STREET JOURNAL

MARY JANE

By AMY HERZOG
Directed by ANNE KAUFFMAN



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LIFE & ARTS



Christian Bale in 'Hostiles,' above left, Lily James and Gary Oldman in 'Darkest Hour,' above right, and Maryana Spivak in 'Loveless,' below right

Telluride, Colo.
LONG BEFORE binge-watching became fashionable for fans of TV series, the Telluride Film Festival was providing high-quality binges, at high altitude in the Rocky Mountains, for devotees of big-screen feature films, documentaries and various, often daring, experiments in cinema. Telluride stayed true to its calling this time around, while doing something daring on its own. This year's program, its 44th, opened with Errol Morris's enthralling "Wormwood," a six-part, 258-minute miniseries produced by Netflix, one of the new giants revolutionizing the media world. By giving such prominence to a film that isn't a film in the traditional sense, the festival acknowledged the revolution with an eminently binge-worthy example of why audiences are forsaking the multiplexes for home-streaming on smaller screens.

I'll return to Mr. Morris's boundary-busting production, which debuts on Netflix in December, but first I want to celebrate a few of the festival films that definitely are films, whether traditional or, in one stunning case, not.

The stunner is Guillermo del Toro's "The Shape of Water," a fantasy of consummate gorgeousness in which Eliza, a mute cleaning woman played by Sally Hawkins, falls in love with a fish who bears a strong resemblance to the Gill-Man of the 1954 genre classic "Creature From the Black Lagoon." Mr. del Toro's movie, which he wrote with Vanessa Taylor, is steeped in movie references and genres. Yet it is also *sui generis*. I've never seen anything quite like this spellbinding tale, which juxtaposes a woman's longing with lurid Cold War intrigue in a surreal version of early 1960s Baltimore.

Another cause for celebration is "Lady Bird," a debut feature written and directed by Greta Gerwig. Until now we've known Ms. Gerwig only as a distinctive actress, and the quirky star of such indie productions as "Frances Ha" and "Mistress America." But she has found her voice as a filmmaker, and it's a strong one. "Lady Bird" is acutely observed, mature in technique and writerly in the best sense, meaning that its rich cast of characters seem to have been caught in the act of living their lives. Saoirse Ronan is Christine "Lady Bird" McPherson, the filmmaker's surrogate, coming of age as she worries about college acceptance, self-acceptance and exactly which of her turbulent selves to accept.

Every successful film festival has its crowd-pleasers. The most pleasing one here was "Battle of the Sexes," a smart, consistently funny and mostly sure-footed evocation of the 1973 match between Billie Jean King, America's top-ranked female tennis player (she's played by Emma Stone), and 55-year-old Bobby Riggs, a former champion and self-styled male chauvinist pig. (He's played by Steve Carell.)



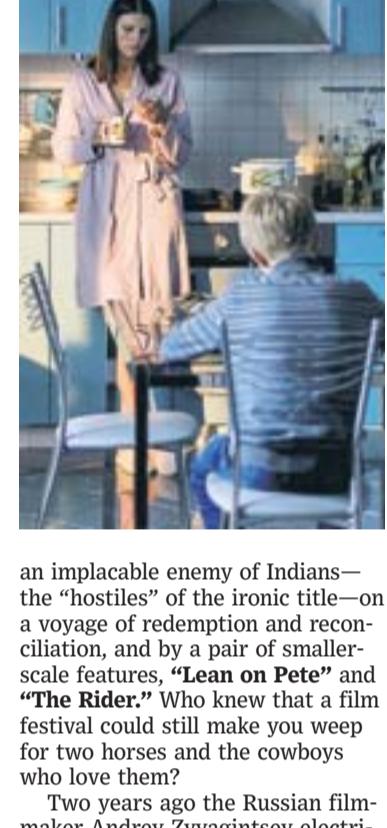
Every film festival of consequence has its disappointments, the big one here being "Downsizing," a sci-fi comedy, laced with social satire, starring Matt Damon that was directed by Alexander Payne, who

wrote the script with Jim Taylor. In addition to the theme of miniaturizing human beings to reduce humanity's impact on an overcrowded planet, there's a running sendup of greed and rampant consumerism. But "Downsizing" hasn't decided which movie it wants to be, so it comes off as a collection of unresolved notions.

Amid an abundance of fine performances, two qualify as sensational. Gary Oldman is Winston Churchill in "Darkest Hour," a drama, set in the early days of World War II, that provides val-

able historical context for the impressionism of "Dunkirk," yet lurches toward the end into Capra-esque feelgoodism. Daniela Vega is Marina, a transgender singer and part-time waitress in Sebastián Lelio's "A Fantastic Woman." This passionate melodrama, made in Chile, is about the pain of rejection, the primacy of love and, unexpectedly but importantly, the power of music.

The enduring power of the western was exemplified by Scott Cooper's splendid "Hostiles," with Christian Bale as Capt. Joe Blocker,

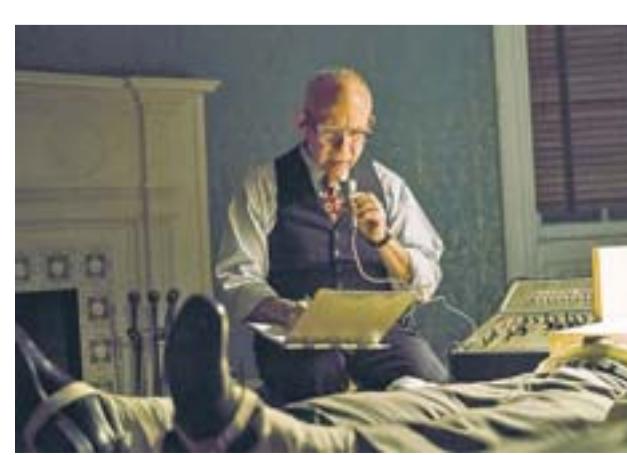


an implacable enemy of Indians—the "hostiles" of the ironic title—on a voyage of redemption and reconciliation, and by a pair of smaller-scale features, "Lean on Pete" and "The Rider." Who knew that a film festival could still make you weep for two horses and the cowboys who love them?

Two years ago the Russian filmmaker Andrey Zvyagintsev electrified Telluride audiences with "Leviathan," a masterpiece about power and corruption in the northernmost reaches of contemporary Russia. This year Mr. Zvyagintsev was back with "Loveless," a no less masterly drama that is, all at once, a chilling anatomy of a marriage riven by hate, a detective story about a runaway child, and an unsparing portrait of middle-class anomie in the era of Putin.

Up to this point I've described the festival in familiar terms, as an assortment of individual films to be seen and savored separately, during self-contained sittings—two hours or so and you're out. But that's not how Errol Morris's epic will be seen by TV viewers who take their entertainment in self-prescribed doses, either a little at a time or in one binging gulp. Because "Wormwood" was made by a singular filmmaker, it's a singular experience—part documentary, part drama and part fevered paranoid dream, a multilayered and mostly hypnotic account of Eric Olson, a man who has devoted decades of his life to unraveling the mysterious death of his father, a U.S. Army scientist. Yet "Wormwood" also typifies the sort of intricately discursive storytelling favored by a new generation that doesn't always want to sit with strangers—or even friends or family—in a dark theater for a fixed amount of time.

In that sense the film's theatrical debut at Telluride was paradoxical. Standing in line with strangers for a morning screening, I struck up a conversation with a young staff member who was carrying a green light on a pole to mark the end of the line. Had she seen "Wormwood" yet? "No," she replied, "I'd rather wait to see it when I can climb into bed, or take a break for a snack in the kitchen." That doesn't mean the end of the line for conventional movies, the best of which will continue to tell stories with matchless concision and intensity, but it certainly bespeaks the way times are changing.

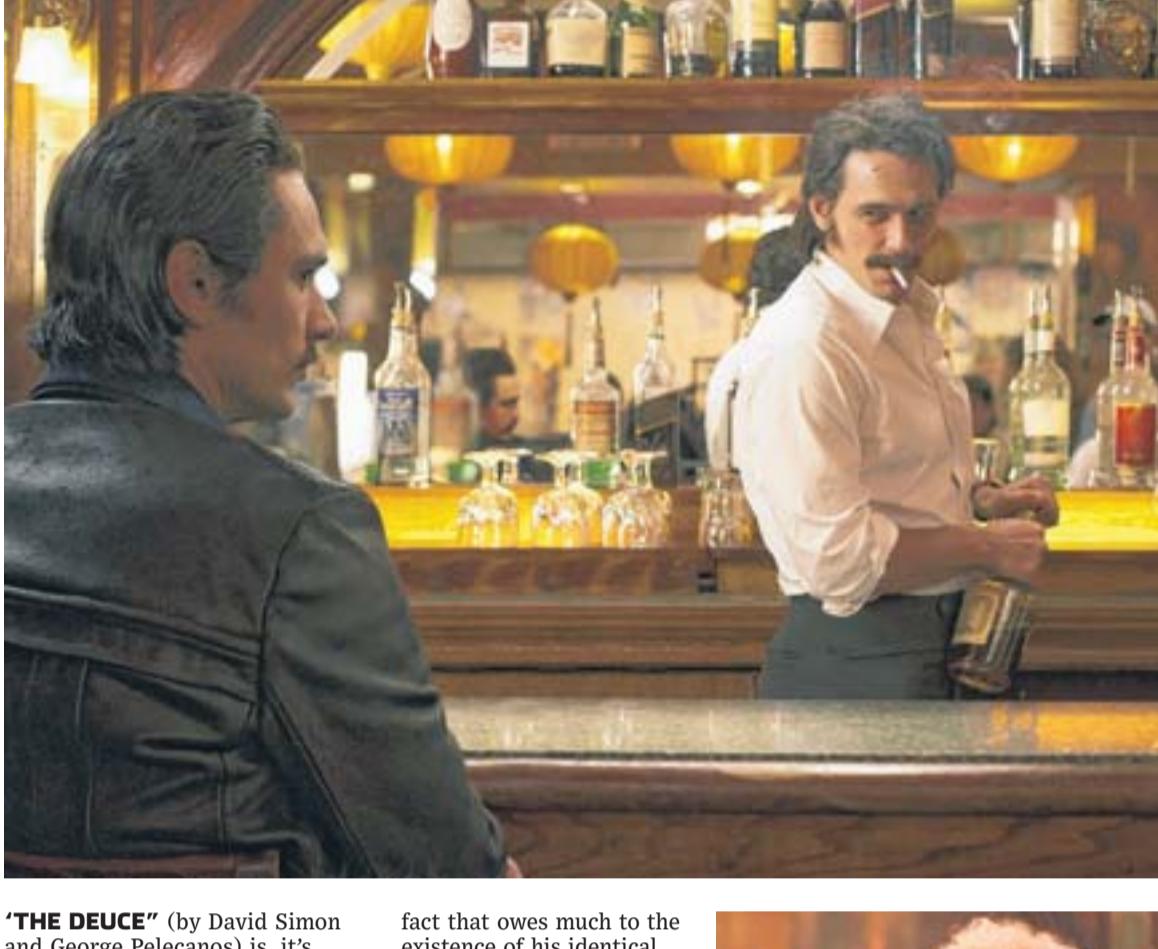


Saoirse Ronan in 'Lady Bird,' above left, Bob Balaban in 'Wormwood,' above center, and Charlie Plummer in 'Lean on Pete,' above right.

LIFE & ARTS

TELEVISION REVIEW | By Dorothy Rabinowitz

Finding the Sun In Dark Times



'THE DEUCE' (by David Simon and George Pelecanos) is, it's clear from the outset, a spectacularly appealing enterprise—no small achievement considering its subject matter, which could easily have rendered it repellent. Here, packed into season one's eight episodes, is the grimy saga of prostitution and porn in the Times Square of the early '70s, a tale that follows the pimps, the prostitutes and the police who inhabit this universe awash in neon and trash. It is a world that is also beginning to see the sex trade as it's transformed into an ever-bigger business. The force propelling all of it is the drama of daily life as lived by the working girls who walk the streets looking for customers in fair weather and foul—we're shown the latter most of the time—and by the pimps who control them.

It's the kind of storytelling—ebullient, moving, brutal and informed with human mystery—whose every chapter only whets the appetite for more.

There is in "The Deuce" nothing resembling a tightly woven plot. The story follows the mostly chaotic routines of the show's characters, among whom none is more conspicuous than the charmingly civilized and genial bartender Vincent Martino (James Franco)—a

fact that owes much to the existence of his identical twin brother, the semi-charming Frankie (also played by Mr. Franco), something of a lout and a conniver, who is regularly in trouble and owes money to the wrong people, big time. Which means trouble comes to his quiet, principled brother. None of this requires any pondering about intended symbolism. The twin shtick made its way into this series as one of its rare based-on-reality elements—actual twin brothers had been involved in the sex industry in the period the story covers. Mr. Franco performs his dual role with notable skill and, yes, charm.

Though hers is a single role, the same is true of Maggie Gyllenhaal's superb performance as Candy, a working girl who seems to have been meant for some other world, some other line of work despite her obvious success turning tricks. She's a hot number with her kinky blond wig, her statuesque body, her disarming if also sad smile, but there's something distinctly mystifying about this woman who insists on working the



streets without sharing the proceeds with any pimp.

The questions about her deepen when she's shown, far from Times Square, visiting a quiet suburban house, her blond wig gone. In the house is her small son and his caretaker, Candy's mother (Carolyn Mignini)—a woman whose rigidly



Clockwise from left: James Franco in his dual role; Tarik Trotter and Gary Carr; Maggie Gyllenhaal.

contained silences conceal nothing of the comments, questions and accusations she'd like to hurl at her daughter. There are several scenes of Candy's visits home, each outstanding for its drama—for, especially, this portrait of the mother who can say almost nothing to her daughter for fear of saying everything. The woman is nothing if not understandable, but her daughter remains an enigma throughout. She wants to abandon prostitution for what she apparently sees as the more distinguished profession of pornographic filmmaker—but there's no hint, thus far at least, of the reasons this proud and resourceful character chose to become a hooker in the first place.

It was, as "The Deuce" makes wrenchingly clear in this period portrait, a life fraught with danger and bitter physical hardship. Girls didn't get time off for rainy weather or shelter from the cold—and the rain and cold were minor discomforts

compared with the punishment pimps meted out to anyone who decided to get herself warm and seek shelter.

The pimps of "The Deuce" are a richly varied lot, but they're all believers in the same unshakable faith—that any girl of theirs not out hustling when she should be is

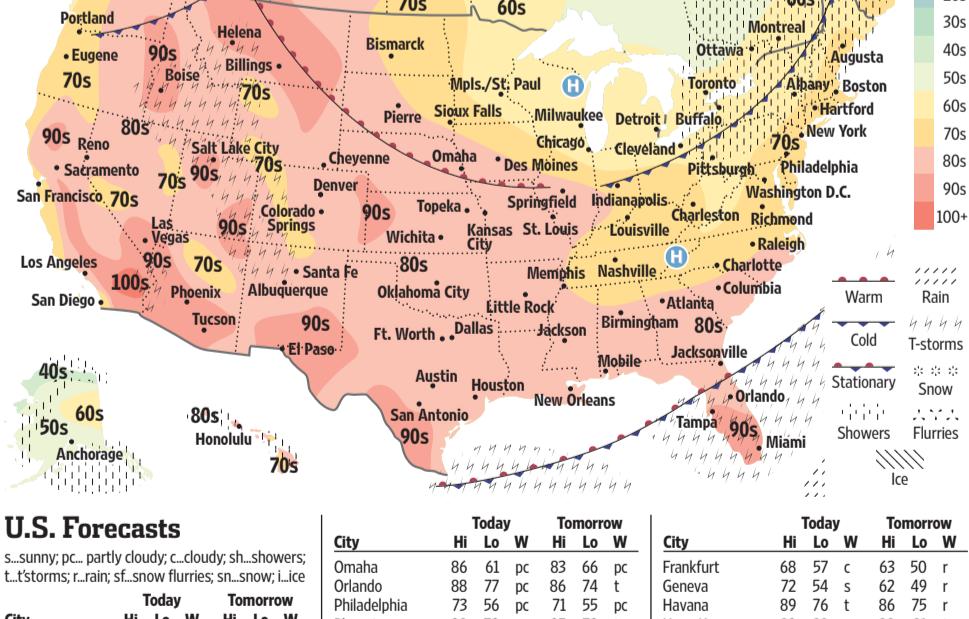
guilty of a crime worthy of extreme punishment, which she usually gets.

A character known as C.C. (Gary Carr), the smoothest and most seductive of the pimps, shows up, early in episode 1, at the Port Authority bus terminal, where he scans the line of arriving females for likely prospects. He soon finds a 20-year-old named Lori (Emily Meade) who shows not the slightest confusion when C.C. begins his silken spiel and offers to take her to breakfast. Lori, no innocent, is soon comfortably settled in C.C.'s Cadillac and will, in short order, be listening to his plans for assuring her future. She's got nothing to worry about, he informs her. C.C. offers love, he's a model of grace and a dispenser of thoughtful advice to prostitutes seeking advancement in their chosen profession, and—as will be clear to any girl working for him—he's capable of extreme brutality.

For all its violence, its physical tawdriness and mechanical, omnipresent sex—it's subject is, after all, the sex industry—"The Deuce" is a remarkably buoyant look at one of the darker sides of a famously terrible era in the history of New York City. In this world of beaten down and weary prostitutes, there is still heart and a sense of community that comes flashing to life when danger threatens, as it does often. A smashing work all around.

The Deuce
Begins Sunday, 9 p.m., HBO

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; Li...ice

Today **Tomorrow**

City **Hi** **Lo** **W** **Hi** **Lo** **W**

Anchorage 59 47 s 58 48 c

Atlanta 80 60 s 79 61 s

Austin 87 60 s 88 61 s

Baltimore 74 52 s 70 50 s

Boise 90 65 pc 84 58 pc

Boston 74 57 pc 69 56 pc

Burlington 66 51 sh 63 49 pc

Charlotte 78 56 s 77 54 s

Chicago 66 52 pc 69 49 s

Cleveland 66 53 sh 66 49 s

Dallas 87 65 s 86 64 s

Denver 88 59 pc 90 62 s

Detroit 67 48 c 66 47 s

Honolulu 88 76 pc 88 74 pc

Houston 86 63 s 87 65 s

Indianapolis 78 56 pc 73 50 s

Kansas City 82 59 s 84 62 s

Las Vegas 91 72 pc 83 73 t

Little Rock 81 59 s 81 60 s

Los Angeles 82 65 pc 82 66 pc

Miami 94 80 pc 86 79 pc

Minneapolis 64 53 sh 65 54 s

Nashville 68 50 s 72 56 s

New Orleans 78 56 s 80 54 s

New York City 84 68 s 86 71 s

Oklahoma City 73 56 pc 70 55 pc

Seattle 84 60 s 84 62 pc

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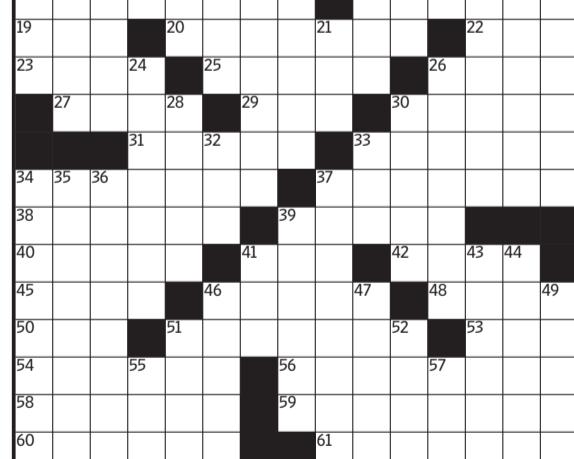
City

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The WSJ Daily Crossword | Edited by Mike Shenk



A HIGHER POWER | By Marie Kelly

The answer to
this week's contest
crossword is a
school subject.

Across

- 1 Puzzled
- 8 Some shooters
- 14 Budgeting consideration
- 16 Misbehaving
- 17 Guardian Angels topper
- 18 Not flashy
- 19 Joint ownership word
- 20 "The Birds of America" creator
- 22 Funny fellow
- 23 Some people write on it
- 25 Make a lot costlier
- 26 Source of low pitches
- 27 Hit sharply
- 29 Cabinetmaker's material
- 30 Scrap
- 31 Uninterestingly written
- 33 Vet
- 34 Ideal
- 37 Crossword components
- 38 Stage direction

- 39 Dutch town noted for its pottery
- 40 Like proverbial milk
- 41 Nikkei unit
- 42 Some raiders
- 45 Coop residents
- 46 Moor
- 48 Gillian's role on "The X-Files"
- 50 Throw in
- 51 Make the wrong call, in a way
- 53 Unruly bunch
- 54 Frank
- 56 Not paid hourly

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Sept. 10. A solver selected at random will win a WSJ mug. Last week's winner: Sue Burgdorf, St. Charles, MO. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

Puzzle Contest

28 49ers wide receiver Taylor

30 Mar a new shoe

32 Fourth qtr. start

33 Database programming lang.

34 Pakistani city near the end of the Khyber Pass

35 Speed up

36 Comet, e.g.

37 Person with a watch

39 Exactly right

41 Triumphant cry

43 Accident result

44 Nocturnal noisemaker

46 Took on

47 Cause of some bad decisions

49 Fathomless feature

51 Monument Valley sight

52 Spot for a flamingo, maybe

55 Highlander's "huh-uh"

57 Young fellow

Previous Puzzle's Solution

HOPED	BUSKED	MBBA
ATSEA	IMPEL	DRC
STARRED	BAREFRUIT	
LIEU	APTESTS	
TAMESPORTS	VETO	
ROI	ADJUST	IRAN
INSNOOB	OPS	
PETIT	SICAEASOP	
PAL	TEAR	LIKE
MESH	ICICLE	DRE
EXPO	MANESTREAK	
HAWK	ORAL	
THINKER	EVICT	
OLE	ADENT	EENIE
DES	NERDY	SNEAD

SPORTS

HIGH SCHOOL FOOTBALL

Girls Rush Into Their Own Football Leagues

Amid injury fears and a decline in boys' participation, young players find enough interest for all-female teams

BY RACHEL BACHMAN

Mooresville, Ind.

IT'S NEARLY GAME TIME on an early Saturday afternoon, so 17-year-old Alexis Ervin drops her earrings in the cupped hand of a burly, bearded coach and pulls on her helmet.

Alyssa Ford, a 5-foot-3 cheerleader-turned-running back, warms up with her teammates. Elise Scaggs, a junior power forward for the Mooresville (Ind.) High School basketball team, lines up with her two younger sisters to do something they couldn't until recently: play tackle football with other girls.

"If you have a love of the sport, I think everybody should have an opportunity to play it," Elise says before a recent game.

This is Indiana Girls Tackle Football, a four-team league here, about 20 miles southwest of Indianapolis. Now in its second season, the league is part of a small but striking trend: As boys' football participation declines amid worries about concussions, girls are joining their own leagues.

Football is the most popular U.S. high school sport by far, and it remains overwhelmingly male. But the number of girls playing on boys' high school football teams nearly doubled in the past decade to more than 2,000 nationwide, while the number of boys playing football dropped 4%. And the sport is seeing recent growth in leagues for women and girls.

A recreational girls tackle football league in Utah boasted 210 players in its third season last spring. A handful of those players and their parents are suing three Salt Lake City-area school districts and the Utah High School Activities Association. They want them to comply with a federal gender-equity law by creating high school football teams for girls.

Many U.S. girls grow up watching football on TV, playing touch football with brothers and rooting for their teams. More than 1 million high school boys play football, nearly equal to the gap between the number of male and female athletes in high school.

"It's like school districts are running 31 flavors and their very most popular flavor, they will not sell to girls," says Loren Wash-



Members of the Indiana Girls Tackle Football league circle up, above. Alexis Ervin, bottom left, tries to break a tackle by Kate Scaggs during a game.



burn, one of the plaintiffs' lawyers.

A lawyer representing the Utah High School Activities Association says it hasn't filed a response to the lawsuit but that the association plans to oppose it.

Chad Oldham, president of Indiana's Morris Cohen Mooresville Junior Football League, got the idea to start a girls league within the organization after his daughter Emily was upset that her parents wouldn't let her play football with

boys. Mr. Oldham discovered the Utah girls league through a Google search and began asking girls in and around Mooresville if they'd like to play in their own league. Many said yes.

Mr. Oldham consulted the Utah league and crafted modified rules. The Indiana girls play shorter games (32 minutes instead of 60) on a shorter field (60 yards plus an end zone, instead of 100). Eight players on a side—or six or seven,

sport. On one play Alyssa Ford, the former cheerleader, runs the ball and a defender bear-hugs and slams her to the turf. She lies on her back for a few seconds while all players lower to one knee. She pops up, a teammate runs the ball in for a touchdown and Alyssa follows with a short run in for an extra point. After the game she shrugs and says the hard tackle "knocked the wind out of me."

Wellington Hsu, a professor of orthopedic surgery at Northwestern University, acknowledges that cutting out kickoffs and punts and having fewer players on the field could mitigate football's dangers. But he says risks remain, especially on a smaller field.

"It naturally makes sense to me that if you had a girls football league, that they would have a higher risk of concussion than boys," Dr. Hsu says.

He led a recent nationwide study of nine high school sports that found athletes in girls soccer had a higher rate of concussions than male football players. Contributing factors could be girls' weaker neck muscles and a greater likelihood that girls would take the step of reporting concussion symptoms, Dr. Hsu says.

Despite a drumbeat of public caution about football, girls' and women's interest in all forms of the sport is rising. An adult league called the Women's Football Alliance has 65 teams in 30 states, Washington, D.C. and Canada. More than 11,000 girls played high school flag football last school year, an 80% surge from five years earlier. A video of high school quarterback Holly Neher went viral this month after she became what's thought to be the first girl to throw a touchdown pass in a Florida varsity tackle football game.

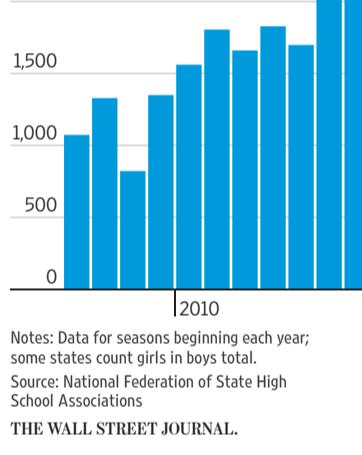
Organizers in Arizona are working to launch a girls football league, and Mr. Oldham says he's heard of interest in starting girls leagues in other states. He's preparing a team of Indiana girls to play a girls team from Canada, the North Winnipeg Nomads, later this fall.

The Utah girls league launched in 2015, propelled by Sam Gordon, who at age 9 starred in a viral video tearing through defenses in a boys football league.

Sam, now a 14-year-old freshman, opted to play soccer this fall at Herriman (Utah) High School. At 4-foot-11, "I would get destroyed" playing high school football against boys, she says. But the girls tackle league is getting more competitive. "I think that by the time I graduate, it's going to be a very popular thing," she says.

Joining the Huddle

The number of girls on boys high school teams has nearly doubled in a decade



Notes: Data for seasons beginning each year; some states count girls in boys total.

Source: National Federation of State High School Associations

THE WALL STREET JOURNAL.

depending on turnout—play rather than the typical 11. There are no kickoffs or punts, a move to curb high-speed collisions.

The girls play in two divisions, one for fifth-to-eighth graders and one for high school-age girls, of two teams each. Players play multiple positions, sometimes switching teams from week to week, so games feel like scrimmages. It's not uncommon for opposing sides to high-five after a score.

But this is still a full-contact

U.S. OPEN

THE NEXT-BEST-THING TO FEDERER

BY TOM PERROTTA

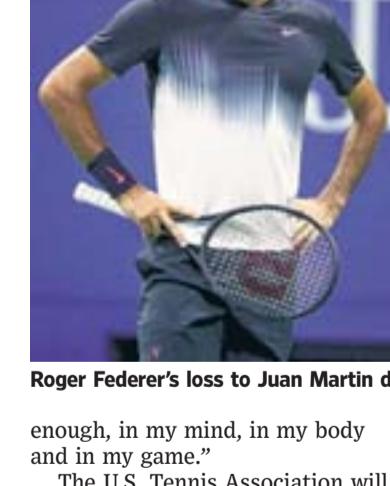
HE'S ONE OF AMERICA'S favorite players, a talented right-hander with an excellent serve and a forehand that's magic. He's loved by most everyone, no matter the countries they're from. He receives cheers in all of his matches and happily waves to the crowd when he wins. In his next match, he'll face Rafael Nadal—and maybe win.

No, his name is not Roger Federer.

Another beloved man in tennis—6-foot-6 Argentine Juan Martín del Potro—stole the night on Wednesday by dumping Federer, 7-5, 3-6, 7-6(8), 6-4. The victory was all the more remarkable given that, in his match on Monday night, del Potro was down two sets and run down to the point that he nearly quit the tournament.

Instead, the Open has once again been deprived of the Federer versus Nadal match it has craved but never seen. Once again, one of the men fell just one match short. Federer, who had to take a break before the Open to settle his back, said he struggled from the start of the tournament. Federer has won two Grand Slam titles this season, at the Australian Open and at Wimbledon. But he didn't feel as good in New York as he had in Melbourne and London.

"I didn't have that feeling at Wimbledon or at the Australian Open," Federer said. "That's why rightfully so I'm out of this tournament, because I wasn't good



Roger Federer's loss to Juan Martin del Potro, right, disappointed many fans, but del Potro is also a crowd-pleasing story due to his long comeback from injuries.

enough, in my mind, in my body and in my game."

The U.S. Tennis Association will be disappointed that Federer went down. Some Federer fans will be depressed. For them, it's yet another nightmare at the Open, much like in 2010 and 2011, when in each year Federer had match points but lost to another star, Novak Djokovic.

But if any player might receive hugs for derailing a Federer-Nadal meeting in New York, del Potro is that man.

He has been through much pain and suffering in his career—and somehow kept going. He had surgery on his right wrist in 2010, the year after he won his only Grand Slam title, at the 2009 U.S. Open. Not long after, his left wrist was in



jured. Most of two seasons and three surgeries later del Potro thought about leaving the sport for good.

"It's great after all my wrist problems, [to] come back and see how much the love from the fans comes to me," del Potro said.

The fans with Argentina shirts have been boisterous and loud this week as del Potro showed that his backhand, a weakness from his most recent surgery, is getting stronger. He uses the slice wisely and hits others harder than he has in recent months. On Wednesday, Federer kept trying to attack that side, but del Potro defended well, and sometimes switched it to his own offense. Del Potro, who loves the U.S. Open for its style and fans, said it's a matter of confidence.

"I think my backhand is improving every week," he said. "Tonight I made my best backhands [of] the tournament in the important moments of the match."

Del Potro's run at the Open is a miracle considering how he looked on Monday, when he played Dominic Thiem, seeded sixth. Del Potro looked sluggish and slow, and won just three total games in the first two sets. He considered quitting.

"I was trying to retire the match in the second set," he said. "Then I saw the crowd waiting for more tennis, waiting for my good forehands, good serves. I took all that energy to change in a good way."

And then presto, del Potro started to move faster and hit harder. He eventually saved two match points and won in five.

Against Federer, he had another mini-miracle, this time in a third set tiebreak. Trailing 6-4, he came back to win it 10-8 and take his second set of the match.

"I don't have nothing to lose against Federer, so I did my best game of the tournament tonight," del Potro said.

Del Potro crushed Nadal at the U.S. Open semifinals in 2009. In his career he has five wins to Nadal's eight, but he has won their last two meetings, including at the 2016 Olympics.

As for Federer, he now gets a rest. He needs that, he said, and is not unhappy about getting some time, even after a loss. "I've had a wonderful year," he said. "This is part of the game, you know, I can't win them all."

WSJ.MAGAZINE D.LUXE

TECH'S MOST AMBITIOUS MINDS MEET CREATIVITY'S LEADING LIGHTS

D.LUXE WILL INVESTIGATE HOW TODAY'S DIGITAL ENVIRONMENT IS RESHAPING THE WORLD WE LIVE IN—FROM TECH'S INFLUENCE ON ENTERTAINMENT, FASHION, AND LEISURE TO THE FUTURE OF HOSPITALITY, ART AND MORE.

OCTOBER 18, 2017
LAGUNA BEACH, CALIFORNIA

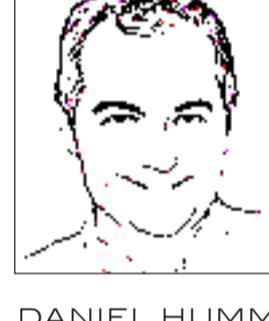
WE ARE DELIGHTED TO ANNOUNCE THE FIRST ROUND OF SPEAKERS



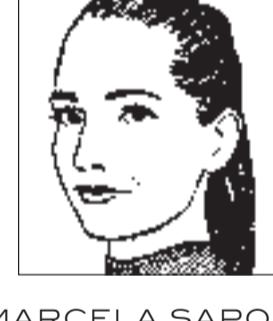
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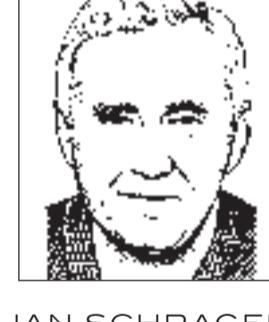


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OPINION

Comey's Secret Power



J. Edgar Hoover's abuse of power as FBI director led Congress and the Justice Department to put new checks on that most powerful and secretive of offices. By the time Congress finishes investigating James Comey's role in the 2016 presidential election, those safeguards may be due for an update.

Powerful as Hoover was, even he never simultaneously investigated both major-party candidates for the presidency. Mr. Comey did, and Americans are now getting a glimpse of how much he influenced political events.

Mr. Comey's actions in the Hillary Clinton email probe are concerning enough. He made himself investigator, judge and jury, breaking the Justice Department's chain of command. He publicly confirmed the investigation, violating the department's principles. He announced he would not recommend prosecuting Mrs. Clinton, even as he publicly excoriated her—an extraordinary abuse of his megaphone. Then he rekindled the case only 11 days before the election.

An inquiry by the Senate Judiciary Committee has now shown that Mr. Comey's investigation was a charade. He wrote a draft statement exonerating Mrs. Clinton in May, long before he bothered to

One explanation is that the

position of having to denounce Israel and their own Jewishness or stay silent when others did so."

Early last year Oberlin rhetoric professor Joy Karega was exposed for promoting conspiracy theories and sharing anti-Semitic images on Facebook. Ms. Karega wrote that Islamic State is "a CIA and Mossad operation." She also posted memes about Jews' controlling the world's banks, media and the U.S. government. These themes could have been ripped from "The Protocols of the Elders of Zion."

The Oberlin administration initially defended Ms. Karega, citing academic freedom. But it relented and fired her in November. Some accused the school of caving to Jewish alumni by ousting the popular African-American teacher. Amid the noise, a Jewish professor's home was vandalized with references to ovens; numerous students transferred; and Oberlin landed 11th on a Jewish newspaper's Worst Colleges for Jewish Students list.

Donors pulled back, including one who had pledged \$350,000 to relocate Oberlin Chabad to a 6,000-square-foot campus residence. The unfinished property—the site of a former YMCA—sits in mid-repair, covered with construction wrap. "That one was tough," Rabbi Elkan says, noting his current home has one bathroom to accommodate his six children, plus the dozens of

If you're well-off, you can avoid the hustle and hassle by paying for a one-hour reservation at a private club. That costs \$60 to \$120, on top of an annual membership that can

In New York, the real hard-court battle is for a place to play.

run thousands of dollars. Clubs do provide superior amenities—for instance, lights. Public courts in Manhattan close at dusk, ironic given this is the city that never sleeps. That means most working people can't play during the fall, when the sun sets early. The city Parks Department didn't respond to a query about the lack of lights, but a source told me that it's too expensive to pay

courts must be reserved in person on the day of play, which usually means at the crack of dawn.

Central Park's courts are typically in the highest demand. Unlike most others, they have locker rooms. Showers are limited to five minutes, though that isn't a problem since there's no hot water.

Roger Federer was caught practicing last week on one of Central Park's four pristine hard courts. But these are available only to tennis "pros" teaching lessons for \$100 an hour. The other 26 courts have "har tru" surfaces of crushed stone that must be swept before playing. That's the player's job. Groundkeepers mainly referee disputes over court reservations.

documents might show the FBI played a central role in ginning up the fake dossier on Mr. Trump. To this day, we do not know who hired Fusion GPS to gather the dirt. The New York Times early this year reported, citing an anonymous source, that a wealthy anti-Trumper initially hired Fusion to dig into Mr. Trump's business dealings, but the contract was

vital question of why the FBI wanted the dossier. Here's one thought: warrants.

The Foreign Intelligence Surveillance Court, which oversees spying activities, is usually generous in approving warrants, on the presumption law-enforcement agencies are acting in good faith. When a warrant is rejected, though, law enforcement isn't pleased.

Perhaps the FBI wanted to conduct surveillance on someone connected to a presidential campaign (Carter Page?) but couldn't hit what was—and ought to be—a supremely high bar for getting such a potentially explosive warrant. A dossier of nefarious allegations might well prove handy in finally convincing the FISA court to sign off. The FBI might have had a real motive to support Mr. Steele's effort. It might have even justified the unjustifiable: working with a partisan oppo-research firm and a former spook to engineer a Kremlin-planted dossier that has roiled Mr. Trump's entire presidency.

Now that's power. Mr. Comey's meddling has never seemed to stem from some hidden partisan impulse, but rather from an overweening self-righteousness. But power can be misused as much in the hands of the sanctimonious as the corrupt. And it's overdue for congressional investigators to get to the bottom of precisely how much power Mr. Comey was exercising.

Write to kim@wsj.com.

Here's a question:
What if the FBI had
a lot to do with that
fake Trump 'dossier'?

later taken over by a Clinton-allied group. That's when Fusion shifted its focus to Russia and hired Mr. Steele.

The question is when the FBI got in on the act. The Washington Post in February reported that Mr. Steele "was familiar" to the FBI, since he'd worked for the bureau before. The newspaper said Mr. Steele had reached out to a "friend" at the FBI about his Trump work as far back as July 2016.

The Post even reported that Mr. Steele "reached an agreement with the FBI a few weeks before the election for the bureau to pay him to continue his work."

Who was Mr. Steele's friend at the FBI? Did the bureau influence the direction of the Trump dossier? Did it give Mr. Steele material support from the start? The timing matters because it could answer the

question of why the FBI wanted the dossier. Here's one thought: warrants.

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A Rabbi Walks Into a Campus Protest . . .

HOUSES OF WORSHIP

Rabbi Shlomo Elkan hadn't heard of Oberlin College before

heading there in 2010 to establish a Chabad House, which functions as a campus center for Jewish students. "Rural Ohio wasn't on my radar," the 34-year-old rabbi, who grew up in Atlanta and received his rabbinical training in New Jersey, tells me. But a third of students at Oberlin are Jewish, and the Corn Belt seemed a quiet place to raise a family. Little did he know.

The rabbi and his wife, Devora, quickly drew regular attendance to services at their small home, but Oberlin was boiling with political debate. It was a loop playing out on campuses across the country, under the banners of Occupy Wall Street, Black Lives Matter, Students for Justice in Palestine, and the Boycott, Divestment and Sanctions movement. The presumption around many quads was that to be Jewish meant you were part of the privileged, oppressive class.

"At first the questioning and conflict seemed natural. That's what college is about, with kids seeking new identities, communities, even religious narratives," says Rabbi Elkan, one of 200 Chabad rabbis posted at U.S. colleges. "But in the last several years we noticed hard lines forming around students to show their progressive stripes. That put many in the uncomfortable

students who pile in each Sabbath.

The rabbi bears no grudge toward Ms. Karega or her supporters: "I know she was a mentor to many students, which ratcheted up tensions over her dismissal." But rather than retreating, he kept working to raise Chabad's profile.

'Once you strike a real relationship with someone,' he says, 'the screaming recedes.'

"Our inclination is to rush the fire before it spreads. Once you strike a real relationship with someone, the screaming recedes and you can get past the political bullet points."

Gailyn Gabriel can vouch for that. A leader of Oberlin's black student group, Ms. Gabriel recounts how a portly stranger with a bushy beard engaged her and some friends following a lecture on tolerance last spring. "I'd seen him around and thought he was one of those aging hippies you encounter on campus. When he said he was a rabbi, I half-expected him to be wearing a bulletproof vest," she says.

Over coffee, Rabbi Elkan shared stories about fearing for his safety in parts of Jerusalem. They discussed Ferguson and protest movements. "Rabbi Shlomo talked to us in a way that dialed down the distrust," Ms. Gabriel says. I'd

say we've become friends and I'm more aware now of how Jewish kids might perceive things as anti-Semitic."

Melissa Landa, class of '86, leads a group of former and current Obies who've petitioned the school to address ongoing hostility toward Jewish students and faculty. "From everything we know, the environment remains toxic for anyone who expresses support for Israel," says Ms. Landa, the first to call out the Karega posts. She fears a new wave of animus will encourage fresh anti-Zionism and BDS demands.

Oberlin junior Cole Mantell isn't as worried. After countless heated discussions about the Middle East, globalism and the Holocaust, he says he's never felt remotely threatened.

"That's what you do here—argue with people," he says. But he welcomes his weekly visits to Chabad "because it's nonjudgmental and inclusive, and gives me my fix of being Jewish. Of course,

when I tell my friends it's a nonpolitical oasis, they say that's a political statement."

Rabbi Elkan nonetheless thinks his charm campaign has been working to build bridges and bring more students to sample Chabad's joyous, spiritual style of Judaism. His surefire proof? "Well, I've noticed the line to our bathroom is getting longer. I take that as a positive sign."

Mr. Ripp runs a press relations firm in New York.

Tennis Anyone? Not Without a Permit

By Allysa Finley

New York

The U.S. Open epitomizes New York City in all its grandeur. But tennis fans who want a more authentic experience here should try playing on the city's public courts, where they can witness government dysfunction up close.

Securing a tennis court, particularly during prime hours in the evening and morning, can be more competitive even than playing a match. First you need a \$100 city permit, bought online or at Paragon Sports in Union Square. The online application requires you to upload a photo—ostensibly to prevent others from fraudulently using your permit to book a court—and then the permit arrives by mail in two weeks.

About a quarter of every park's courts can be reserved online for a \$15 fee. But those are snapped up fast. Most

public workers and police keep courts open at night.

The department's computer systems are also known to break down more frequently than the city's subways. This can cause delays getting on court. But at least the Parks Department's systems don't catch fire, which is more than the subways can say.

Central Park's courts are typically in the highest demand. Unlike most others, they have locker rooms. Showers are limited to five minutes, though that isn't a problem since there's no hot water.

Roger Federer was caught practicing last week on one of Central Park's four pristine hard courts. But these are available only to tennis "pros" teaching lessons for \$100 an hour. The other 26 courts have "har tru" surfaces of crushed stone that must be swept before playing. That's the player's job. Groundkeepers mainly referee disputes over court reservations.

Public courts close during the winter, allowing private clubs to jack up their rates. In 2010 the Parks Department proposed erecting a "bubble" over Central Park's courts, but that plan was dashed by Upper West Siders who complained the dome would mar their views and cause noise and pollution.

The best-maintained "public" courts are privately operated. The Sutton East Tennis Club leases the Queensboro Oval from the city. This summer, six of its eight indoor clay courts were free. Neighborhood groups, however, say the contract enriches a private company—never mind that the club offers free court time for kids through the City Parks Foundation. Locals want the Parks Department to consider alternative uses for the space. One option? Leaving it as an empty dirt lot.

Ms. Finley is a Journal editorial page writer.

BOOKSHELF | By Philip Delves Broughton

Creating an Enduring Brand

Perennial Seller

By Ryan Holiday

(Portfolio, 248 pages, \$26)

In Ryan Holiday's estimation, this review doesn't matter. I could call his book a turkey tetrazzini of tired TED-talk truisms, or I could call him Tolstoy reborn. I could berate him for the sin of every marketer toiling late on Sunday ahead of a Monday morning presentation—quoting the bromide-master Seth Godin—or praise him for celebrating Winston Churchill's "extraordinary gift with words." I could question his taste in creative "work that lasts"—e.g., a book called "The 48 Laws of Power"—or delight in a comment he presents from John Maynard Keynes: that a market "can remain irrational longer than you can remain solvent."

But if Mr. Holiday, a seasoned marketer at age 30, practices what he preaches, whatever I say, good or bad, is irrelevant, because it will soon be swept away like every other speck of media dust. What will remain, for Mr.

Holiday and every other wise marketer of creative work, will be the long arc of his effort: the relationships he has built and the noble rostrum of his "platform," which has been years in the making. The cosmic pulse of fascination with Ryan Holiday will drown out the bat-squeak of my opinion.

That's a crude summary of Part III of "Perennial Seller," the section in which Mr. Holiday emphasizes the value of low prices and word of mouth over press coverage. Raymond Chandler, he writes, became the "quintessential detective author" because he encouraged his publishers to sell his books as pulp paperbacks, for 25 cents a copy. Suddenly his books went from selling a few thousand copies in bookstores to hundreds of thousands in gas stations, train stations and cigar stores. Humphrey Bogart as Philip Marlowe followed. Likewise, the comedian Drew Carey's long run on network television began with an invitation from Johnny Carson to appear on "The Tonight Show." Validation by one person whose opinion is valued, Mr. Holiday argues, is worth all the press coverage in the world.

Mr. Holiday made his own name marketing music labels, authors like Tony Robbins and Tim Ferriss, and clothing for American Apparel. He has written books called "Trust Me, I'm Lying" and "Ego Is the Enemy," as well as a devotional of Stoic meditations. He is evidently smart about what it takes to embed a certain kind of product in the public consciousness—and keep it there. It's not the initial flurry of excitement and PR that matters, he argues. It's the effort to create a body of work that, over time, will draw increasing numbers of people to it.

The rock band Iron Maiden has built close connections with its fans, who now buy almost anything it puts out, from albums to belt buckles.

"Perennial Seller" is packed with examples of people who did this, building their audience slowly. When the comedian Kevin Hart felt that his career was foundering, he decided to hit the road, performing in cities large and small to build his base of fans. Before he went on stage, his assistant would leave a card on every seat in the venue that said, "Kevin Hart needs to know who you are" and requesting an email address. Mr. Hart was able to use that database to market his films and performances.

Mr. Holiday cites Iron Maiden's 42-year history as a band as another example of creative durability. Iron Maiden has never relied on hit singles or frequent radio play, since its songs often run to 10 minutes, with solos from each of its three guitarists. Instead, the band has toured almost nonstop, building close connections with thousands of fans who now buy almost anything it puts out, from albums to beer to belt buckles. Its core of hard-core fans, Mr. Holiday writes, has allowed Iron Maiden to "endure through fads, technological shifts, and the fact that their music was never mainstream."

Mr. Holiday's focus on endurance cuts against the deluge of shrill advice that anyone in a creative business should try to become a brand through endless self-promotion on social media. Media keeps changing, he notes. Think of all those abandoned MySpace pages. Before long, Twitter could feel the same, a graveyard of carnival barkers. For someone engaged in creative work, the key skill is not mastery of one particular form of media but engagement with an audience wherever they happen to be. Find them, talk to them and hold onto them.

It is vital, then, not to be squeamish about selling. Mr. Holiday quotes the English writer Ian McEwan on the duties of promotion: "I feel like the wretched employee of my former self. My former self being the happily engaged novelist who now sends me, a kind of brush salesman or double glazing salesman, out on the road to hawk this book. He got all the fun writing it. I'm the poor bastard who has to go sell it."

But if you want your book to sell, and the money to write another, you have no option. "Don't fool yourself by saying 'Oh, I'm playing a long game, so it doesn't matter how I market myself,'" Mr. Holiday warns. As Truman Capote said: "A boy has to hustle his book."

The main appeal of "Perennial Seller" is that Mr. Holiday neither hectors nor soft-soaps the reader. He is not a sales trainer bullying you out into the field; nor is he one of those life coaches telling you that your voice matters or that the purpose is the process. This is a book for people who are willing to take what the writer Nora Roberts calls the "ass in the chair" approach to creative work, putting concentrated effort (and, one hopes, talent) into what they do, and who are also ready to do the subsequent audience-building work to make a career of it.

Mr. Delves Broughton is the author, most recently, of "The Art of the Sale: Learning From the Masters About the Business of Life."

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OPINION

REVIEW & OUTLOOK

The DeVos Guidance Speech

Education Secretary Betsy DeVos on Thursday gave one of the most important and defining speeches to emerge from the Trump Administration. It deserves to be read in full.

Her subject, long anticipated in the academic community, was the Obama Education Department's 2011 "guidance letter" to all institutions of higher learning on conducting investigations of sexual abuse under the federal education law known as Title IX. As expected, Mrs. DeVos and the head of her civil-rights office, Candice Jackson, intend to replace the current Title IX guidance after a period of public comment. The DeVos speech, however, was about much more than a bureaucratic revision.

Let's review the origins of the 2011 guidance letter. Its nominal purpose was to address unanswered complaints on campuses by victims of sexual assault—a real problem.

The Obama Education Department's response was to circumvent Congress and neglect normal executive-branch rule-making procedures mandated in the Administrative Procedure Act, such as soliciting public comment. Instead, it simply jammed the policy through by sending out a "Dear Colleague" letter, including an explicit threat that noncomplying schools could lose federal funding.

Mrs. DeVos's speech is a meticulous deconstruction of the damage done when progressive activists like those who populated the Obama Administration believe their ends justify whatever legal and administrative obliteration it takes.

"Rather than engage the public on controversial issues, the (Obama) Department's Office for Civil Rights has issued letters from the desks of unelected and unaccountable political appointees," Mrs. DeVos said. "Instead of working with schools on behalf of students, the prior administration weaponized the Office for Civil Rights to work against schools and against students."

The Next Middle East War

Israel launched airstrikes on a military compound in Syria on Thursday, and the bombing should alert the Trump Administration as much as the Syrians. They carry a warning about the next war in the Middle East that could draw in the U.S.

Israel doesn't confirm or deny its military strikes, but former officials said they were aimed at a base for training and a warehouse for short- and midrange missiles. The strikes also hit a facility that the U.S. cited this year for involvement in making chemical weapons.

The larger context is the confrontation that is building between Israel and Iran as the war against Islamic State moves to a conclusion in Syria and Iraq. Iran is using Syria's civil war, and the battle against ISIS, as cause to gain a permanent military foothold in Syria that can threaten Israel either directly or via its proxies in Syria and Lebanon.

Tehran has helped Hezbollah stockpile tens of thousands of missiles that will be launched against Israel in the next inevitable conflict. If it can also dominate southern Syria, Iran can establish a second front on the border near the Golan Heights that would further stretch Is-

rael's ability to defend itself.

Israel may have to make more such strikes in Syria because Iran isn't likely to give up on this strategic opening. Iran's Revolutionary Guards know they have Russia's backing in Syria, and the U.S. is signaling that it is loathe to do anything to change that once Islamic State is routed from Raqqa.

"As far as Syria is concerned, we have very little to do with Syria other than killing ISIS," President Trump said Thursday at a White House press conference with the emir of Kuwait. "What we do is we kill ISIS. And we have succeeded in that respect. We have done better in eight months of my Presidency than the previous eight years against ISIS."

Great, but the problem is that the end of ISIS won't bring stability to Syria, and American interests in the Middle East don't end with ISIS. The danger of a proxy war or even a direct war between Iran and Israel is growing, and it will increase as Iran's presence builds in Syria. Mr. Trump may not like it, but he needs a strategy for post-ISIS Syria that contains Iran if he doesn't want the U.S. to be pulled back into another Middle East war.

Israel and Iran are heading for conflict over southern Syria.

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Democrats and 'Dogma'

Why is it that so many of us on this side have this very uncomfortable feeling that—you know, dogma and law are two different things. And I think whatever a religion is, it has its own dogma. The law is totally different. And I think in your case, professor, when you read your speeches, the conclusion one draws is that the dogma lives loudly within you, and that's of concern when you come to big issues that large numbers of people have fought for years in this country."

Thus did California Sen. Dianne Feinstein pronounce on Wednesday that, by virtue of being a faithful Catholic, Amy Barrett, a respected law professor at Notre Dame, may have excluded herself from a federal judgeship. President Trump has nominated Ms. Barrett for the Seventh Circuit Court of Appeals. But the Democratic obsession with Ms. Barrett's religion transformed what should have been a routine Senate confirmation hearing into a tour of the mind of the modern secular left.

The ugly implication of Mrs. Feinstein's words is underscored by the context. She deployed them to suggest Ms. Barrett's faith would lead her to substitute her personal beliefs for the law, basing the accusation primarily on a law review article Ms. Barrett wrote in 1998 as a law clerk.

Ms. Barrett and her co-author explicitly reached the opposite conclusion: "Judges cannot—nor should they try to—align our legal system with the Church's moral teaching whenever the two diverge."

The question addressed by the law review article was what Catholic judges ought to do when they conclude they cannot in good conscience apply the law as written because it clashes with their own moral views. If she was rattled by the question, Sen. Feinstein ought to have been reassured by the answer Ms. Barrett

gave: They should recuse themselves.

David Rivkin, a constitutional litigator, says "the tenor of questions by Democrat Senators seemed designed more to challenge the ideas of Catholic orthodoxy—a subject more fitting for a theological debate than a Senate hearing."

Proving Mr. Rivkin's point. Sen. Dick Durbin jumped in to demand of Ms. Barrett: "Do you consider yourself an orthodox Catholic?" Does Mr. Durbin understand that he sounds like the Southern Baptist ministers in 1960 who thought Jack Kennedy shouldn't be President because he'd take orders from the pope?

This questioning is part of a broader effort on the left to disqualify people with strong religious views from the public square. Ms. Feinstein's smear about Ms. Barrett's "dogma" dovetails with the left-wing Southern Poverty Law Center's effort to label any outfit that doesn't go along with its agenda a "hate group."

Sen. Al Franken, the great legal philosopher, wrapped it all up nicely by accusing Ms. Barrett of having appeared before a "hate" group. He was referring to the Alliance Defending Freedom, a religious liberty outfit that the Southern Poverty Law Center designated a hate group because it adheres to traditional views about human sexuality and marriage.

As for judges imposing dogma over the law, it's worth noting that not all dogmas are religious. Democratic interest groups are explicit in demanding that Democratic judicial nominees be committed to overturning *Citizens United*'s defense of free speech while brooking no modification in *Roe v. Wade*.

Let's hope the Senate rejects the bigotry that marred Wednesday's hearing and approves the eminently qualified Ms. Barrett for the Seventh Circuit. The federal bench could use more judges who understand their civic duty as well as Ms. Barrett does.

OPINION

REVIEW & OUTLOOK

The DeVos Guidance Speech

The Education Secretary takes on Obama's assault on campus due process.

With the original Dear Colleague letter, the Obama Administration introduced a new judicial standard, in which students accused of sexual misconduct could be severely punished based on a mere "preponderance of evidence." Mrs. DeVos noted that these high-stakes cases—with lifetime consequences for both sides—are brought before a "school administrator who will act as judge and jury."

The result, unsurprisingly, has been a travesty of injustice, incompetence and inconsistency as schools struggled to comply. Many institutions, often small colleges with limited resources, are now engulfed in lawsuits flowing, again unsurprisingly, from these kangaroo courts.

Secretary DeVos opened her speech with the hope that "every person—even those who feel they disagree—will lend an ear to what I outline today." It is a faint hope.

Even before she gave the speech, 20 Democratic attorneys general, of all people, wrote a letter warning against "a rushed, poorly-considered effort to roll back current policies." After the speech, teachers union president Lily Eskelsen Garcia of the National Education Association said the DeVos proposal to rethink sexual-assault adjudication "offends our collective conscience."

Well, hers anyway—this from a union that makes it nearly impossible to dismiss incompetent or even rule-breaking teachers.

Mrs. DeVos in her address goes more than the extra mile to include the valid concerns of victims, the accused, their parents, school administrators and what used to be commonly held notions of decency and justice.

The secretary deserves credit for taking on this legal and administrative nightmare, which she inherited from an Administration that specialized in creating them. She deserves support from the academic community in finding a way back to a solution.

LETTERS TO THE EDITOR

Chicago's Schools Finally Get Fair Funding

Regarding Alyssia Finley's "Republicans Won't Let Chicago's School Crisis Go to Waste" (Aug. 26): The notion that the recent bipartisan, evidence-based agreement to rewrite Illinois's education funding formula is a bailout to Chicago is misguided, ill-informed and oblivious of the facts on the ground.

First, the bogus bailout claim ignores the fact that for decades Chicagoans were the only taxpayers in Illinois to be taxed twice for teachers' pensions. We contributed to the teachers' pension systems of school districts across the state, but the state didn't contribute to Chicago's teachers' pensions—until now. Ending double taxation and creating long overdue pension parity is a matter of fundamental fairness, not a bailout.

After a lifetime of reading The Wall Street Journal, among other publications, I wrongly assumed ending double taxation would have been a no-brainer for this page. How wrong I was.

Second, Ms. Finley's commentary obscures the fact that while Chicago Public Schools students currently comprise 20% of school enrollment in Illinois, Chicago's students only receive 15% of the money the state spends on education. Again, I'd ask, what bailout?

Third, the piece fails to consider that Illinois had been dead last in the country in state funding for public schools and employed the nation's most inequitable education funding formula. Legislators, educators and families across Illinois have been trying to fix this broken system for decades because it is harmful to school systems throughout the state, not just Chicago Public Schools. The financial argument made in the piece is built on empty rhetoric that doesn't stand up to the smallest bit of scrutiny. But the argument about the academic attainment inside Chicago Public Schools is even more flawed.

The commentary cites just one National Assessment of Educational Prog-

ress metric, and does so out of context, while ignoring the most important point: Chicago Public Schools students are state and national leaders in academic progress. How well are students in Chicago Public Schools doing? Chicago's eighth-graders are number one among large urban districts in the U.S. in math gains, while our fourth-graders are among the national leaders in reading gains.

The number one and number two best public high schools in the nation are here in Chicago, and seven of the 10 best schools in the state are Chicago Public Schools.

Chicago's high-school graduation rate is now a record 77.5%. Since 2011, our graduation rate has grown at three times the national average. With more of our children graduating, more are set up for success later in life. Last year's graduates earned a record \$1.3 billion in college scholarships.

The future continues to look bright. A record 89% of high-school freshmen are on track to graduate, a 20% increase over only six years ago.

With these record results, we are not concerned with competition or ideological arguments. We are, however, concerned with importance of a school funding formula that finally ensures equity, parity and stability for districts across the state, including Chicago Public Schools.

Illinois's education funding formula has adversely affected urban, suburban and rural school districts statewide for decades. A historic, bipartisan agreement to rewrite it leaves every student, family and school district in Illinois better off. Since the piece claiming to the contrary begins and ends with quotes attributed to me, I hope you will also share my words because the agreement in Illinois means that from now on no child's education will be determined by their ZIP Code, their race or their parents' income.

RAHM EMANUEL
Mayor, City of Chicago

Turkey Is a Victim, Not a Vector of Terrorism

Your Aug. 11 editorial "An Aussie Terror Warning" paints a distorted picture of Turkey's fight against terrorism by suggesting that Turkey acts as a gateway for terrorists trying to attack the West.

My country has suffered from the most violent forms of terrorism for decades. Contrary to your suggestion, we have been a leader of efforts to fight this scourge, both at home and abroad. Turkey was the first country in the world to launch a successful ground offensive against Daesh in Syria, helping to clear an area that has since become a haven of peace for 70,000 Syrians fleeing violence. We have opened our facilities and airspace to the U.S. and other partners in the fight against terrorism.

We have shut down 12 Daesh-linked organizations in Turkey. We have moved aggressively to disrupt the flow of foreign fighters into Syria, banning more than 50,000 foreigners from entering Turkey and deporting or arresting another 5,000 linked to terrorist activity. We launched a comprehensive social-media surveillance effort and closed over 2,500 social-media accounts linked to terrorist activities, knowing that terror networks recruit members online. And we have begun construction of a 911-kilometer wall designed to protect the Syrian border, cutting off Daesh finance and member acquisition routes.

Turkey has also been a leader in welcoming refugees who escaped the cruelty of Daesh and the broader war in Syria. We shelter the largest number of refugees in the world, with over three million Syrians finding refuge in our country. We provide free health care to all registered Syrians in the country,

SERDAR KILIÇ
Ambassador of Turkey to the U.S.
Washington

and we grant them access to education. Our humanitarian budget exceeds \$25 billion—the second largest in the world.

So it is not appropriate to single Turkey out as a gateway for terrorist attacks. We live on the front lines of terrorism, and we fight it every day. On the specific incident cited in your editorial, we reached out immediately to our Australian counterparts and have been collaborating closely with them ever since.

Turkey and the U.S. are NATO allies. Turkey stood by the U.S. following the 9/11 terrorist attacks, and we have worked together ever since to stop terrorists and take down the networks that support them. As President Trump noted earlier this year standing alongside President Recep Tayyip Erdogan: "Today we face a new enemy in the fight against terrorism, and again we seek to face this threat together."

The common threat we face today calls for increased cooperation, not baseless allegations thrown at trusted and long-standing allies.

VIJAY DANDAPANI
New York

Pakistan, India Are Unlikely To Cooperate on Afghanistan

Saad Mohseni and Mitchell Shivers are right in arguing that "President Trump Needs a Special Envoy in Afghanistan" (op-ed, Aug. 24). However, their suggestion that the appointee will have to coax India and Pakistan to work together on Afghanistan shows that, despite their depth and length of experience in that country, they have learned nothing about that particular dynamic. It is analogous to expecting Iran to root out Hezbollah.

VIJAY DANDAPANI
New York

Pepper ... And Salt

THE WALL STREET JOURNAL



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STUART LEVY
Milwaukee

"How's the insomnia?"

OPINION

DeVos Pledges to Restore Due Process

By KC Johnson
And Stuart Taylor Jr.

Education Secretary Betsy DeVos has made clear her intention to correct one of the Obama administration's worst excesses—its unjust rules governing sexual misconduct on college campuses. In a forceful speech Thursday at Virginia's George Mason University, Mrs. DeVos said that "one rape is one too many"—but also that "one person denied due process is one too many." Mrs. DeVos declared that "every student accused of sexual misconduct must know that guilt is not predetermined."

The Obama Education Department's Title IX decree 'failed too many students,' she says.

This might seem like an obvious affirmation of fundamental American principles. But such sentiments were almost wholly absent in discussions about campus sexual assault from the Obama White House and Education Department. Instead, as Mrs. DeVos noted, officials "weaponized" the department's Office for Civil Rights, imposing policies that have "failed too many students."

In 2011 and 2014, the OCR issued "guidance" letters radically reinterpreting Title IX, a statute prohibiting

sex discrimination at institutions receiving federal money. The highest-profile of these directives required schools to adjudicate sexual-misconduct claims under the low "preponderance of the evidence" standard of proof.

But as Boston College's R. Shep Melnick has noted, that was "just a minor part of the OCR's procedural requirements." Worse were "the agency's rules on cross-examination and appeals; its informal pressure on schools to institute a 'single-investigator model' that turns one person appointed by the school's 'Title IX Coordinator' into a detective, judge, and jury; and the intense pressure for schools to show they are 'getting tough' on sexual assault." As Mrs. DeVos observed: "It's no wonder so many call these proceedings 'kangaroo courts.'

The OCR's guidance letters were not even formal regulations, so that the department bypassed the public notice and comment rule-making process required by the Administrative Procedure Act. Mrs. DeVos promised that wouldn't happen again: "The era of 'rule by letter' is over."

To be sure, withdrawing the Title IX guidance, as the department is now expected to do, would not be enough to create a fairer system on campus. In a just-released study, the Foundation for Individual Rights in Education found only two of the nation's 53 leading institutions (Cornell and the University of California, Berkeley) earned a score of greater than 60% for fair procedures in their Title IX tribunals.



JACQUELYN MARTIN/ASSOCIATED PRESS

The education secretary Thursday at George Mason University, Arlington, Va.

Under Obama administration pressure, schools dramatically increased personnel in their Title IX offices, creating entrenched bureaucracies that will aggressively resist reform. And several states, including California and New York, have enacted laws designed to make it even more difficult for accused students to defend themselves. Thus the system will remain rigged against accused students until the Education Department issues specific, detailed rules to ensure fairness.

Still, discarding the Obama-era guidance would have two immediate salutary effects. First, it would eliminate one of universities' standard defenses against lawsuits by accused students, which is to claim that they

were merely doing Washington's bidding.

Second, it would allow the department to implement Title IX policy through new, carefully considered regulations after a period of public notice and comment. The FIRE study identifies provisions that would be necessary to achieve a minimum of fairness in campus tribunals—the presumption of innocence, clear notice of alleged violations, sufficient time for the accused student to prepare his defense, impartial fact-finders, access to all relevant and exculpatory evidence, the right to cross-examine the accuser, a meaningful right to legal representation, and a meaningful right to appeal.

As four Harvard law professors—Jeannie Suk Gersen, Janet Halley,

Elizabeth Bartholet and Nancy Gertner—argued in a recent article, a fair process requires "neutral decision-makers who are independent of the school's [federal regulatory] compliance interest, and independent decisionmakers providing a check on arbitrary and unlawful decisions." The four had been among more than two dozen Harvard law professors to express concerns about the Obama administration's—and Harvard's—handling of Title IX. So too had 16 University of Pennsylvania law professors, as well as the American Council for Trial Lawyers.

Due process is, or should be, neither a liberal nor a conservative issue, and Mrs. DeVos is hardly alone in recognizing the shortcomings of the policy she inherited. But the accusers-rights organizations that dominated Title IX policy during the Obama administration have reacted with outrage. Laura Dunn, executive director and founder of SurvJustice, deemed the mere news of the speech a "winner" for Title IX. Another group, Know Your IX, demanded that Mrs. DeVos "enforce and support Title IX."

In fact, on Thursday Mrs. DeVos made clear her determination to enforce Title IX fairly—to combat the new normal of discrimination against accused students as well as any residual discrimination against accusers.

Messrs. Johnson and Taylor are co-authors of "The Campus Rape Frenzy: The Attack on Due Process at America's Universities" (Encounter, 2017).

Charter Schools Are Flourishing on Their Silver Anniversary

By David Osborne

On Sept. 8, 1992, the first charter school opened, in St. Paul, Minn. Twenty-five years later, some 7,000 of these schools serve about three million students around the U.S. Their growth has become controversial among those wedded to the status quo, but charters undeniably are effective, especially in urban areas. After four years in a charter, urban students learn about 50% more a year than demographically similar students in traditional public schools, according to a 2015 report from Stanford's Center for Research on Education Outcomes.

The American cities that have most improved their schools are those that have embraced charters wholeheartedly. Their success suggests that policy makers should stop thinking of charters as an innovation around the edges of the public-school system—and realize that they simply are a better way to organize public education.

New Orleans, which will be 100% charters next year, is America's fastest-improving city when it comes to

education. Test scores, graduation and dropout rates, college-going rates and independent studies all tell the same story: The city's schools have doubled or tripled their effectiveness in the decade since the state began turning them over to charter operators.

More than 80% of their students are African-American, and an equal percentage qualify for free or reduced-price lunch. But on the most important metrics—graduation and college-going rates—New Orleans became the first high-poverty city to outperform its overall state in 2015 and 2016.

Or consider Washington. In 1996 Congress created a Public Charter School Board for the capital. After 20 years, its 120 schools educate 46% of the city's public-school students. As in New Orleans, the board closes charter schools in which kids are falling behind, while encouraging the best to expand or open new schools.

The competition from charters helped spur Washington's mayor to take control of the failing school district and initiate profound reforms. The district is improving rapidly.

Yet my analysis of available data suggests the charter sector still performs better. The difference with African-American and low-income students is dramatic, even though charters receive between \$6,000 and \$7,000 less per pupil annually than district schools do.

The first one, in St. Paul, Minn., opened in 1992. Since then they've spread and proven their success.

This new model's effectiveness has inspired other cities. A decade ago, Denver Public Schools Superintendent Michael Bennet, frustrated by the traditional bureaucracy, worked with the school board to embrace charters. They gave them space in district buildings and encouraged the successful ones to open new schools. Then they began creating "innovation schools," with some of the freedom to operate that helps charters succeed. Last year 42% of Denver

students attended charters or innovation schools.

When these efforts began, Denver had the slowest academic growth of Colorado's 20 largest districts. By 2012 it had the fastest. Today its students—almost 70% of them qualifying for subsidized lunch—are approaching the state average on standardized tests in elementary schools and exceeding them in middle schools.

New Jersey is hiring charter operators in Camden, where the state took over the failing district. In central Indianapolis, more than a third of students attend charters and around 20% attend 16 "innovation network schools," which are operated by nonprofit organizations and have performance contracts with the Indianapolis Public School District.

Memphis has embraced charters but also created a vibrant "innovation zone," where schools have significant autonomy. In Massachusetts, the state Department of Education and Springfield Public Schools have created an "empowerment zone partnership" with its own nonprofit board, which treats 10 schools much

like charters. And three other states have copied Louisiana and created their own recovery districts.

A century ago reformers reinvented our public-school systems to cope with the new realities of the Industrial Era. They created the centralized, bureaucratic school systems most of us grew up with. Today reformers are creating a postbureaucratic system, in which schools have autonomy but are held accountable for performance. Parents have choices among schools with a variety of learning models, and authorizers steer the system but do not operate schools.

The teachers unions hate this model, because most charter schools are not unionized. But if someone discovered a vaccine to cure cancer, would anyone limit its use because hospitals and drug companies found it threatening?

Mr. Osborne, director of the Reinventing America's Schools Project at the Progressive Policy Institute, is the author of "Reinventing America's Schools: Creating a 21st Century Education System," just out from Bloomsbury.

Freed From Slavery, Richard Peterson Began an American Family

By Bob Greene

The red T-shirts were everywhere. They had been handed out to all the attendees of a family reunion being held this summer in a chain hotel near a Midwestern interstate. I was staying at the same hotel that weekend, and I kept noticing the words printed on the back of each shirt.

"Peterson Family Bicentennial Reunion—1817-2017," the shirts proclaimed. Two hundred years of Petersons: a very long time for an American family to stay together and keep in touch. Someone had left a copy of the reunion's thick program book in the lobby, and I leafed through it.

As at many such family gatherings, a detailed family tree and timeline had been compiled. I was most struck by the story of the first Peterson to live in the United States. Richard Peterson, the program noted, "was born in 1817 somewhere on the west coast of Africa." As a young boy he was put onto a ship and brought to this country by unlawfully operating slave smugglers.

He eventually ended up in rural Georgia, sold to a farmer named Thomas Peterson, who "gave him the slave name of Richard. At the age of 48 he was finally freed at the end of the Civil War and was able to start his own life."

Such jarring words to be reading in this bright and sparkling 21st-century hotel, where the descendants of Richard Peterson were commemorating their two centuries in the land where he had been brought against his will. I sought out the family member in charge of the reunion: Evelyn Peyton, 65, of Davenport, Fla., whose painstaking genealogical research over the years has traced the history of the Petersons. She told me the gathering was an occasion of optimism, not sorrow.

"We have survived and flourished," she said. She believes Richard Peterson, who died in 1899, would have been proud. He never even knew his real name and took the name of the man who bought him. "But when he was freed and got married and started to have children, the story of

how our family began was passed down from one generation to the next. And this is a family that still likes to spend time together. I wish he could have known that."

During the reunion weekend there were picnics, group portrait sessions, prayer gatherings and formal dinners in the hotel ballroom. The family spoke of the successes many Petersons have achieved over the years: There have been teachers and pastors and nurses and members of the military. Ms. Peyton herself is a longtime sales and marketing manager at Walt Disney World.

"It's a triumph," said Alwin Peterson, 68, of Fayetteville, Ga., a retired public-health administrator. "No one could have foretold how this family's story would unfold. Individually we may feel the sting of how our family arrived here. But this is not a weekend for bitterness. We're just always so glad to see each other."

So much these days is taken for granted. In this hotel, where the front-desk staff automatically addressed the members of the Peterson family as "sir" and "ma'am," few outside the

family were aware that the first Peterson was bequeathed, as property, from the man who had owned him to that man's son. What is essential to the family, according to Walter Johnson, 80, a retired transportation manager who lives in Stockbridge, Ga., is that "we know where we came from."

He was brought to the U.S. against his will in 1817. His descendants gather to celebrate his legacy.

Most Americans today live such hectic and rushed lives that it seems difficult to find a moment to pause and reflect. This is what I found so stirring about, by sheer happenstance, spending the weekend in the midst of the Peterson family. The news of the world was flashing across flat-screen television sets on the lobby walls, and announcing itself with urgent beeps on the smartphones many of the family members carried. Yet the real news of those three days—the news that will endure—was spoken in quiet voices.

"I get tearful thinking about it," said Gwen Peterson-Buchanan, 66, of Pasadena, Calif., who spent years working as a bookkeeper. "I wish I could tell the first Mr. Peterson that because of him this is a time for rejoicing: that his family is still intact, that the love we have for each other is real, and that we are so thankful that he gave this to us."

Mr. Greene is completing a new novel, "Yesterday Came Suddenly," about an America with no internet.

Notable & Quotable: DeVos on Title IX

From the prepared text of Education Secretary Betsy DeVos's speech at George Mason University, Sept. 7:

The era of "rule by letter" is over.

Through intimidation and coercion, the failed system has clearly pushed schools to overreach. With the heavy hand of Washington tipping the balance of her scale, the sad reality is that Lady Justice is not blind on campuses today.

This unraveling of justice is shameful, it is wholly un-American, and it is anathema to the system of self-governance to which our Founders pledged their lives over 240 years ago....

Every survivor of sexual misconduct must be taken seriously. Every

student accused of sexual misconduct must know that guilt is not predetermined.

These are non-negotiable principles....

This conversation has too often been framed as a contest between men and women or the rights of sexual misconduct survivors and the due process rights of accused students....

There are men and women, boys and girls, who are survivors, and there are men and women, boys and girls who are wrongfully accused.

I've met them personally. I've heard their stories. And the rights of one person can never be paramount to the rights of another.

A better way means that due process is not an abstract legal principle

only discussed in lecture halls.

Due process is the foundation of any system of justice that seeks a fair outcome. Due process either protects everyone, or it protects no one.

The notion that a school must diminish due process rights to better serve the "victim" only creates more victims.

A better way also means we shouldn't demand anyone become something they are not.

Students, families, and school administrators are generally not lawyers and they're not judges. We shouldn't force them to be so for justice to be served.

A better way is also being more precise in the definition of sexual misconduct.

WORLD NEWS

Pope Urges Colombia to ‘Build Bridges’

On pastoral visit,
Pontiff pushes unity
after long war that left
nation bitter, divided

BY KEJAL VYAS
AND JUAN FORERO

NEIVA, Colombia—Edna Rocio Pinto said she was just 10 years old when combatants from the FARC rebel group grabbed her as she was fetching water near her family farm and raped her. The family soon after fled their land.

Eighteen years later, Ms. Pinto says she is conflicted as she watches the FARC transform into a political party as part of a peace deal that ended a half-century guerrilla war. She wants justice, she says, but also national reconciliation, Pope Francis' main theme as he visits this country of 48 million.

“The victims need truth, justice, reparations,” said Ms. Pinto, now 28 and a counselor for victims in this provincial city, Neiva, a former rebel zone. “Instead, sometimes it feels like we’re rewarding our victimizers.”

The Vatican strongly supported the negotiations here that led to an accord with the FARC last year. But the pontiff is finding a polarized country during his five-day tour, with



Pope Francis greeted Colombians in Bogotá on Thursday.

polls showing a majority of Colombians skeptical of a deal they see as overly generous to former rebel commanders.

Pope Francis' most direct engagement with victims of war comes Friday when he holds a prayer service in the cattle city of Villavicencio with

6,000 of them and a group of former rebels. Ms. Pinto plans to attend.

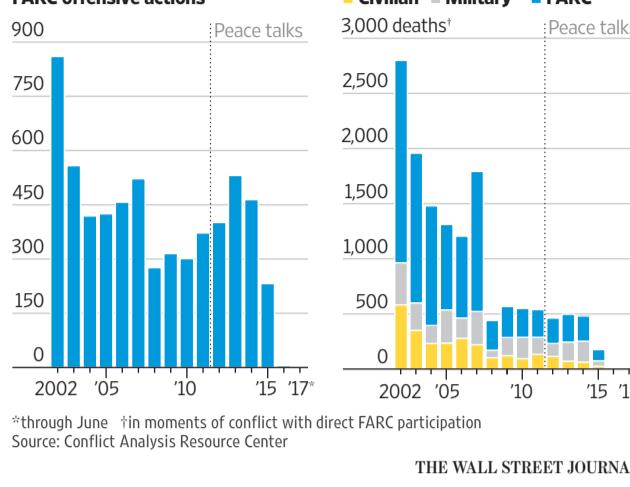
“The more demanding the path that leads to peace and understanding, the greater must be our efforts to acknowledge each other, to heal wounds, to build bridges,” Pope Francis

said Thursday in Bogotá. “This visit intends to offer you an incentive, a contribution that in some way paves the path to reconciliation and peace.”

Some 6,000 former rebels, who disbanded under the peace accord, last week officially became a political party. The president’s conservative rivals fiercely oppose the rebels’ new status, calling it impunity for a group that fueled a 52-year conflict that cost 220,000 lives and forced millions of poor farmers off their land.

Violence Down

Rebel attacks and combat deaths fell as FARC guerrillas and the government neared a peace deal.



*through June †in moments of conflict with direct FARC participation

Source: Conflict Analysis Resource Center

THE WALL STREET JOURNAL.

said Thursday in Bogotá. “This visit intends to offer you an incentive, a contribution that in some way paves the path to reconciliation and peace.”

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President Juan Manuel Santos argues the deal—trading arms for ballot boxes—is good for Colombia. FARC commanders are unlikely to see jail time but are required to compensate victims, admit their crimes and be investigated under a special tribunal.

“We opted to put the victims at the center of the solution to the conflict,” Mr. Santos told The Wall Street Journal in an interview. “We have to heal the wounds, the open wounds; one sees them every day.”

Among the victims attending the pope’s prayer meeting in Villavicencio will be a group from the town of Bojayá, where a rebel rocket landed on a church in 2002, killing at least 79 and wounding dozens more in the worst single-day loss of life at the hands of the FARC in 52 years of warfare.

Several victims who will greet the pope, though, said that while they support peace they remain deeply suspicious of the FARC and question whether they will truly find closure.

These people—who like Ms. Pinto are registered in the government’s official database of victims—include Holmes Fabian Ordonez, who lost a foot to a rebel land mine, and Magdalena Rivas, whose son was held hostage by the guerrillas and eventually slain.

The former rebel leaders and their supporters say they hope the pope’s visit will prod conservatives to support the pact, which calls for a modernization of the countryside, reparations for victims, a joint rebel-government effort to fight drugs and other policies.

“The pope is coming here at the best time to give us air, give us strength, to generate confidence between us Colombians and to show us that co-existence is possible,” said Imelda Daza, a political activist working with the FARC.

U.N. Says Pyongyang Has Help in Skirting Sanctions

BY IAN TALLEY

WASHINGTON—United Nations member countries are helping North Korea evade international sanctions meant to halt its nuclear-weapons program, a new U.N. report alleges, including through prohibited trade in arms and commodities and financing.

The draft report, prepared by the U.N.’s panel of experts on North Korea for the Security Council and reviewed by The Wall Street Journal,

comes as the U.S. is urging the sanctions be strengthened in response to North Korea’s latest nuclear and missile tests. It reinforces longstanding U.S. complaints about shortfalls in compliance, which lead Washington to act on its own.

“Despite an increased rate of member states’ submission of national implementation reports to the Security Council, the actual implementation of the sanctions lags far behind what is necessary to achieve the core goal of denucleariza-

tion,” the panel of experts said.

This latest panel report, which gauges compliance as recently as early August, found that as the U.N.’s sanctions regime expands, so does the scope of evasion. The panel said “lax enforcement” and North Korea’s evolving techniques to evade sanctions are undermining U.N. efforts to coerce Pyongyang to abandon the development of weapons of mass destruction.

The Trump administration has threatened to ban U.S.

and other nations to cut off business and financial ties, the administration is expected soon to roll out additional actions targeting Chinese companies and banks.

Diplomats at the U.N. on Thursday said U.S. and European officials seeking even-tougher sanctions on North Korea want to maximize economic pressure on Pyongyang while pushing China to step up efforts to rein in its neighbor.

President Donald Trump declined to rule out military

action against Pyongyang during a White House press conference on Thursday, but stopped short of answering a question as to whether he would tolerate a nuclearized North Korean state as long as the threat was contained.

North Korea doesn’t recognize the sanctions as legitimate. Asked about them late Wednesday, a man identifying himself as a staff member of North Korea’s mission to the U.N. said they represent hostile policy toward his country.

WORLD WATCH

UNITED KINGDOM

MPs Debate Bill on Transfer of EU Law

Prime Minister Theresa May faced her first major parliamentary hurdle on Brexit since negotiations with the European Union kicked off, as lawmakers on Thursday debated whether a bill designed to transpose thousands of EU laws onto the U.K. statute book hands over too much power to the executive.

The bill is designed to ensure there is no legal vacuum in the U.K. after Brexit. Lawmakers will vote Monday on whether the bill can move to the next phase in the legislative process.

—Jenny Gross
and Valentina Pop

CHINA

Government Critic Seeks U.S. Asylum

An exiled Chinese businessman who has alleged corruption among China’s political and corporate elites said he is seeking asylum in the U.S. as Beijing tries to discredit him and try him on criminal charges.

Guo Wengui, a property tycoon who has lived in the U.S. since 2015, said on a live video broadcast that he applied for political asylum to protect himself from what he calls the Chinese government’s efforts to persecute and silence him.

—Chun Han Wong

EUROPEAN UNION

In Greece, Macron Says EU Is in Peril

The European Union will crumble if it isn’t overhauled, French President Emmanuel Macron said Thursday in Athens, attempting to reinvigorate his call for greater sharing of financial burdens in the eurozone.

Mr. Macron said he would soon present to fellow European leaders a plan for greater economic and social convergence in Europe. He has said the eurozone should have new structures to create its own budget, parliament and executive.

“In Europe, today, sovereignty, democracy and trust are in danger,” Mr. Macron said.

—William Horobin

Spanish Court Suspends Catalonia’s Vote on Independence

BY JEANNETTE NEUMANN

BARCELONA—Spain’s constitutional court moved to block Catalonia from holding a referendum on separating from Spain, prompting vows on Thursday from regional officials to push ahead with the vote in defiance of the ruling.

Prime Minister Mariano Rajoy had asked the court earlier in the day to declare illegal the laws enabling the referendum, which were passed by the Catalan regional parliament just a day earlier. Late

Thursday night, the court said it agreed unanimously to suspend the legislation while it weighs whether a referendum on independence breaches Spain’s constitution. The court has previously ruled against Catalonia’s steps to hold an independence vote.

Catalonia regional President Carles Puigdemont said his government and other separatists were undeterred by the court’s decision.

“Democracy in Catalonia won’t be suspended by a council of ministers or a court

that’s lost its legitimacy,” Mr. Puigdemont said in televised remarks. The regional government was “staying apace of the preparations” for the vote to split from Spain, he added.

Thursday’s announcement raises the stakes in the conflict between the central government in Madrid and the regional government in Barcelona, the capital of the Catalonia region, which has set the referendum on secession from Spain for Oct. 1.

Separately, state prosecutor José Manuel Maza said earlier

Thursday his office would pursue criminal cases against the lawmakers in Catalonia’s regional legislature, which is controlled by pro-independence parties, who approved the bill on Wednesday to hold the referendum. Mr. Maza said he would also go after regional government officials who have begun to organize the vote.

Mr. Maza called on Spain’s national and regional Catalan police forces to seize anything that could be used in the voting, such as ballot boxes, on the legal grounds of disobedience, malfeasance and misappropriation of public funds.

The central government, led by Mr. Rajoy, a conservative, says national courts have already ruled that any bid for independence is unconstitutional and that the referendum won’t happen.

The Catalan regional government and pro-independence parties have sought to justify their defiance of Madrid, saying the courts are an arm of the government and rejecting their interpretation of Spain’s constitution.

—William Horobin

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, September 8, 2017 | B1

S&P 2465.10 ▼ 0.02% S&P FIN ▼ 1.65% S&P IT ▲ 0.51% DJ TRANS ▲ 0.39% WSJ \$ IDX ▼ 0.69% LIBOR 3M 1.317 NIKKEI (Midday) 19322.74 ▼ 0.38% See more at WSJMarkets.com

Yuan's Climb Challenges Beijing

Leadership wants stability ahead of key gathering, but faces a blow to exports

A recent surge in the value of the yuan has blindsided Wall Street and stands to complicate China's efforts to simultaneously manage a slowdown in growth while deepening its ties to global markets.

The yuan jumped to its strongest level in 16 months this week, bringing its total gain through Thursday versus the dollar to 7% in 2017, more than recouping all of its decline

last year. Last month alone, the yuan soared 2% against the dollar, notching its biggest monthly advance since July 2005. On Friday, China's central bank guided the yuan still higher for the 10th session in a row, the longest such streak since 2011.

Traders and analysts attribute the yuan's changing fortunes both to the dollar's softening and to the Chinese central bank's stepped-up controls over the yuan—through an altered mechanism to guide its value—which have reduced expectations for it to weaken and prodded companies that had been hoarding dollars to

By Lingling Wei
in Beijing
And Saumya
Vaishampayan
in Hong Kong

convert them into the local currency.

In recent trading sessions, investors have regularly pushed the yuan stronger than the level set daily by the central bank, a rare occurrence for a currency that has more often been battered over the past year.

In Hong Kong, a yuan-trading hub outside the mainland, rising yuan bank deposits sug-

gest individuals are becoming more comfortable holding on to the currency rather than swapping it for foreign alternatives.

"Market expectations are at work here," an official at the People's Bank of China says.

The yuan's recent ascent comes with a heavy price tag for Beijing. It has dialed back long-running efforts to make the yuan a freer currency and imposed strict controls on money leaving China. Even as those measures have helped stem outflows—official data Thursday showed China's foreign-exchange reserves rose for a seventh straight month to \$3.092 trillion in August—the

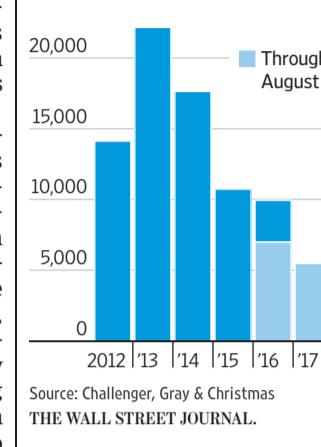
steps have damped demand from overseas for Chinese assets despite the government's effort to attract more foreign investors to buy Chinese stocks and bonds.

Meanwhile, the pent-up desire among Chinese companies and individuals to diversify assets offshore means that underlying pressures on the yuan to weaken have been kept bottled up, economists say. The Chinese economy's challenges, from mounting debts and persistent industrial overcapacity to an out-of-balance housing market, also suggest there is a lack of fundamental drivers to

Please see YUAN page B2

Bitter Pill

Number of U.S. pharmaceutical jobs cut each year



Source: Challenger, Gray & Christmas

THE WALL STREET JOURNAL

Eli Lilly to Cut Jobs, Focus on New Drugs

BY PETER LOFTUS

The drug industry has eliminated tens of thousands of jobs over the past decade. In a sign that the bleeding is far from over, Eli Lilly & Co. announced plans on Thursday to cut roughly 8% of its global workforce.

Indianapolis-based Lilly cited a number of issues that are plaguing many drugmakers, including the need to lower costs and raise investment in new drugs ahead of patent expirations that are expected to erode sales of older products. The company said it would eliminate about 3,500 positions globally, including 2,000 in the U.S.

Lilly said it expects to achieve most of the U.S. reductions through voluntary early-retirement packages; others will come from site closures and layoffs. Lilly has about 41,241 workers globally, including more than 18,500 in the U.S.

The pharmaceutical sector still enjoys some of the biggest profit margins of any industry and continues to charge high prices for many brands. At the same time, a confluence of issues presents challenges: Health insurers and politicians have stepped up pressure on prices; R&D is often expensive and unsuccessful; and competition from low-cost generics remains a threat. That has left companies leaning on cost cuts and efficiency improvements to drive profit growth. The result is a dramatically shrinking workforce.

Drug companies have cut more than 269,000 U.S. workers since the beginning of 2007, according to job-outplacement firm Challenger, Gray & Christmas Inc., though the annual number of industry

Please see LILLY page B2

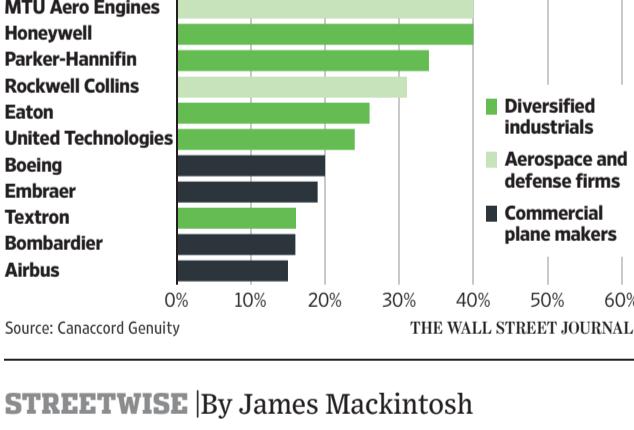


Aircraft manufacturers aim to bring more parts production in house and build up their service business in order to boost profit. A Boeing assembly line in Everett, Wash.

Plane Makers Want a Bigger Part of Parts

BY ROBERT WALL
AND DOUG CAMERON

Serving Up Revenue
Plane makers make less revenue than parts suppliers on services like maintenance and repair. Percentage of revenue from services:



Source: Canaccord Genuity

The world's largest plane makers are testing a seemingly simple formula to smooth production, cut costs and fatten profits: Make more of the parts that go into their jets themselves.

After United Technologies Corp.'s proposed \$23 billion deal to buy Rockwell Collins Inc., that push is taking on more urgency. The deal is the latest in a round of consolidation among the world's biggest suppliers of aviation parts—something Boeing Co. and European rival Airbus SE have monitored warily.

Earlier this week, Boeing said it might cancel some of its

parts contracts if the latest deal further undermines competition in the aerospace supply chain. Airbus had previously expressed its skepticism over the transaction.

Worried about getting squeezed by the consolidation, Boeing and Airbus have moved to protect themselves by building more of their parts in-house. This month, Boeing will start construction of a new production facility in Sheffield, England, that will make some of its own actuation equipment—motors that help move a wing's flaps. Airbus, meanwhile, is planning to build some of its own nacelles, the metal casings that house a plane's engines. United Technologies is one of the world's largest na-

celle suppliers.

"We are constantly revisiting our 'make or buy' decisions," said Fabrice Brégier, Airbus chief operating officer and the company's head of commercial planes.

Boeing decided two years ago to make some of its own nacelles after years of buying them. In July, the company also said it plans to develop and build some aircraft electronics, a market dominated by companies such as Rockwell Collins and Honeywell International Inc.

The wings for a revamped version of Boeing's new 777 jetliner also will be built at a new plant near Seattle rather than sourced from a supplier. Boeing

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STREETWISE | By James Mackintosh

Dangerous Words for Investors To Buy Into: Inflation Is Dead

Bonds, equities and commodities appear to be sending contradictory

messages about the economy, adding to the confusion from central banks struggling with the breakdown of their inflation models. However, the markets can be reconciled—and if they are right, the outlook is just dandy for Wall Street, if not so much for Main Street.

Unfortunately, the failure of central-bank models to predict the yearslong slowdown in global inflation leaves investors in the dark about the most important economic measure today and why it is so low. If policy makers and economists can't explain convincingly why inflation is where it is, why are investors putting so much

faith in their forecasts of where it will go?

Start with what markets are telling us about the economy. Bonds have become significantly less optimistic this year, and this week futures traders started for the first time to price a tiny chance of a Federal Reserve rate cut at this month's meeting. Yet equity markets are booming, with the S&P 500 just 1% below its all-time high. The price of copper has leapt by a quarter this year and industrial metals more broadly have jumped, suggesting robust demand.

So do the markets think the economic engine is purring along nicely or about to stall? Look below the hood and we can extract some consistency.

The place to start is with the bond yield curve, the extra yield on offer for holding

longer-maturity Treasurys. The curve has been flattening and 10-year bonds now offer just 0.77 percentage point more than two-year bonds, usually a bad sign. Yet, while the outlook for growth may not be great, it doesn't signal immediate trouble, either.

The yield curve is still only as flat as it was in March 2005, February 1996 or July 1988, each of which was followed by S&P 500 gains of at least 20% over the following two years, before recession hit. Recession eventually arrived, after the yield curve turned negative, but for now it is consistent with the U.S. being in the late stages of the economic cycle.

"People look to the yield curve as the ultimate arbiter and it says you should be taking risk," said Gregory Peters, senior investment officer of

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INSIDE



DISNEY TO STREAM 'STAR WARS'

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PENSION FUNDS ARE DIALING UP THE RISK

FINANCE, B10

Pfizer Unit Is Rebuked Over EpiPen Handling

BY THOMAS M. BURTON

The Food and Drug Administration issued a scathing warning letter to a Pfizer Inc. unit that manufactures the emergency auto-injector EpiPen, saying the company "failed to thoroughly investigate" product failures even in cases of patients' deaths.

The EpiPen, sold by Mylan NV, is manufactured by Pfizer's Meridian Medical Technologies Inc. unit. The injector has been in the headlines for sharp price increases, but the FDA now is putting the spotlight on the device over quality issues.

The product delivers a jolt of epinephrine, a synthetic form of adrenaline, to patients including school children who are going into shock from causes such as bee stings and allergies to food, drugs and other substances.

"Your own data show that you received hundreds of complaints that your EpiPen products failed to operate during life-threatening emergencies,

including some situations in which patients subsequently died," the FDA wrote in the letter this week to Thomas E. Handel, Meridian's president and general manager.

The FDA ordered the company to correct the violations cited in the letter and warned that "failure to promptly correct these violations may result in legal action" including seizure and injunction.

In a written statement late Thursday following the warning letter, Pfizer said that "between 2015 and now, we have shipped more than 30 million EpiPen auto-injectors globally. It's not unusual to receive product complaints, especially when the product is frequently administered by non-medically trained individuals."

Pfizer didn't address most of the letter's specifics in its statement. Pfizer said it doesn't have any information "to indicate that there was any causal connection between these product complaints and any patient deaths."

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YUAN

Continued from the prior page
keep the currency going up.

Eric Liu, portfolio manager of Asia fixed income at Manulife Asset Management in Hong Kong, is among the investors who have cut positions in the yuan in the past few days.

"We've turned neutral from here because of the magnitude of the move," Mr. Liu says. "The pace has been too fast."

Bryan Carter, head of emerging-market fixed income at BNP Paribas Asset Management, believes the policy-driven advance in the yuan is essentially done. He expects the currency to give up some of its recent gains after the Communist Party's twice-a-decade congress next month, which will help shape the nation's power structure for years to come.

With that political transition looming, China's leadership wants its currency to be stable to help fend off financial risks, buttress the economy at home and avoid trade disputes abroad. A roaring yuan, however, is putting pressure on the country's manufacturers who are counting on an uptick in foreign orders as domestic demand remains lackluster. (An appreciating yuan makes Chinese goods more expensive in markets overseas.)

Such pressure on Chinese businesses doesn't bode well for an economy that has been struggling with tepid private investment and consumption. Exports have been one of the few bright spots that have

helped China keep growth on track in the past few months. And that, economists say, was at least partly due to the yuan's depreciation in the past year or so, which helped give Chinese exporters a price advantage in foreign markets.

Already, the yuan's newfound strength has started to weigh. Official data show that year-over-year growth in Chinese goods sold overseas dropped to 7.2% in July from 11% in the previous month. Economists polled by The Wall Street Journal expect that growth rate to have fallen further to 6% last month. Notably, year-over-year growth in China's sales to the U.S. plunged to 8.5% in July from 20% in June, and the growth in sales to its other major trading partner, the European Union, dropped to 9.5% from 15%.

Most of China's cross-border trade is priced in dollars.

Over the years, China has sharply reduced its reliance on exports, with the contribution of trade to the Chinese economy much smaller now compared with the early part of the last decade. Still, analysts say, Beijing can ill afford a slumping export sector when the leadership is stressing economic stability in a year of political transition.

The yuan's rise is the latest ripple from the 2017 decline in the U.S. dollar. Many investors expected the currency to weaken to 7 yuan to the dollar this year, reflecting a strengthening U.S. economy and Chinese efforts to cushion the export sector. Instead, the yuan is trading near 6.5 to the dollar, forcing a reassessment.

Airlines—which buy or lease Boeing and Airbus jets for their fleets—spend \$1.5 billion to \$2 billion annually to service nacelles, said Kevin Michaels,

BUSINESS & FINANCE

Nestlé, Unilever Buy Niche Brands

BY SAABIRA CHAUDHURI

LONDON—Two of the world's biggest packaged-food giants, **Nestlé** SA and **Unilever** PLC, disclosed separate, small deals to buy the sort of homegrown, natural brands that have been eating the industry's lunch.

Switzerland-based Nestlé said Thursday it agreed to buy **Sweet Earth Foods**, the California maker of plant-based meat substitutes such as "Be-nevolent Bacon" and "Harmless Ham." Anglo-Dutch rival Unilever said it was purchasing Pukka Herbs Ltd., a British organic herbal tea maker.

Though both deals are small and terms weren't disclosed, they represent the latest in a series of steps Nestlé, Unilever and other big companies in the sector are making to catch up with fast-changing consumer tastes.

The global packaged-food

industry is facing fierce competition from a burgeoning number of small but high-growth food and beverage brands. These brands have struck a chord with consumers looking for locally produced or more healthy, natural choices.

Amid this shift, sales from traditional players have flagged, spurring consolidation, cost cutting and restructuring.

Unilever fended off an unsolicited takeover by Kraft Heinz Co. earlier this year. Activist investor Dan Loeb's Third Point hedge fund in June disclosed a major stake in Nestlé, calling for changes in strategy to improve shareholder returns. In response, the two consumer-goods firms have focused on cost cutting and promises to boost dividends, while going on the hunt for nimble food and beverage brands with the potential to

accelerate growth.

Nestlé's deal to buy Sweet Earth comes less than three months after it bought a stake in subscription-meals company Freshly, which sells healthy, prepared meals to consumers across the U.S.

Moss Landing, Calif.-based Sweet Earth bills itself as a natural, ethical, environmentally conscious company that substitutes plant proteins for animal ones in meals such as curries, stir fries, breakfast wraps, burgers and pasta.

Founded in 2011, Sweet Earth is available in more than 10,000 stores in the U.S. It is stocked at independent natural grocers, as well as bigger chains such as Amazon.com Inc.'s Whole Foods, Target Corp., Kroger Co. and Wal-Mart Stores Inc.

"We're experiencing a consumer shift toward plant-based proteins," said Paul Grimwood,

chief executive of Nestlé's U.S. arm.

Nestlé didn't disclose the brand's current sales but said it expects the sector to reach \$5.3 billion in sales by 2020. Nestlé's annual sales last year came in at about \$94 billion.

Unilever, meanwhile, said Thursday it bought Pukka, which generated £30 million (\$39 million) in sales in its latest fiscal year. Despite the small revenue base, Pukka grew by about 30% a year during the past three years, Unilever said. Unilever posted sales of \$63 billion for last year. Unilever—the world's biggest tea maker with brands such as Lipton, PG Tips and Brooke Bond—has been working to shift its portfolio toward higher-growth tea types such as green and herbal tea, sales of which are slowing.

LILLY

Continued from the prior page
job losses has declined over the past five years.

"When the pressure gets heavy, the scrutiny turns to the size of a company's payroll," Challenger, Gray CEO John Challenger said in an interview.

Last year, **Novo Nordisk** A/S said it would slash about 1,000 jobs to cut costs in response to tighter competition in the insulin business. In 2013, **Merck & Co.** announced a plan to cut its workforce, then at 81,000, by 20% over two years. The same year, Lilly laid off about 1,000 sales representatives.

Lilly, which makes the diabetes treatment Humalog and erectile-dysfunction pill Cialis, expects the moves to generate savings of about \$500 million a year. Last year, the drugmaker posted \$2.7 billion in net income on \$21.2 billion in revenue. About half the projected savings will go toward supporting new-product launches and clinical development of new uses for its drugs, Lilly said.

"If you're in our business, if you look out in the world, it's uncertain," said Lilly Chief Executive David Ricks in an interview. "It's probably wise to have more flexibility in our choices."

Lilly's new cuts come at a delicate time in the pharmaceutical industry's relationship with U.S. President Donald Trump, who has criticized drug companies for charging high prices and manufacturing drugs outside the U.S. He has urged the industry to move more manufacturing jobs back to the U.S., and has said he would take steps to bring down prices.

The job cuts come despite a general improvement in Lilly's financial fortunes over the past few years. Earlier this decade, Lilly's sales and earnings were hurt by a wave of patent losses that exposed drugs such as the antidepressant Cymbalta to generic competition.

But revenue and earnings have risen since 2014 following rising sales of several newer products such as diabetes drug Trulicity and cancer treatment Cyramza. Lilly's share price has roughly doubled since 2012, closing Thursday at \$81.54.

Mr. Ricks, who took over as Lilly CEO Jan. 1, said he expects the company's sales to increase despite the patent losses, but the expirations contributed to his decision to cut costs.

SUPPLY

Continued from the prior page
bought the wings for its previous big project, the 787 Dreamliner.

"The opportunity ahead of us, in terms of transforming how we design and build, how we manufacture, is even greater than some of the product innovation that we're going to bring to the table," said Boeing Chief Executive Dennis Muilenburg.

Boeing and Airbus are slated to deliver new planes worth more than \$100 billion this year. Both have order-book backlog that stretch years and, combined, are worth almost an additional \$1 trillion. But parts representing more than half the value of each of those planes are mostly made by dozens of suppliers such as United Technologies, Spirit AeroSystems Holdings Inc. and General Electric Co.

Consultant Oliver Wyman estimates that commercial-aviation service business is valued at roughly \$76 billion a year.

That service revenue—from routine maintenance to repair work—is more profitable still. For parts makers, the shift by Boeing and Airbus threatens to their own slice of those service sales.

Take the airplane manufacturers' recent entry into nacelle production. The parts typically cost about \$1 million per plane on a narrow-body jet, and \$4 million to \$5 million for long-range jets.

Airlines—which buy or lease Boeing and Airbus jets for their fleets—spend \$1.5 billion to \$2 billion annually to service nacelles, said Kevin Michaels,

Boeing, Airbus Press Suppliers

Boeing Co. and **Airbus** SE, scheduled to deliver more than \$100 billion in new planes this year, have pressed their suppliers for cost savings and deadline commitments.

Plane makers' leverage, though, has lessened as the circle of suppliers has shrunk in recent years. United Technologies Corp. snapped up rival Goodrich Corp. in 2012. Its deal with Rockwell Collins Inc. will make it the world's biggest plane-parts provider. Another big tie-up in the works: Plane-parts maker **Safran** SA is haggling to buy cabin-interior specialist **Zodiac Aerospace** SA.

Bringing production in-house helps level the playing field. Parts makers traditionally have

also been able to suck out more profit for their components than plane makers such as Boeing and Airbus can reap from selling whole aircraft. Profit margins for plane and engine makers have averaged 9% over the past two years, compared with 14% for "tier one" suppliers such as United Technologies and Rockwell Collins, which make finished parts directly for plane makers. Margins come in at 17% for "tier two" suppliers, which provide smaller components for those parts, according to Boston Consulting Group.

Boeing and Airbus executives have said they now aim to capture some of that extra margin for themselves. They also hope to get a larger share of the lucrative business servicing those parts once the plane is sold to a customer, usually an airline or an aircraft-leasing company.

The Airbus and Boeing moves are still in their early stages and have yet to affect either their earnings or those of parts suppliers.

The incumbent parts makers say they aren't yet worried about getting squeezed out, given all the work to go around from the two makers' big backlog.

"They've looked at some of the components within the aircraft, and think that they need to have more control on that," Kelly Ortberg, Rockwell Collins' chief executive, told investors recently, before announcing the United Technologies deal.

"In fact, there's probably opportunities for us to maybe support them in different ways than we have in the past."

the U.S.

The danger is that the low-inflation consensus has grown far too strong, on too little evidence. Sure, inflation has been weaker than economic models predicted for a long time. But without a decent explanation for why, forecasts of low inflation look like a classic case of recency bias, the tendency to look to the recent past for guidance.

The European Central Bank's predictions on Thursday perfectly fitted the pattern. Eurozone growth this year is now forecast to be the fastest since before the 2008 crisis, while inflation was revised down and will probably reach the target of just under 2% only in 2020, ECB President Mario Draghi said.

Investors should examine their assumptions. How sure

are they that they really understand what is driving inflation? Adding together the effects of labor-market structures, globalization, declining union power, technology and monopolistic behavior, among much else, is something that has proved too hard for central banks. Why trust their or anyone else's predictions?

The markets want to believe the economy will stay in the sweet spot, growing just enough to avoid deflation concerns while avoiding pushing up inflation. But wanting something to be true doesn't make it so. Investors should pay more attention to the risk of a less-perfect future, and the best way is to lighten up on the growth stocks, which have made them so much money recently, and hold fewer Treasurys than usual.

STREET

Continued from the prior page

PGIM Fixed Income.

Headline equities may not seem to fit this story, but look a bit closer and they do. The market is being held up by growth stocks, less reliant on economic expansion for profits than on new technology and business models. The Russell 1000 growth index has outperformed value by 14 percentage points this year, an eight-month performance last beaten in the post-Lehman recovery and before that during the dot-com boom.

Metals are trickier. The rise in the price of copper and other industrial metals does tell us that the economy is picking up—but in China, not

The extra yield offered by 10-year Treasurys above two-year notes is down this year, which usually happens as the economic cycle matures.

U.S. growth stocks haven't beaten value stocks by this year's margin since 2009; the time before that was the dot-com bubble.

Russell 1000 Growth Index's eight-month outperformance of Russell 1000 Value Index

Sources: Federal Reserve Bank of St. Louis (Treasurys); Thomson Reuters Datastream (Russell)



BUSINESS NEWS

Emirates Airline Rebounds In U.S.

BY ROBERT WALL

LONDON—**Emirates Airline** may fully restore capacity on flights to the U.S. in the coming months, with demand recovering after Washington sought to limit immigration from some Middle East countries and imposed a ban on use of electronics on inbound flights.

Emirates Airline President Tim Clark said Thursday that demand during the summer was stronger than expected, suggesting many of the reductions in U.S.-bound flights can be reversed. "I hope in the next six to nine months we'll restore the capacity at the very least," Mr. Clark said at the annual Aviation Festival here, calling the U.S. market "hugely important."

The travel ban, first issued in January, barred individuals from several Muslim-majority countries from entering the U.S. It caused chaos at airports as airlines had to bar ticketed passengers from boarding flights to adjust to new U.S. immigration rules. Courts set aside the measures, but the damage was done. Emirates Airline, the world's largest carrier by international traffic, saw demand on U.S.-bound flights fall sharply, forcing the Dubai-based carrier to cut flight frequencies on many U.S. routes.

The laptop ban was implemented in March by the U.S. out of concern terrorists might try to use electronic devices to smuggle a bomb on planes. The ban was lifted in July.

The immigration and laptop issues added to demand-dampening low oil prices that have weighed on the small group of state-owned, rapidly expanding Middle East airlines that also includes Qatar Airways and Abu Dhabi's Etihad Airways.

Emirates reported an 82% drop in profit to \$340 million for the fiscal year to end-March.

The slump in the price of oil has weighed on lucrative corporate bookings, Mr. Clark said, with Emirates looking to stimulate demand from other passenger segments to help offset the situation. Demand from those pockets has been good, the airline boss said, with encouraging figures during the summer for travel to Europe and Asia. The airline is still assessing whether that demand strength will be sustained in the coming months.

Mr. Clark shrugged off sustained complaints by some U.S. carriers about the growth plans at Emirates and its Mideast rivals. Airlines such as American Airlines Group Inc., Delta Air Lines Inc. and United Continental Holdings Inc. have accused the Persian Gulf carriers of receiving massive government subsidies and urged the U.S. government to curtail their growth ambition.

Disney Bolsters Streaming Service

Marvel, 'Star Wars' assets to be offered, as deal with Netflix won't be renewed

BY BEN FRITZ

Walt Disney Co. intends to offer its Marvel and "Star Wars" properties through the subscription video service it is planning to launch in 2019, rather than renewing a deal with **Netflix Inc.**, according to Chief Executive Robert Iger.

Disney said last month it would launch its own on-demand service in late 2019, on which it would offer animated and live-action family films that currently stream on Netflix after they run in theaters and are sold on DVD and in digital stores such as **Apple Inc.'s** iTunes.

However, Mr. Iger said at the time Disney wasn't certain whether the company would include Marvel and "Star Wars" movies on its own service or continue to license them to Netflix.

In deciding to retain the rights to two of its biggest franchises, including superhero movies such as "Avengers" and the annual "Star Wars" sequels and spinoffs, Disney is giving up the tens of millions of dollars per movie it receives from Netflix. However, it will bolster the amount of premium content available on its own digital service and thus, Mr. Iger is betting, its appeal to consumers.

"We're going to launch big and we're going to launch hot," Mr. Iger said of the digital service, speaking at a me-



A scene from 2016 film 'Doctor Strange,' which was based on a Marvel Comics superhero and produced by Disney's Marvel Studios.

dia-business conference on Thursday.

Mr. Iger also said Disney's earnings per share for its fiscal 2017, which ends Sept. 30, would be roughly in line with those of fiscal 2016. Analysts polled by Thomson Reuters had been expecting Disney's earnings to rise 2.6%, to \$5.88 a share, compared with \$5.73 last fiscal year.

Among the factors Mr. Iger cited were higher costs for National Basketball Association rights; the lower performance of last December's "Rogue One: A Star Wars Story" at the box office and in consumer-product sales compared with December 2015's "Star Wars:

The Force Awakens"; as well as the looming impact of Hurricane Irma. Disney already has canceled three cruise-ship itineraries and seen cancellations at Walt Disney World in Orlando, Fla., he said.

Separately, Comcast Corp. warned that its video subscribers would decline between 100,000 and 150,000 in the third quarter because of aggressive competition and adverse hurricane impact. The day's news put pressure on media stocks. Disney shares closed down 4% Thursday, while Comcast dropped 6%. Viacom Inc. fell 4% and 21st Century Fox Inc. was off 2%.

For Netflix, Disney's deci-

sion to hold on to rights to "Star Wars" and Marvel movies will add to the pressure to create appealing original content of its own to replace some of the high-profile franchise films Netflix will lose starting in 2019.

A Netflix spokesman declined to comment.

In addition to all the movies Disney produces for theaters, typically around 10 a year, the company will produce four or five lower-budget movies exclusively for its new digital service, Mr. Iger said at the investor conference organized by Bank of America Corp.

The company also will make four or five original series and

three or four "television movies" of the type that currently run on its Disney Channel, Mr. Iger said.

The service will be launched in the U.S. in late 2019 as movies that previously would have been on Netflix become available, Mr. Iger said, though it could be launched earlier in other countries.

Disney is just beginning work on the digital service, which would be offered directly to consumers over the internet, and has yet to announce how it would be priced. Mr. Iger said the company will share details on how much it would spend on the service later.

Big Western Firms in China Battle to Maintain Margins

BY NINA TRENTMANN

Western multinationals are fighting harder to hold on to their margins in China because of overcapacity and an improvement in the quality of Chinese-made products.

Companies including **Merck KGaA**, **United Technologies Corp.** and **Honeywell International Inc.** are responding in numerous ways, from slashing costs to improving customer service. Still, several companies concede margins will stall long-term because of local competition.

"Our margins have been on a downward trend for over five years now," said Philipp Baechtold, general manager at **Eftec China Ltd.**, a Swiss chemicals company that produces glues and coatings for the car industry.

Pharmaceutical company Merck reported net sales of €1.35 billion (\$1.61 billion) in China last year, around 9% of total net sales of €15.02 billion. Still, it suffers from a buildup of local capacity. "The

quality of Chinese products has improved," finance chief Marcus Kuhnert said in an interview with CFO Journal. He was referring to Merck's liquid-crystals business, an important revenue generator.

Keeping margins of its performance-materials unit at roughly 40% next year will be a challenge, because of an unfavorable business mix and the most recent weakness of the U.S. dollar, Mr. Kuhnert said during an earnings call in early August. Some of his customers now source their liquid crystals from several suppliers, he said, exerting more pressure on price.

The company is stepping up customer support to justify higher prices than its Chinese competitors. A potential sale of the consumer-health business, announced Tuesday, is unrelated to the woes of its liquid-crystals business in China, a spokesman said.

Honeywell International, an industrials company, in recent years also noticed a change in the quality of Chinese prod-

ucts. "Chinese companies are becoming more savvy," said Shane Tedjarati, president of Honeywell's high-growth-regions unit. "We cannot become complacent."

Chinese companies have always used price as a lever, said Joe Ngai, managing partner at McKinsey & Co.'s Greater China practice. Even though many Western companies recently reported higher revenues from China, confidence is low because of domestic competition and the glut of production capability.

"Western multinationals are getting more worried about margins," Mr. Ngai said.

According to a recent report by the American Chamber of Commerce in Shanghai, slightly more than 80% of U.S. companies said competition from Chinese companies is one of their most pressing issues. Even more, 93%, cited rising costs—which adversely affect margins—as a challenge.

China-based sales at United Technologies' Otis elevator unit declined 10% in the sec-



A Merck KGaA pharmaceuticals plant in China's Jiangsu province.

ond quarter, compared with the year-earlier period. "The pricing pressure will continue," said finance chief Akhil Johri during the company's July earnings call.

"There is still overcapacity in the Chinese market, and we've just got to see how it plays out," said Mr. Johri, according to a transcript of the

call. The country's elevator production capacity stands at 700,000 units annually, versus demand of about 500,000 to 525,000 units a year, he added.

The company said Monday it would buy airplane-parts maker Rockwell Collins Inc. for \$23 billion, but didn't cite its China business as a reason for the acquisition.

BUSINESS WATCH

ACADEMIA

Blount Steps Down At Kellogg School

Sally Blount, the first woman to lead a top-ranked business school, will step down from Northwestern University's Kellogg School of Management at the end of this academic year.

Ms. Blount, 56 years old and in her seventh year leading the school, expanded the program's global offerings and led development of its new \$250 million, 415,000-square-foot headquarters in Evanston, Ill.

Under Ms. Blount, Kellogg expanded its executive M.B.A. program with Peking University's Guanghua School of Management in Beijing and added an accelerated M.B.A. program for night and weekend students, reflecting the growing interest among students in more specialized and flexible options for acquiring the degree.

Ms. Blount, who started as a Kellogg student 30 years ago, will return to teaching management in 2019 following a one-year sabbatical. A search committee will be assembled and overseen by Northwestern Provost Jonathan Holloway to name her successor, but a spokeswoman declined to comment on



CARLOS ORTIZ/DEMOCRAT AND CHRONICLE/ASSOCIATED PRESS

A shopper at a Bon-Ton in Henrietta, N.Y. The department store chain seeks to refinance its debt.

the timing of that search.

"Kellogg is in such strong shape, and I'm proud of all that we've accomplished together," said Ms. Blount in a video published along with the school's announcement. A retreat in July presented an opportunity for the dean to "spend some time thinking about my own final chapters in education, as the pace of transformation accelerates in our marketplace," she said in the video.

—Kelsey Gee

AEROSPACE

Rockwell Collins Adds Breakup Fee

Rockwell Collins Inc. agreed to pay a breakup fee of \$695 million to **United Technologies Corp.** if their proposed \$23 billion tie-up falls apart.

Rockwell Collins, a Cedar Rapids, Iowa, airplane-parts maker, would be obligated to the payout if it accepted a higher acquisition

offer or under certain other circumstances, according to a merger agreement filed with the Securities and Exchange Commission. Industrial conglomerate United Technologies, however, wouldn't owe Rockwell anything if the deal falls apart.

Neither company would owe a breakup fee if regulators block the deal.

The proposed deal, announced by the companies Monday, is the biggest ever in the aerospace in-

dustry. Analysts generally expect it to be cleared because the two companies make different airplane parts, but there may be hurdles along the way from customers like **Boeing Co.** and **Airbus SE** that depend on the merging companies for parts and services.

United Technologies and Rockwell executives have acknowledged those concerns but expressed confidence in the deal and that the merger wouldn't disrupt production or harm competition.

—Thomas Gryta

BON-TON STORES

Restructuring Firm Is Hired for Debt

Department store chain **Bon-Ton Stores Inc.** has hired restructuring firm **PJT Partners** as the retailer attempts to get a grip on more than \$900 million in debt in the face of a steep decline in sales and customer traffic.

The regional department store chain, with headquarters in York, Pa., hired PJT to look at ways to refinance debt and prepare for a possible bankruptcy filing, according to the people.

Bon-Ton had already brought on turnaround firm **AlixPartners**

to spearhead a revamp of its operations but added PJT to focus on the financial aspects of a restructuring, the people said.

Representatives for Bon-Ton and PJT Partners didn't respond to requests for comment. An AlixPartners representative declined to comment.

Bon-Ton Stores, one of the largest regional department store chains in the U.S., operates about 260 stores primarily in the Northeast and Midwest under the names Bon-Ton, Bergner's, Elder-Beerman, Herberger's and Younkers.

The chain had net sales of \$2.6 billion last year, a decline of 4.3% from \$2.72 billion in 2015. It has also been losing money for years, posting a combined loss of more than \$113 million over the past two years.

Like rivals Sears Holdings Corp., Kohl's Corp., and J.C. Penney Co., Bon-Ton Stores has faced challenges as customers moved away from brick-and-mortar and mall shopping toward online retailing. More than 20 retailers have sought bankruptcy protection in the first half of 2017, and more than 4,000 stores have been closed in total, according to BDO USA data.

—Soma Biswas, Lillian Rizzo

TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

Dear Mom: Voice Messages Are Annoying



Whenever Wang Ziwan receives a series of voice messages on the WeChat messaging app from her mother, the 32-year-old chef-in-training looks at them and sighs. She dreads having to listen to them one by one, sometimes over a dozen in total, and having to listen again if she misses something. "I really don't want to open them," she says. "But what can I do? She's my mom."

Her mother—Song Zhong, a 58-year-old retiree in Shanghai—takes her daughter's complaints to heart, mostly. She is typing more messages on WeChat, the social-messaging platform developed by **Tencent Holdings**. But texting seems cold, she says, and reading text on a phone screen is difficult for people her age. Ms. Song still uses voice messages when communicating with her former schoolmates.

Ms. Wang says she has seen how her mom interacts with those friends on WeChat. "They use their phones like walkie-talkies," she says.

Voice messaging—those push-to-talk notes that last no more than 60 seconds—was an early feature that helped WeChat gain traction after its launch in early 2011. It can feel more personal than text messaging. It is easier for people who fumble with smartphone keypads.

Now, voice messaging is seen as the province of seniors, plus a few on-the-go groups such as salespeople. When I asked my followers on the social-media platform Weibo whether they use WeChat voice messages, the majority of the nearly 200



China's national conversation takes place on WeChat, with half of its users spending more than 90 minutes a day on the app.

who responded said they disliked them and described heavy users as selfish, uneducated and old.

With nine out of 10 Chinese internet users on WeChat and with half of them spending more than 90 minutes a day on the app to chat, read, work and shop, WeChat is where China's national conversation takes place. For many Chinese, voice messages are seen as an intrusion, adding to information overload. Some don't want to receive any at all.

"I reject WeChat voice message because it conveniences the sender but burdens the receiver," says Liu Zhaojian, an intellectual-property consultant in Guangzhou.

The divergent attitudes toward voice messaging reveal another fault line in China's complex digital divide that encompasses rural versus urban, young versus old, rich versus poor and well educated versus less educated. Those different socioeconomic backgrounds congregate and clash on WeChat, in effect trying to hash out new social norms.

Tencent didn't respond directly when asked about voice-messaging complaints other than to say that WeChat has a vast number of users and the company aims to provide services to cater to their diverse needs.

Voice commands and video are seen as critical to

bringing the mobile internet to the world's next billion users, many of them poorer and less educated. On average, 16% of WeChat messages sent in 2016 were via

Divergent attitudes toward a WeChat service reveal a clash of demographics.

voice, compared with about 1% for WhatsApp users in 2014, according to internet statistics firm Statista.

While China's younger, better-educated users in big

cities have shaped online products and services for the past two decades, internet companies are now paying attention to those outside that demographic.

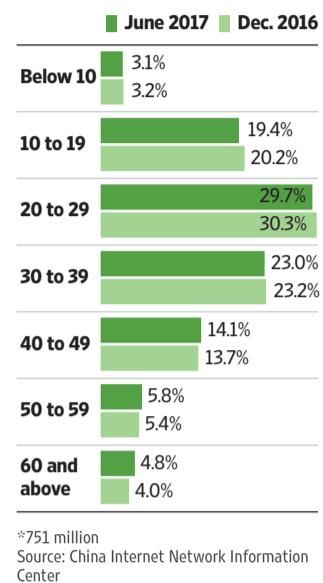
Though people age 39 and below make up 72% of China's 751 million internet users, only cohorts 40 and over registered any growth in users in the first half of 2017, according to the government's China Internet Network Information Center. Some 27% of Chinese online live in rural areas, 12% have a college or higher degree and 92% earn monthly salaries of 8,000 yuan (\$1,200) or lower, according to the report.

Those online demographics are helping to drive the

Senior Moment

With China's online population already huge, new growth is coming from Chinese 40 and older.

Breakdown of total online population* by age group



*751 million
Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

popularity of mobile apps such as Kwee, the social-networking video app that captures what life is like outside China's biggest cities, and news-aggregating app Jinri Toutiao, whose algorithm led it to a similar user base.

WeChat's 2016 user report shows that while people over 55 made up only 1% of the platform's user base, one out of five messages they sent were voice, compared with one in 10 for users under 21.

Tencent has been courting seniors. It produces a video package showing seniors how to use WeChat.

Follow Li Yuan on Twitter @LiYuan6 or write li.yuan@wsj.com.

Twitter Expected to Testify

BY BYRON TAU

A spokeswoman for Twitter declined to comment on the company's plans.

Mr. Warner's remarks come one day after Facebook Inc. made public an internal analysis that found that nearly 500 inauthentic accounts possibly linked to Russia had purchased more than \$100,000 in ads over a two-year period—mostly aimed at spreading socially “divisive” content designed to inflame public opinion, rather than backing a specific party or candidate.

Since the campaign, social-media companies have been under pressure from critics to crack down on misinformation, fake accounts and propaganda, especially when linked to foreign governments.

—Georgia Wells contributed to this article.



Sales of Apple's new phone are expected to begin Sept. 22. Glitches held up production early on.

For New iPhone, Slow Start To Output Threatens Supply

Apple Inc.'s new iPhone, which is expected to be unveiled Tuesday, was plagued by production glitches this summer,

By Yoko Kubota and Takashi Mochizuki in Tokyo, and Tripp Mickle in San Francisco

according to people familiar with the situation, which could result in extended supply shortfalls when customers start ordering the device later this month.

New iPhones typically are in short supply when first released. But if shortages of the new phone extend beyond the initial sales period, which is expected to begin Sept. 22, analysts and investors could dial back their projections for sales in the crucial holiday period.

The glitches, which occurred early in the manufacturing process, set back the phone's production timetable by about a month. Foxconn Technology Group, the Apple contractor that assembles iPhones, has been ramping up production at its complex in Zhengzhou, China. The company is paying bonuses to employees who can help bring new hires on board at its Zhengzhou plant, which Foxconn said in June employs about 250,000 people.

Apple and Foxconn declined to comment.

There are big expectations for the new iPhone, informally

dubbed the iPhone 8 or iPhone X by industry watchers. Investors, betting the new phone will rejuvenate Apple's sales after a recent slump, have pushed Apple's share price to records in recent months.

The new device is expected to have a base price near \$1,000—a significant premium over existing models—in part because of more expensive components. Analysts' forecasts for initial shipments vary widely,

with some projecting as many as five million units shipped in the last week or so of September. Complicating demand estimates for the new phone, Apple

rival Samsung Electronics Co. At the same time, Apple decided to ditch the physical home button that contains fingerprint sensors for unlocking the device. Apple tried to embed the Touch ID function, or fingerprint scanner, in the new display, which proved difficult, the people familiar with the process said.

As deadlines approached, Apple eventually abandoned the fingerprint scanner, the people said, and users will unlock the phone using either an old-fashioned password or what is expected to be a new facial-recognition feature.

Nonetheless, precious time was lost and production was put back by about a month, according to people familiar with the situation.

Apple and its suppliers also ran into trouble manufacturing the OLED displays. The display modules are being produced in Vietnam by an affiliate of Samsung Electronics. Unlike the OLED display module in Samsung's own smartphones, in which the display and touch panel are integrated, iPhone's display module has the touch panel outside of the display, said a person familiar with the technology.

A spokesman at Samsung Display, which operates the Vietnam affiliate, declined to comment.

Apple often has faced supply

shortfalls with new iPhones released since 2008.

—Yang Jie in Beijing and Eun-

Young Jeong in Seoul contributed to this article.

Electronics Retailer's Revamp Proceeds

BY PEG BRICKLEY

RadioShack is moving ahead with a reorganization that will save a sliver of the former electronics retailing icon.

The reorganized company will be composed of online operations, a network of independent dealers and “between zero and 28” company-owned brick-and-mortar stores, as detailed in a chapter 11 exit plan that cleared preliminary court review Thursday. The company filed for bankruptcy protection in March, its second filing in two years.

Fewer than 30 stores remain in operation from a chain that, before its first bankruptcy in 2015, numbered 4,400. It isn't known yet whether any will survive or whether RadioShack will retreat from brick-and-mortar operations entirely and depend on independent dealers for sales.

Judge Brendan Shannon set an Oct. 25 hearing date for confirmation of the chapter 11 plan for the company known as General Wireless Inc., which does business as RadioShack. Confirmation would put the finishing touches on the company's second attempt to remake itself for a world where do-it-yourselfers turn to YouTube videos, not their local electronics stores, for guidance.

The revival that grew out of a 2015 bankruptcy founders for reasons that are the subject of a lawsuit that blames former ally Sprint Corp. for the failure. The idea was Sprint, a unit of SoftBank Corp., would set up stores within RadioShack stores to sell its own wireless products and draw traffic to the outlets. Sprint declined to comment on the lawsuit RadioShack creditors filed in June.

Litigation against Sprint will be the chief source of recovery for vendors, suppliers and other unpaid creditors, under the plan. Most won't even be asked to vote on the turnaround plan, as the company assumes they won't like it.

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Estimated base price of the newest iPhone

is also expected to release updates to its iPhone 7 and iPhone 7 Plus.

The company said last month that it expects total revenue of \$49 billion to \$52 billion for the quarter ending Sept. 30, figures that exceeded some analysts' estimates.

The production delays earlier this summer stemmed in part from Apple's decision to build new phones using organic light-emitting diode, or OLED, screens similar to those used by

Apple and its suppliers also ran into trouble manufacturing the OLED displays. The display modules are being produced in Vietnam by an affiliate of Samsung Electronics. Unlike the OLED display module in Samsung's own smartphones, in which the display and touch panel are integrated, iPhone's display module has the touch panel outside of the display, said a person familiar with the technology.

A spokesman at Samsung Display, which operates the Vietnam affiliate, declined to comment.

Apple often has faced supply

shortfalls with new iPhones released since 2008.

—Yang Jie in Beijing and Eun-

Young Jeong in Seoul contributed to this article.

BUSINESS NEWS

VW Stays on Restructuring Path

Auto maker's CEO dismisses talk of possible Fiat Chrysler merger as 'speculation'

BY WILLIAM BOSTON

WOLFSBURG, Germany—Volkswagen AG is actively working on deals for its noncore assets as well as acquisitions, but discussions of a possible merger with Fiat Chrysler Automotiv NV are "speculation," Chief Executive Matthias Müller said Wednesday.

In an interview at the car maker's headquarters, Mr. Müller said the company is open to talks and a new team is working to sell a businesses no longer considered critical. These noncore assets account for as much as 20% of the company's current annual revenue, he added.

Mr. Müller declined to comment directly on talks the company is believed to be



Volkswagen's Matthias Müller is open to selling noncore assets.

holding with Fiat Chrysler about developing light utility vehicles.

He did say the company is now routinely engaged in such

exploratory talks with many manufacturers, but it isn't likely that Volkswagen is going to get involved soon in a merger of mass-volume car

makers, as Fiat Chrysler's Chief Executive Sergio Marchionne has been preaching for the past two years.

"We're a big company and don't have any interest in getting any more bloated. There has been a lot of speculation about FCA, which we've noted, but it is just speculation and nothing more," Mr. Müller said.

"If we say we're speaking to Fiat, then we're also speaking to five or six other companies in order to see how we can optimize our business," he said. "The difference with the past is that Volkswagen is now willing to get involved in such exploratory talks," he added.

Over the summer, a potential sale of Volkswagen motorcycle brand Ducati sparked interest among a number of suitors, including Harley-Davidson Inc. Talks for the brand stalled after labor representatives opposed the sale, raising speculation that the car maker's entire divestment strategy would be put on hold.

Mr. Müller said he didn't believe that labor representatives were blocking the Ducati discussions, but, as Volkswagen's unique governance structure involves both the state and IG Metall trade union in decisions, the talks were a larger strategic debate that takes time.

"The list [of asset disposals] has not been put away on the shelf. But we're not going to let anyone tell us which decision to make," Mr. Müller said.

Some investors and analysts have been pressing Volkswagen to consider even more far-reaching changes than selling off fringe businesses such as Ducati. Encouraged by Fiat Chrysler's successful spinoff of Ferrari NV, some investors are pushing Mr. Müller on units such as Porsche Automobil Holding SE, Audi AG and Volkswagen Trucks.

"Of course, we discuss these things," Mr. Müller acknowledged, but declined to elaborate.

GE Keeps Trimming Finance Business

BY CARA LOMBARDO

General Electric Co. has sold the last of its stake in Penske Truck Leasing Co. for \$674 million as part of the industrial conglomerate's plan to refocus its GE Capital business.

Penske Automotive Group Inc. and a Mitsui & Co. subsidiary bought the 15.5% stake, GE said Thursday.

GE's sale of its stake in Penske Truck Leasing brings in \$674 million.

Penske Truck Leasing was established in 1988 through a joint venture between Penske Corp. and GE Capital. It was among the last remaining pieces of GE's once sprawling financial unit.

GE Capital still finances products made by the company's core industrial units including jet engines, power turbines and medical machines.

At its peak in the late 1990s, GE Capital was one of the country's largest banks. However, following the 2007-2009 recession, GE has been scaling down the size of its financial division and in 2015 announced it would exit banking.

"To date, we have sold more than \$201 billion in assets as we refocus GE Capital on financing businesses directly related to GE's industrial businesses," GE Capital Chief Executive and Chairman Rich Laxer said in prepared remarks.

In the latest sale, Penske Automotive is buying 35% of the Penske Truck Leasing stake, with the remainder going to MBK USA Commercial Vehicles Inc.

Ghosn's Successor at Nissan Plays Down Market Share

BY SEAN MCCLAIN

YOKOHAMA, Japan—Four months into his job, Nissan Motor Co.'s new chief executive wants the company to slow down, concerned that its rush to expand sales is pushing it off track.

For the past five years Nissan chased an ambitious goal set by then-Chief Executive Carlos Ghosn of achieving both an 8% share of global car sales and an 8% profit margin. It fell short on both.

The plan stretched Nissan too far, Mr. Ghosn's handpicked replacement, Hiroto Saikawa, said in an interview Thursday, calling for more sustainable targets. "We are going to have steady and solid growth—this is the message," he said.

The revised Nissan strategy is the latest example of global auto makers casting a wary eye

on buyer incentives, especially in the U.S. where shrinking sales have raised competition.

Nissan's global market share was 6.1% in its fiscal year ended March 31, down from 6.4% six years earlier when the Ghosn plan was announced. The company did manage to capture a larger portion of the U.S. market, but that growth came at the expense of margins, as Nissan piled on financial incentives to move cars off the lot.

The company's operating margin was 6.3% in the latest fiscal year, barely up from 6.1% in fiscal 2011 despite a rapid rise in global auto demand over those years.

Since taking over in June, Mr. Saikawa, a 40-year veteran of Nissan, has been working on a new midterm plan. One thrust is cutting back on discounts, which he said fed the



Hiroto Saikawa was promoted to CEO in June. A Nissan vehicle at this year's auto show in New York.

impression that Nissan vehicles were worth less than the competition.

"If we say you should get 1% more market share, people easily get into pushing incen-

tives," he said. "We should be very cautious not to push too much for the short term."

Nissan offered an average of \$4,442 in incentives on its vehicles in the U.S. in August,

slightly lower than its U.S.-based rivals but almost double that of Toyota Motor Corp. and Honda Motor Co., according to analysis by Jefferies, an investment bank.

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BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK
In re: AVAYA INC., et al.¹ Chapter 11, Case No. 17-10089 (SMB)
Debtors. (Jointly Administered)

NOTICE OF HEARING TO CONSIDER CONFIRMATION OF THE CHAPTER 11 PLAN FILED BY THE DEBTORS AND RELATED VOTING AND OBJECTION DEADLINES

TO ALL HOLDERS OF CLAIMS AND INTERESTS AND PARTIES IN INTEREST:

1. Court Approval of the Disclosure Statement and the Solicitation Procedures. Please take notice that on August 25, 2017, the United States Bankruptcy Court for the Southern District of New York ("the "Court") entered an order ("the "Disclosure Statement") regarding Avaya and its Affiliates' Holders and Debtors in Possession (collectively, the "Debtors") to solicit acceptances for the First Amended Joint Chapter 11 Plan of Reorganization of Avaya Inc. and its Debtor Affiliates (as modified, amended, or supplemented from time to time, the "Plan"); (b) approving the Disclosure Statement for the First Amended Joint Chapter 11 Plan of Reorganization of Avaya Inc. and its Debtor Affiliates (the "Disclosure Statement") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving, and tabulating votes on the Plan and for filing objections to the Plan.

2. Confirmation Hearing. Please take further notice that the hearing to confirm the Plan (the "Confirmation Hearing") will commence on November 15, 2017, at 10:00 a.m., prevailing Eastern Time, before the Honorable Matthew J. Bernstein, located at One Bowling Green, New York, New York 10004-1405. Please be advised that the Confirmation Hearing may be continued from time to time by the Court or the Debtors without further notice other than by such adjournment being announced in open court or by Agenda filed with the Court, and by a Notice of Adjournment filed with the Court and served on all parties entitled to notice.

3. Voting Record Date. The voting record date is **August 25, 2017** (the "Voting Record Date"), which is the date for determining which Holders of Claims in Classes 3A, 3B, 4, 5, and 6 are entitled to vote on the Plan.

4. Voting Deadline. The deadline for voting on the Plan is on **October 27, 2017, at 5:00 p.m.**, prevailing Eastern Time (the "Voting Deadline"). If you received a Solicitation Package, including a Ballot and intend to vote on the Plan you must: (a) follow the instructions carefully; (b) complete all of the required information on the ballot; and (c) execute and return your completed Ballot according to and as set forth in detail in the voting instructions so that it (or the Master Ballot submitted on your behalf, as applicable) is actually received by the Debtors' Holders and claims agent, Prime Clerk LLC (the "Notice and Claims Agent") no later than the Voting Deadline. A failure to follow these instructions could result in your vote being rejected.

5. Release, Exculpation, and Injunction Language in the Plan. Please be advised Article VII of the Plan contains Release, Exculpation, and Injunction provisions, and Article VIII.D contains a Third-Party Release. You are

advised to review and consider the Plan carefully because your rights might be affected thereunder.

6. Plan Objection Deadline. The deadline for filing objections to the Plan is **November 1, 2017, at 4:00 p.m.**, prevailing Eastern Time (the "Plan Objection Deadline"). All objections to the relief sought at the Confirmation Hearing must: (a) be in writing; (b) conform to the Bankruptcy Rules, the LBRs, and any orders of the Court; (c) state, with particularity, the legal and factual basis for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (d) be filed with the Court contemporaneously with a proof of service.

7. Obtaining Solicitation Materials. The materials in the Solicitation Package are intended to be self-explanatory. If you should have any questions or if you would like to obtain additional solicitation materials or paper copies of solicitation materials if you received a flash drive or CD-ROM, please feel free to contact the Debtors' Notice and Claims Agent by: (a) calling the Debtors' Notice and Claims Agent at 1-855-257-2000; (b) visiting our website during business hours at: <http://www.uscourts.gov/avaya>; and/or (c) writing to Prime Clerk LLC, Attn: Beloit Processing, c/o Prime Clerk LLC, 830 Avenue, 3rd Floor, New York, NY 10022. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: <http://www.pacer.org>. Please be advised that the Notice and Claims Agent is authorized to answer questions about, and provide additional copies of, solicitation materials, but may not advise you as to whether you should vote to accept or reject the Plan.

8. Filing the Plan Supplement. The Debtors intend to file the Plan Supplement (as defined in the Plan) on or before **October 22, 2017**, and will serve notice on all Holders of Claims entitled to vote on the Plan, which will: (a) inform parties that the Debtors filed the Plan Supplement; and (b) list the information contained in the Plan Supplement; and (c) explain how parties may obtain copies of the Plan Supplement.

9. Binding Nature of the Plan. If, confirmed, the Plan shall bind all Holders of Claims and Interests in the maximum amount of their interest in property under the Plan, has filed a Proof of Claim in these Chapter 11 Cases, or failed to vote to accept or reject the Plan or voted to reject the Plan.

10. The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Avaya Inc. (3430); Avaya CALA Inc. (9361); Avaya Federal Solutions, Inc. (4392); Avaya Holdings Corp. (9726); Avaya Holdings LLC (6959); Avaya Holdings Two, LLC (3240); Avaya Integrated Cabinet Solutions Inc. (9449); Avaya Management Services Inc. (9358); Avaya Services Inc. (9687); Avaya World Services Inc. (9364); Octel Communications LLC (5700); Sierra Asia Pacific Inc. (9362); Sierra Communication International LLC (9828); Technology Corporation of America, Inc. (9022); Ubiquity Software Corporation (6232); VPNet Technologies, Inc. (1193); and Zanco Inc. (7229). The location of Debtor Avaya Inc.'s corporate headquarters and the Debtors' service address is: 4655 Great America Parkway, Santa Clara, CA 95054.

11. Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan or Disclosure Statement, as applicable.

NOTICE OF SALE

NOTICE OF PUBLIC SALE • Property to be Sold

SALE NO. 1 - SUBPRIME RMBS. Bid Deadline: **September 12, 2017 at 10:00 a.m. (ET)**

No. CUSIP/SIN Security Amount (\$)

1 04541GV15 ABSHE 2004-1M3 1,000,000

2 004375BW0 ACRB 2004-3 2M6 2,000,000

3 004375CL3 ACRB 2004-1M4 1,000,000

4 004375CX7 ACRB 2005-1M5 3,000,000

5 004380NA4 ACCR 2007-1M9 1,600,000

6 07324FA4Z BAVY 2007-B 1A2 1,756,000

7 07324FAD2 BAVY 2007-B 1A3 1,244,000

8 073879DK1 BSABS 2004-FR1 M6 3,080,000

9 073879HH4 BSABS 2004-HEB M4 1,300,000

10 17307GET1 CBASS 2004-CB3 B2 3,412,000

11 124860EG8 CBASS 2004-RP1 M2 1,700,000

12 161542EC5 CFLT 2004-OPT1 B1 500,000

13 161542EE1 CFLT 2004-OPT1 B3 1,000,000

14 162765AH4 CHEC 2004-1M5 2,000,000

15 162765AZ4 CHERE 2004-2M7 3,858,000

16 17307GNX2 CMILTI 2005-OPT1 M7 2,000,000

17 1266716R2 CWL 2004-5M7 4,000,000

18 126673BK7 CWL 2004-6M8 4,000,000

19 126673ET7 CWL 2004-7M7 2,000,000

20 126673PW6 CWL 2004-BC5 B1 1,250,000

21 126673PW8 CWL 2004-BC5 M8 1,250,000

22 126673CU4 CWL 2004-ECC2 M5 2,500,000

23 126697AE1 CWL 2007-12 2A3 5,000,000

24 152314KX7 CXHE 2004-CM7 3,500,000

25 152314MP2 CXHE 2005-AM7 4,000,000

* = Financial settlement

SALE NO. 2 - MIXED BAG. Bid Deadline: **September 12, 2017 at 1:00 p.m. (ET)**

No. CUSIP/SIN Security Amount (\$)

1 073879BS6 LBABS 2004-AC3 B1 4,000,000

2 073879BS6 LBABS 2004-AC3 B1 4,000,000

3 16165YAT9 CLFX 2007-M1 2F4 5,800,000

4 225415EK0 CFSB 2004-AR3 4,870,000

5 251563E57 DMSI 2004-4 1M2 2,200,000

6 302511YAF5 FMDA 2004-AR1 M3 3,116,000

7 41161PY4 HVMT 2004-6B2 4,000,000

8 45254NKA4 IMM 2004-6M4 2,000,000

9 576434RVA4 MALT 2004-5B2 2,779,000

10 576433SDV5 MARM 2004-14 B1 1,979,000

11 576433VE3 MARM 2004-14 B2 1,737,371

12 59020UCDS5 MLCC 2004-B 1B3 1,250,000

13 65535VEKX2 NAA 2004-AR2 R2 3,025,000

14 68383NAMS OPMAC 2005-1M7 1,718,000

15 760985Z95 RAMP 2004-SL1 M16 1,630,500

16 760985ZB4 RAMP 2004-SL1 M17 1,304,400

17 74951PC01 RESIF 2004-A 8B 2,000,000

18 74951PC09 RESIF 2004-A 8C 1,000,000

19 74951PC29 RESIF 2004-B 8B 2,300,000

20 74951PDH8 RESIF 2004-B 8C 1,000,000

21 74951PDJ4 RESIF 2004-C 8B 1,073,000

22 92978TAN1 WCBM 2007-C31 E 5,000,000

23 00011#AA1 A AND K FDG LLC 7.87 10APR34* 5,000,000

24 59560UAB5 MDST 2004-1M1 2,000,000

25 07324SAU6 FFML 2004-F 2B1 4,000,000

26 07324SBW9 FFML 2004-B 2B1 4,000,000

27 07324SBK7 FFML 2005-1A2 2,250,000

28 07324YAL3 FMSI 2006-2A2 B 1,400,000

29 05551PAE6 BLX 2004-A 5 5,000,000

30 1232R8MAY1 BLX 2006-AAC 1,000,000

31 863519X41 LBSBC 2006-2A2 B 1,000,000

32 863519H41 LBSBC 2006-3A5 B 2,000,000

33 52521UAJ4 LBSBC 2007-JAB 3,271,000

34 52521UAJ5 LBSBC 2007-3A11 5,500,000

* = Financial settlement

SALE NO. 3 - SUBPRIME RMBS. Bid Deadline: **September 13, 2017 at 10:00 a.m. (ET)**

No. CUSIP/SIN Security Amount (\$)

1 32027NPJ7 FFML 2004-FF4 B1 1,250,000

2 32027NKL4 FFML 2004-FF6 M3 4,000,000

3 362283T11 GSAA 2005-3B1 4,000,000

4 36242DW99 GSAA 2005-3B3 1,300,000

5 36242DNX7 OPT 1B1 1,504,000

6 36242DAZ6 GSAMP 2004- SD4 B1 4,774,000

7 36242DKN2 GSAMP 2004- WB1 1,381,000

8 393513AL0 GTSHE 2005-HE1 M7 1,200,000

9 43708AAX0 INABS 2005-AM1 1,000,000

10 45660GAA4 INHEL 2004-CM7 2,000,000

11 542514GU2 LBLMT 2004-3M8 2,250,000

12 57643LFD3 MABS 2004-OPT2 M8 2,000,000

13 61746RH7 MSAC 2004-H5 3,054,000

14 61744CHH2 MSAC 2004-H8 B2 2,000,000

15 61744CGR1 MSAC 2004-SD3 B1 2,000,000

16 66987XE24 NHEL 2004-2B2 4,000,000

17 71085PAU2 PCHLT 2004-1M2 2,000,000

18 74978FAB5 RAAC 2007-SP3 M1 4,000,000

19 76110WGT5 RASC 2004-KS1 M5 5,000,000

20 76110WXH4 RASC 2004-KS3 M13 4,000,000

21 81375WAU0 SABR 2004-D01 M2 4,000,000

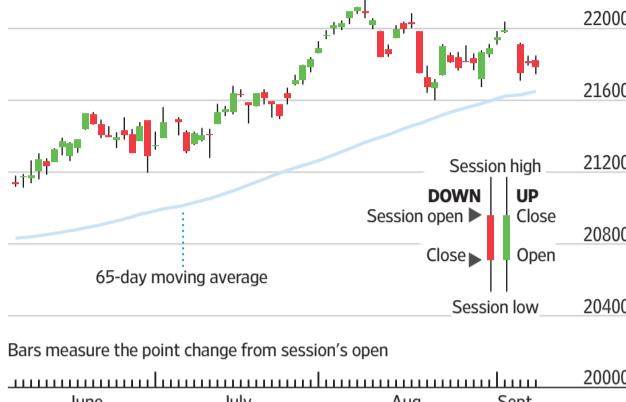
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21784.78 ▼22.86, or 0.10%
High, low, open and close for each trading day of the past three months.

Current divisor 0.14523396877348



Bars measure the point change from session's open

June July Aug. Sept.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2465.10 ▼0.44, or 0.02%
High, low, open and close for each trading day of the past three months.



June July Aug. Sept.

Nasdaq Composite Index

6397.87 ▲4.55, or 0.07%
High, low, open and close for each trading day of the past three months.



June July Aug. Sept.

Major U.S. Stock-Market Indexes

	Dow Jones		S&P 500 Index		Nasdaq Composite												
	High	Low	Latest Close	Net chg	% chg	High	Low	Latest	% chg	YTD	% chg	High	Low	Latest	% chg	YTD	% chg
Industrial Average	21850.01	21745.71	21784.78	-22.86	-0.10	22118.42	17888.28	17.9	10.2	8.3							
Transportation Avg	9357.02	9309.30	9346.03	35.88	0.39	9742.76	7755.40	15.7	3.3	2.8							
Utility Average	745.35	738.93	743.91	5.41	0.73	748.16	625.44	9.1	12.8	9.4							
Total Stock Market	25520.12	25422.94	25472.04	-17.79	-0.07	25692.25	21514.15	12.7	9.4	6.7							
Barron's 400	642.83	638.24	639.65	-2.20	-0.34	661.93	521.59	14.8	6.3	5.9							

Nasdaq Stock Market

Nasdaq Composite	6413.07	6379.81	6397.87	4.55	0.07	6435.33	5046.37	21.6	18.9	11.8							
Nasdaq 100	5980.15	5943.89	5964.31	13.19	0.22	5988.60	4660.46	24.2	22.6	13.4							

Standard & Poor's

500 Index	2468.62	2460.29	2465.10	-0.44	-0.02	2480.91	2085.18	13.0	10.1	7.1							
MidCap 400	1722.20	1708.14	1713.58	-6.09	-0.35	1791.93	1476.68	8.8	3.2	6.0							
SmallCap 600	840.87	834.40	837.41	-2.53	-0.30	876.06	703.64	9.8	-0.1	7.6							

Other Indexes

Russell 2000	1404.31	1393.88	1398.67	-3.52	-0.25	1450.39	1156.89	11.2	3.1	6.1							
NYSE Composite	11899.61	11858.74	11879.59	6.68	0.06	12000.02	10289.35	9.2	7.4	2.4							
Value Line	516.86	514.12	515.27	-0.80	-0.16	533.62	455.65	5.6	1.8	0.8							
NYSE Arca Biotech	4232.04	4171.22	4217.80	3.24	0.08	4232.90	2834.14	23.3	37.2	11.0							
NYSE Arca Pharma	539.13	531.69	538.05	8.46	1.60	549.20	463.78	2.7	11.7	0.6							
KBW Bank	91.48	89.13	89.71	-1.82	-1.99	99.33	69.71	24.2	-2.3	7.7							
PHLX® Gold/Silver	93.39	91.87	93.26	1.91	2.10	99.28	73.03	-6.1	18.3	-0.7							
PHLX® Oil Service	127.61	125.52	127.16	-0.06	-0.05	126.66	117.79	-20.9	-30.8	-23.9							
PHLX® Semiconductor	1111.47	1102.60	1107.34	1.57	0.14	1138.25	768.37	38.8	22.2	19.4							
CBOE Volatility	12.07	11.32	11.55	-0.08	-0.69	22.51	9.36	-7.7	-17.7	-1.5							

\$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
Van Eck Vectors Gold Miner	GDX	10,020.2	25.50	0.01	0.04	25.54	25.48
SPDR S&P 500	SPY	5,856.8	246.96	0.09	0.04	247.09	246.70
Cnsmr Staples Sel Sector	XLP	4,568.6	55.36	...	unch.	55.40	55.35
Industrial Select Sector	XLI	3,567.5	68.02	-0.02	-0.03	68.04	68.00
General Electric	GE	2,829.1	24.05	0.03	0.12	24.31	23.99
Micro Focus Intl ADR	MFGP	2,443.8	31.71	...	unch.	31.73	31.71
iShares MSCI Eng Markets	EEM	2,332.6	45.26	0.07	0.15	45.26	45.07
Micron Technology	MU	1,977.6	32.79	...	unch.	32.86	32.76

Percentage gainers...

Kura Oncology	KURA	828.3	8.70	1.85	**27.01**	10.00	6.85

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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 CBOE, National Stock Exchange ISE and BATS. The 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. on the previous day.

NYSE

		Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
ABB	ABB	ABB	23.93	0.15		BrownBoveri	BRO	46.03	0.15	Citigroup	CIT	11.38	-0.02	ConEd	ED	84.74	0.69	FidelityInfo	FIS	92.53	-0.53
AES	AES	11.15	0.04		BrownForman	BFA	56.11	-0.08	CooksonHolds	COK	115.21	-0.01	FirstData	FDC	18.48	-0.25	Orix	IX	79.24	-0.19	
Aflac	AFL	80.55	-1.13		BrownForman	BFB	54.62	-0.22	CronosCorp	CAG	34.8	-0.14	FirstReserveBank	FRC	92.49	-1.47	Oshkosh	OSK	73.34	-0.43	
AT&T	T	35.69	-0.70		BuckeyePtrs	BPL	56.40	-0.45	CronosCorp	CNC	45.11	-0.21	FirstEnergy	FE	32.12	-0.18	Orbitz	OT	75.20	...	
AbbottLabs	ABT	51.49	0.30		Bunge	BG	75.64	0.04	CronosCorp	COP	244.81	3.67	FleetCorTech	FLT	140.20	-1.65	Ponix	PNL	120.71	-2.85	
AbbVie	ABBV	81.79	0.73		BurntHill	BHS	88.50	-0.45	Darden	DE	116.33	-0.27	FomentoComex	FMC	98.63	-0.25	PPG Ind	PPG	104.01	-0.19	
Accenture	ACN	134.24	3.12		BurntHill	BHS	88.50	-0.45	Cooper	COO	244.81	3.67	FortisCity	FC	24.89	0.49	PPL	PPL	39.16	0.43	
AcuityBrands	AVY	17.93	-0.52		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	Fortive	FTV	65.57	0.84	JohnsonControls	JCI	39.21	-0.41	
Adient	ADNT	72.51	-0.05		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	FortuneCity	FC	24.89	0.49	Kroll	KRL	14.75	0.25	
AdvanceAuto	AAP	93.53	-2.08		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	Gartner	IT	122.19	-1.25	JaniusHenderson	JHG	33.21	-0.21	
AdvSimEng	ASX	6.19	0.05		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GazitGlobe	GZT	9.76	-0.15	JamesHardie	JHG	14.75	0.25	
Aegon	AEG	5.56	-0.02		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Jet	JET	34.71	-0.78	
AerCap	AER	48.56	-0.63		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GeneralMotors	GM	36.11	-0.38	JordanBrands	JBR	44.81	3.67	
Aetna	AET	160.25	1.49		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	Gallagher	GAJ	57.68	-0.50	Kroger	KR	54.44	-0.05	
AffiliatedAm	AMG	172.69	-0.30		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	Gartner	IT	122.19	-1.25	LamResearch	LRS	73.21	0.21	
AgilentTechs	ADQ	65.14	0.13		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GazitGlobe	GZT	9.76	-0.15	Lazerson	LZS	103.99	0.35	
Aigco	AIG	99.74	0.56		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Lederman	LDM	16.31	-0.11	
AirProducts	APD	144.37	-0.17		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Lennix	LNX	103.99	0.35	
AlaskaAir	ALK	73.16	-0.16		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Albemarle	ALB	118.09	-0.57		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alcoa	AA	44.73	0.30		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
AlexanderReal	ARE	120.10	-0.29		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alibaba	BABA	170.40	2.34		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alleghany	Y	523.19	-0.27		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Allstate	ALL	86.45	-1.05		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
AllyFinancial	ALLY	22.07	-0.49		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
AlticeUSA	ATUS	29.15	-0.24		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Altisira	MIO	62.73	-0.54		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Almundo	ALM	16.01	-0.01		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Almetrix	AMT	11.11	-0.01		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Almatis	ALM	11.11	-0.01		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alnoor	ANOC	19.84	-0.01		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpsys	ALPS	1.01	-0.01		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpharma	ALP	48.41	-0.12		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpharma	ALP	48.41	-0.12		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpharma	ALP	48.41	-0.12		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpharma	ALP	48.41	-0.12		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	
Alpharma	ALP	48.41	-0.12		BurntHill	BHS	88.50	-0.45	CooksonHolds	CDA	131.54	2.46	GenesysMed	FMS	47.93	0.43	Liberate	LBTY	33.06	-1.30	

MARKETS

Treasury Yield Hits Its Lowest Since Vote

BY SAM GOLDFARB

A two-month rally in U.S. government bonds picked up momentum, sending the yield on the 10-year note to a post-election low.

The yield on the 10-year Treasury note settled at 2.061% on Thursday, compared with 2.108%

CREDIT MARKETS Wednesday. It was the lowest close since Nov. 8, Election Day, when it settled at 1.867%.

Yields fall when bond prices rise.

One catalyst for Thursday's rally, analysts and traders said, were signs that the European Central Bank could maintain its stimulus program longer than some anticipated.

The ECB left all of its key interest rates unchanged at the conclusion of its latest policy meeting Thursday and said it would continue to buy €60 billion (\$71.5 billion) of bonds a month through at least December. Officials also lowered their inflation forecast for the eurozone even as they raised their growth outlook.

The moves suggested officials remain hesitant to withdraw stimulus that has curtailed supply of European government debt and played a part in dragging down bond yields globally.

Meanwhile, investors were paying close attention to political developments in Washington, a powerful hurricane approaching the Florida coast and continued geopolitical tensions related to North Korea's nuclear program.

All of those factors have provoked anxiety among investors, boosting assets considered safe stores of value. Treasuries also have been supported by a stretch of soft inflation data, which has raised questions about whether the Federal Reserve might slow down the pace of its interest-rate increases.

"Moderate growth, no inflation, compounded by a lot of political uncertainty in Washington as well as geopolitical risks along various points on the globe—this is all lining up today to give a nice bid to the Treasuries market," said Gary Pollack, head of fixed-income trading at Deutsche Bank AG's private wealth-management unit.

—Ira Iosebashvili contributed to this article.

Treasury Sets Sales Of \$148 Billion in Debt

The Treasury Department will auction \$148 billion in securities next week, comprising \$77 billion in new debt and \$71 billion in previously sold debt. Details call with minimum denominations of \$100:

◆ **Monday:** \$39 billion in 13-week bills, a reopening of an issue first sold on June 15, 2017, maturing Dec. 14, 2017. Cusip number: 912796MG1.

Also, \$33 billion in 26-week bills, dated Sept. 14, 2017, maturing March 15, 2018. Cusip number: 912796NW5.

Also, \$24 billion in three-year notes, dated Sept. 15, 2017, maturing Sept. 15, 2020. Cusip number: 912828V21.

Noncompetitive tenders for the bills must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m. For the notes, noncompetitive tenders are due by noon, competitive tenders by 1 p.m.

◆ **Tuesday:** \$20 billion in 52-week bills, dated Sept. 14, 2017, maturing Sept. 13, 2018. Cusip number: 912796NV7.

Also, \$20 billion in nine-year, 11-month 2.25% notes, a reopening of an issue first sold on Aug. 15, 2017, maturing Aug. 15, 2027. Cusip number: 912828R20.

Noncompetitive tenders for the bills must be received by 11 a.m. Tuesday and competitive tenders by 11:30 a.m. For the notes, noncompetitive tenders are due by noon and competitive tenders by 1 p.m.

◆ **Wednesday:** \$12 billion in 29-year, 11-month 2.75% bonds, a reopening of an issue first sold on Aug. 15, 2017, maturing Aug. 15, 2047. Cusip number: 912810RY6. Noncompetitive tenders must be received by noon Wednesday and competitive tenders by 1 p.m.

Draghi Sends Euro on Wild Ride

ECB president upgrades growth forecast; yields of eurozone bonds fall

BY MIKE BIRD

The euro gained nearly 1% Thursday, after the European Central Bank

CURRENCIES raised its growth forecasts, triggering a volatile ride for a currency that has appreciated rapidly this year.

European government bonds also rallied.

The ECB kept interest rates and its €60 billion (\$71.5 billion) monthly bond-buying program unchanged but altered its forecasts for economic growth

and inflation. It now expects the eurozone economy to grow 2.2% in 2017, up from a prior forecast of 1.9%. It expects price growth of 1.2% next year, down from 1.3%, which ECB President Mario Draghi said was largely due to the recent appreciation of the euro.

The euro already was up 0.5% against the dollar before Mr. Draghi's press conference, climbing as high as \$1.2055 while he spoke. The euro was up 0.9% at around \$1.202 in late European trading, only its second close above \$1.20 since January 2015. In New York, the euro rose 0.9% to \$1.204.

The stronger currency reduces import prices, dragging down inflation during the following year. The prospect of lower inflation would typically weaken the euro. If inflation is

expected to stay far below the ECB's target, then the central bank is more likely to take its time unwinding the bond buying that it had started in part to boost prices. The bond buying has helped keep pressure on the euro by pushing down yields and so making the region less attractive for foreign money.

ECB economists had expected a euro-dollar exchange rate of \$1.08 this year when they made their last forecasts in June. The currency has appreciated by 14% against the dollar so far this year.

Mr. Draghi stressed that the volatility of the euro was a concern for the ECB's governing council, but the currency's trading hasn't been particularly volatile so far this year, by historical standards.

"It hasn't actually been

very volatile at all, that's probably a euphemism for the appreciation," said Patrick O'Donnell, senior investment manager at Aberdeen Standard Investments. "The cycli-

lators held 86,519 more long contracts—bullish bets on the value of the euro—than short contracts.

Eurozone government-bond yields fell during the afternoon, many to their lowest levels since the end of June.

Germany's 10-year bund yields fell from 0.36% before the ECB meeting began to 0.3% as European markets closed. Spanish and Italian yields fell from 1.44% to 1.36% and 2.01% to 1.91%, respectively.

"It was a strange meeting for markets, because there was something for everyone there," said Lyn Graham-Taylor, senior rates strategist at Rabobank. "In light of them not announcing anything, a bid for bonds makes some sense, you could generally interpret that as dovish."

14%

Increase this year by the euro against the dollar

Diesel Prices Rise, as Europe Gets Pinched

BY CHRISTOPHER ALESSI

In the wake of Hurricane Harvey a tarnished fuel is getting a boost: diesel.

The price of diesel futures has risen

COMMODITIES roughly 10% since Harvey tore

into the Gulf Coast and shut down refineries and ports through which this fuel usually flows out of the U.S. This has contributed to a shortfall in Europe, a region with large demand for the fuel to power passenger cars. On Thursday, diesel for October delivery rose 1.5%, to \$1.7861 a gallon, on the New York Mercantile Exchange, its highest settlement since July 2015.

Diesel's image took a knock two years ago when Germany's Volkswagen AG admitted it had rigged millions of diesel cars to cheat environmental regulators, which ultimately revealed diesel engines as far bigger polluters than originally thought. That triggered a political backlash, but because cars in Europe are largely diesel, demand has remained high.

Europe's domestic production came up short by about 900,000 barrels daily from January to June of this year, according to JBC Energy GmbH. The U.S. had been supplying about 250,000 barrels of that shortfall. The gap is expected to widen in coming weeks by about 200,000 barrels a day year over year, according to James McCullagh, an oil-products analyst at Energy Aspects Ltd.

"Before Harvey, Europe was looking to the U.S. [Gulf Coast] for extra barrels to help cover its import



Diesel futures settled at their highest level in more than two years on Thursday and are up about 10% since Harvey made landfall.

requirements this autumn," Mr. McCullagh said.

Russia, a traditional supplier of diesel to Europe, is unlikely to be able to step in. Its refineries are in the midst of heavy seasonal construction and maintenance work, observers say. Initial data show that refined products from the Middle East and Asia to Europe are rising, said Lisa Ward, co-founder of Tanker-Trackers.com, a website that records oil tanker movements.

But just as Europe hungers for diesel imports, cargoes of this fuel have been heading out of European ports to Latin America over the past week,

according to Energy Aspects. Latin America usually feeds its diesel demand with imports from the U.S., so European refiners may be making up the shortfall at a hefty profit, analysts say.

The shortage is a boon for the refiners that convert oil into diesel. A proxy for refining margins has risen to its highest level in two years, at about \$16.50 a barrel against Brent crude oil.

To capitalize, expect refiners to switch more of their production to diesel from other oil products, said Michael Dei-Michei, head of research at JBC Energy.

High Winds

European gasoil, a benchmark for diesel fuel, has been rising since Hurricane Harvey's landfall.

\$540 a metric ton



Source: Thompson Reuters; as of Sept. 7, 12:20 GMT

THE WALL STREET JOURNAL.

Worries About Storm Strain Stock Indexes

BY MICHAEL WURSTHORN

Shares of financial companies sagged under the pressure of falling bond yields and the threat of Hurricane Irma, weighing on major stock indexes.

Concerns about the storm's potential impact on Florida and other southern states deepened losses for shares of insurers, some of which were already grappling with the fallout from Hurricane Harvey, money managers said. Another slide in Treasury yields, which doesn't bode well for lenders' profits, added to declines in the financials sector.

The Dow Jones Industrial Average fell 22.86 points, or

0.1%, to 21784.78 on Thursday. The S&P 500 declined 0.44 point, or less than 0.1%, to 2465.10, while the Nasdaq Composite rose 4.55 points, or less than 0.1%, to 6397.87.

Financial stocks in the S&P 500 slid 1.7%, with insurance companies among the biggest laggards. Everest Re Group fell 15.44, or 6.8%, to \$211.94, and XL Group was off 1.97, or 5.1%, to 36.48.

Orange-juice futures rose as traders weighed the impact that the hurricane could have on groves in Florida.

Frozen concentrated orange juice for November delivery rose 3.9% to end at \$1.4635 a pound on the ICE Futures U.S. exchange, continuing a week of volatile trading related to forecasts of the path of the storm.

"There's a focus now on what Irma is going to do to Florida," said Paul Karrlsson-Willis, head of global equity sales and trading at Cabot Capital. "You got an issue around oranges, and insurance is going to be looked at more closely. They're going to get hit."

Hurricane Harvey is projected to disrupt measures of the U.S. economy in the weeks and months ahead. Jobless claims surged in a report on Thursday, while forecasters in The Wall Street Journal's survey of economists expect the growth rate of gross domestic product to fall by about 0.3 percentage point in the third quarter.

Some money managers expect Irma to further hurt some economic indicators in the near term, which could dampen expectations the Federal Reserve will raise interest rates later this year.

That will probably change how the Fed approaches its December meeting," said Tom Wright, director of equities at JMP Securities.

U.S. government-bond prices strengthened, sending the yield on the 10-year Treasury note down to 2.061%, from 2.108% on Wednesday.

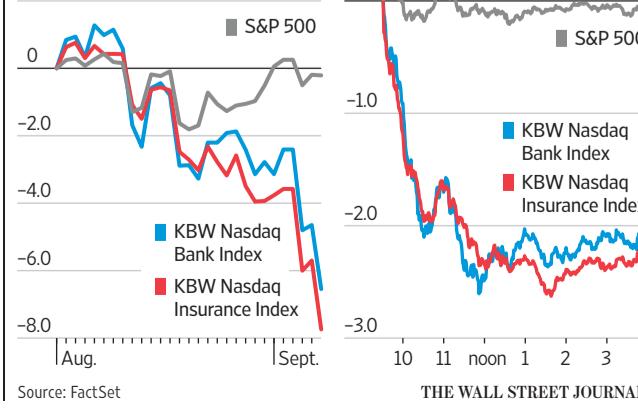
Declines in shares of Walt Disney and Apple weighed on the Dow industrials. Disney fell 4.44, or 4.4%, to 97.06 after Chief Executive Bob Iger revealed more details about the company's subscription video service and said its 2017 earnings would be roughly in line with last year's, putting them below analysts' forecasts.

Apple fell 65 cents, or 0.4%,

Double Trouble

Investors' concerns about hurricanes and falling Treasury yields have dragged down shares of insurance companies and banks.

Performance since July 31



Source: FactSet



Orange-juice futures jumped 3.9%, continuing a week of volatile trading. A Florida production line.

to 161.26 following the Journal's report that production glitches early in the manufacturing of the company's new iPhone could result in extended supply shortfalls and shipping delays later this month.

Elsewhere, the Stoxx Europe 600 rose 0.3% after the European Central Bank said it would leave monetary policy unchanged while reaffirming the eurozone economy's resilience.

The euro rose 0.9% to \$1.2024 following the ECB's announcement, further compounding the central bank's dilemma of a rapidly appreciating currency.

Early Friday, Japan's Nikkei Stock Average was down 0.4%, while Hong Kong's Hang Seng Index was up 0.3%.

—Julie Wernau contributed to this article.

MARKETS

Airline Stocks Hit With Double Whammy

Hurricane hammers the industry as fare war raises doubts on outlook for pricing

By AMRITH RAMKUMAR

The fallout from Hurricane Harvey and a bruising fare war are punishing airline stocks, another sign of weakness in the transportation sector that some investors watch as an indicator on the economy.

After pushing up shares of the four largest U.S. airlines at least 12% to their 2017 highs, investors are now fretting that price competition between airlines will hamper their ability to boost revenue for the remainder of the year.

Shares of Delta Air Lines Inc., United Continental Holdings Inc., American Airlines Group Inc. and Southwest Airlines Co. are all down at least 15% from their highs this year.

Earlier this week, Delta lowered its projections for unit revenue—a key industry measure of how much airlines earn for every mile they fly a passenger—citing a slower recovery in domestic last-minute ticket prices and higher fuel costs. United on Wednesday said it expects unit revenue to decline more than expected in the third quarter, as the impact of Hurricane Harvey and a price war weigh on earnings.

The guidance from the two companies this week dragged shares down further, with Delta, United and American down at least 0.8% this week.

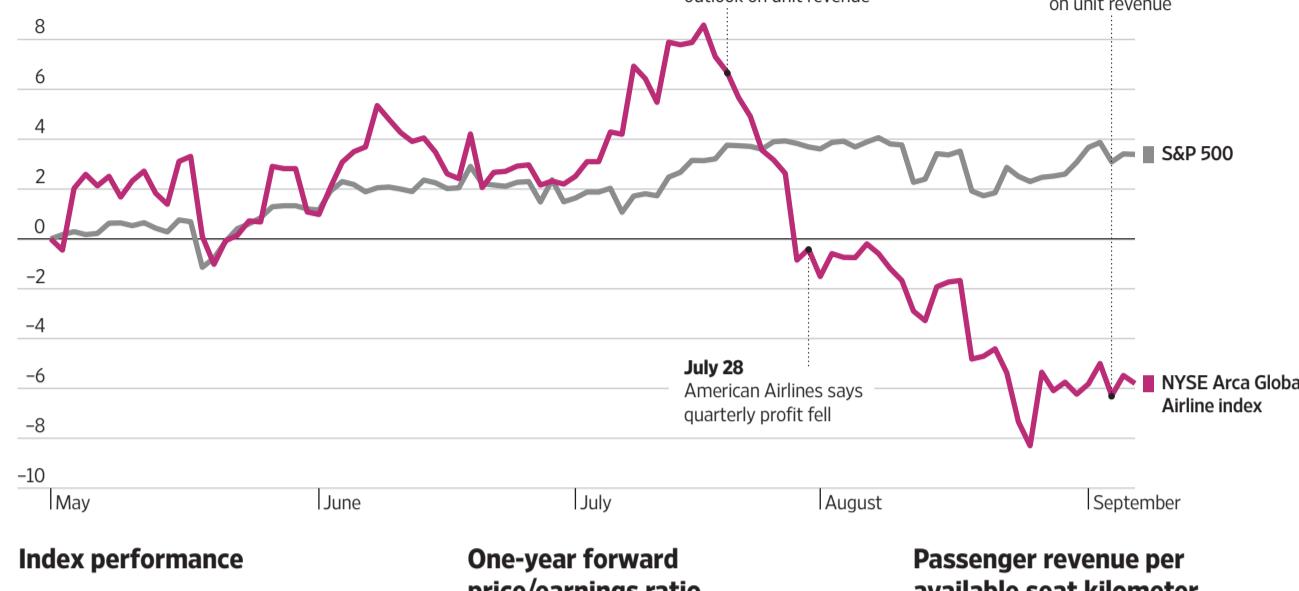
In recent years, competition from ultralow-cost carriers has forced down prices across the industry.

Weather-related disruptions are now adding to the airline industry's headaches as it enters what is traditionally a weaker time of year. Harvey knocked out about 25% of oil-refining capacity at one point, pushing fuel prices higher.

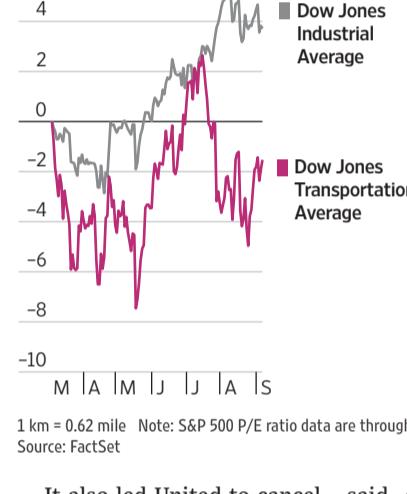
Turbulent Times

Airline stocks have lagged behind in the past two months—a worrying sign for the broader U.S. market. Valuations also slumped as analysts projected airlines will make less for every kilometer they fly a passenger, known as unit revenue.

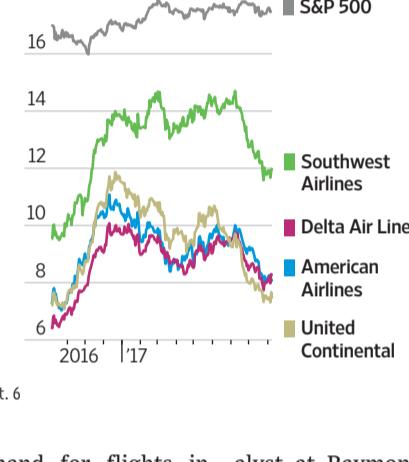
Index performance



Index performance



One-year forward price/earnings ratio



Passenger revenue per available seat kilometer



economy is strong.

Some market watchers say weakness in the Dow transportation gauge could portend losses for the index's cousin, the Dow Jones Industrial Average. Buoyed by standout stocks such as Boeing Co. and Apple Inc., the Dow industrials gauge has continued to hit fresh highs this year.

The divergence between the transportation and industrials indexes is "a red flag" that can't be ignored, according to Nathan Thootho, senior managing director of global asset allocation at Manulife Asset Management.

Still, the outlook for stocks remains favorable looking at the earnings and economic backdrop, he said.

Some industry analysts are projecting that airlines could decline further. On Tuesday, UBS Group AG lowered its full-year earnings estimates for six airline stocks by about 10% on average.

Last week, Morgan Stanley wrote in a note to clients that future earnings projections are too high and predicted that revenue per available seat mile could decline more than expected throughout the rest of the year.

However, the group's recent skid and relatively low valuations have some investors buying the stocks.

American, Delta and United trade at roughly 8 times Wall Street's projected earnings in the next year while United's multiple is 7.4, according to FactSet. Southwest has a multiple of 12.

These compare with the benchmark S&P 500's valuation of 18 times analysts' expected profits in the next year.

Craig Hodges, a portfolio manager at Hodges Funds, said he recently bought shares of American and Southwest.

"I'm buying airlines all day long at these prices," Mr. Hodges said. "Nobody wants them, but we do."

said demand for flights in Houston will suffer for a while.

Now, Hurricane Irma could also alter travel as it moves through the Caribbean.

"It definitely feels like we're getting closer to max pain levels," said Savanthi Syth, an an-

alyst at Raymond James Financial Inc.

This week's volatility in airline shares was the latest example of the group weighing on the Dow Jones Transportation Average, which shed 0.9% on Tuesday to end a six-ses-

sion winning streak and is down 4.1% since mid-July.

Some investors and analysts look to transportation stocks as an economic indicator because shares of companies that carry goods and personnel tend to perform well when the

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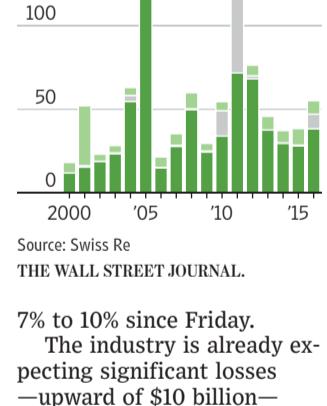
Gauging Irma's Risk to Insurance

Hurricane Irma, one of the strongest Atlantic storms in years, already has pounded several Caribbean islands and threatens lives and catastrophic damage in the Dominican Republic, Haiti and beyond.

For the insurance industry, it is what happens from Saturday onward that matters most. This Category 5 storm with maximum sustained winds of up to 185 miles an hour is heading on a track likely to take it up the east coast of Florida. If this path and the storm's strength are sustained, Irma could be the costliest hurricane for insurers ever, according to Barclays analysts, outdoing even the damage done by Katrina in 2005.

There is still uncertainty around this, and many hurricanes dissipate or change direction, but investors are already reacting. Shares of U.S.-listed insurers and reinsurers with big natural catastrophe exposures, such as Aspen Insurance, Validus, RenaissanceRe and Everest Re, have already dropped by

Payout Pain



Damage from Irma on the Caribbean island of St. Maarten

7% to 10% since Friday.

The industry is already expecting significant losses—upward of \$10 billion—from Hurricane Harvey, which hit Texas last month. But this will only lead to a drop in profits rather than stop the squeeze on reinsurance pricing. Such a loss isn't big enough to dent the huge amount of capital that has flooded into reinsurance risk in the past decade. Since 2008, capital in the reinsurance

sector has almost doubled to \$605 billion at the end of March of this year from \$340 billion, according to Aon Benfield Analytics.

A lot of this capital growth has been in traditional reinsurance, but alternative capital—in the form of catastrophe bonds and related products—has more than quadrupled over the same period to \$86 billion, or 14% of the industry total, its highest share ever.

Money has continued to flow despite declining yields on cat bonds and falling returns on equity for reinsurers, because the income investors get from both is still attractive compared with other investments, while catastrophe risk is also seen as independent of the economic cycle that affects other investments.

Global catastrophe losses for the reinsurance industry exceeded \$55 billion last year, the fourth-highest loss in the past decade, and yet reinsurance prices have still fallen. Some think it will take a single loss of more than \$100 billion to turn the tide of more capital and weaker returns in reinsurance. Even a direct hit by a powerful Irma on Florida's population centers might not be big enough to buck the trend.

Investors have been taking on more risk for less return in the insurance industry for some time. So far, the trade-off hasn't been too painful, but at some point that will change.

—Paul J. Davies

OVERHEARD

Used toys can be lucrative, especially in a bull market.

Just head to eBay for evidence. A listing to sell a fidget spinner that once belonged to infamous pharmaceutical entrepreneur Martin Shkreli is attracting feverish interest.

Mr. Shkreli's old fidget spinner—"used, but in great working condition"—had attracted 16 bidders, who have placed a total of 48 bids as of Thursday evening. The latest offer came in at just over \$14,000.

Not bad for a toy that fetches \$20 for a new pack of four at Target.

Granted, Mr. Shkreli's old one comes with an entertaining, if unverifiable, back story. "I was able to acquire this unique piece because I work in the same office as Martin and beat him at a game of rock, paper, scissors," the listing reads.

"I chose rock if you are curious, he always chooses scissors."

The auction is scheduled to wrap up next week.

Bad Loans Still a Worry In China

There are Chinese banks, and then there are China's bad banks. To understand just how worrying the country's bad-loan problem has become, it is worth taking a look at the latter.

China Cinda Asset Management, the second-largest of four asset managers set up in the 1990s to clean up China's large pile of souring loans, is still at it two decades on, managing and restructuring distressed assets unloaded by banks. The company's latest results offer a lens into the rapidly deteriorating asset quality in China.

The current pace at which Cinda is acquiring distressed assets is far outpacing the rate at which it can dispose of these assets. That has pushed down the price at which it can sell bad-loan portfolios to close to 20 cents on the dollar from 30 cents at this time last year.

Its income from disposing of bad assets dropped 64% on the year, with returns on restructured assets falling to 8.7% in the first half from 10.6% a year ago.

These trends suggest China's bad-loan problem is more severe than investors would guess from looking at the big banks' results: Banks such as Industrial & Commercial Bank of China and Bank of China actually reported improving nonperforming-loan ratios in the first half. One reason they were able to do so is that they have been unloading bad assets to the likes of Cinda. The big banks' ability to shuffle off their soured loans has helped them garner plenty of love from investors this year.

That doesn't mean China's bad-loan problem has gone away, it just has been swept under a convenient nearby carpet.

—Anjani Trivedi

For Insurer Cigna, Healthy Dose of Profit Likely in Store

Cigna has been very, very good to its shareholders. That kindness is set to continue.

The health insurer's stock has quadrupled over the past five years, and is up 37% so far in 2017 despite a proposed takeover by Anthem fizzling out in May.

A steady economy, along with a favorable regulatory backdrop and reliably high medical inflation, has resulted in more premiums and fees earned by insurers. Cigna has increased its rolls of insured patients for eight years in a row. As a result, Cigna has grown its revenue and adjusted earnings per share at 1% annually since 2009. The trend should con-

Higher Highs



inue this year, with sales and adjusted-profit guidance of \$41.1 billion and \$9.60 a share, respectively.

The company forecasts it will earn \$16 a share by 2021. That may sound like a boast, but Cigna has fallen

short of Wall Street earnings estimates just twice in the past 20 quarters.

Granted, health insurance has been a magnificent investment in recent years. The five largest publicly traded health insurers by market value—Aetna, Anthem, Cigna, Humana, and UnitedHealth Group—have all performed exceptionally. The share prices have nearly quintupled on average since the Affordable Care Act became law in 2010. The S&P 500 is up just 116% over that period.

There are risks, of course. Republicans in Washington haven't given up on changing the Affordable Care Act, and any deal could potentially

hurt insurers' business models if it slowed the rate of new Medicaid patient growth, for instance. And some optimism on tax reform is likely baked into the Cigna share price, since Cigna paid a relatively high 30% tax rate in the second quarter.

But Cigna's business is among the best insulated from changes to health policy. The vast majority of its customers are in traditional employer-sponsored insurance plans, not government-run programs such as the ACA exchanges. If fears rise that insurers will be hit by new government rules, it could be a buying opportunity for Cigna.

Cigna also is protected because it has less leverage than most other big health insurers. Analysts at Leerink Partners estimate Cigna has roughly \$7 billion in cash available to deploy on acquisitions or share buybacks.

That amounts to roughly 15% of the company's current market value.

Valuation is another risk. Cigna trades at nearly 19 times this year's estimated earnings.

Historically that is high for an insurer. However, in an age where pricing power is eroding in many industries, any company with Cigna's ability to set prices deserves a healthy premium.

—Charley Grant

Ballet star
Misty Copeland recalls
creating dance routines
in her backyard **MS**



MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

*I cannot endure to waste anything
so precious as autumnal sunshine
by staying in the house.'*

—Nathaniel Hawthorne

Friday, September 8, 2017 | **M1**



BIG PLANS Oliver and Dianna Von Troll take a hard-hat tour of their condo in the Auberge Beach Residences and Spa in Fort Lauderdale, Fla., above. To convince them to buy, the developer allowed them to buy two units, combine them and have the building's architect draw up a new, customized floorplan for their condo. A rendering of the pool at the under-construction Auberge, below.

A High-Rise Built for Me

In a bid for wealthy suburbanites, some city developers let buyers customize almost every aspect of a luxury condo before closing: getting that 'humongous' closet.



BY KATY MC LAUGHLIN

OVER THE COURSE of 2½ years, Oliver and Dianna Von Troll met with the director of sales at Auberge Beach Residences and Spa, a luxury condominium building under construction in Fort Lauderdale, Fla., more than 10 times. Yet they still wouldn't make an offer.

"Nothing really met our needs," said Mr. Von Troll, 46, a builder of high-rises who said his work in the industry has given him very specific tastes. In February, sales director Wendy Marks hit upon a solution: The Von Trolls could buy two units, combine them and have the building's architect draw up a new floor plan. Satisfied, the Von Trolls paid \$5.2 million for a 4,700-square-foot condo.

After years of marketing turnkey, designer-financed condos to high-end buyers, a handful of developers are going dramatically in the other direction, offering extreme levels of customization before the building is even completed. The switch

Please turn to page M10

ARTISTS WERE KEY TO HACKNEY'S RISE

INSIDE

The London borough, once the scene of urban grime, is undergoing a rebirth; a preserved shark provides a spark.

BY RUTH BLOOMFIELD

LONDON'S BOROUGH of Hackney, once a byword for deprivation and urban grime, is now a mecca for creative types, foodies and young professionals. And it was artists—young, hip, and financially challenged—who laid the foundations for this rebirth.

At just over seven square miles, Hackney is one of London's smaller boroughs, and traditionally one of its cheapest. In 2007, the peak of the housing boom, an average property cost just under £309,000, or about \$400,000, compared with the Greater London average of just over £353,000, ac-



SCHOOL'S OUT In Hoxton, a two-bedroom apartment within a former Victorian schoolhouse is listed for about \$2.59 million.

cording to research by Hamptons International.

Today the average home in the east London borough costs almost \$800,000, nearly double the average in 2007. The Greater London average stands at just over \$764,000, a 67% increase.

"Hackney really was a no-go area," said Neil Wilson, branch manager of Fraser & Co. estate agents. "There were a lot of halfway houses, a lot of crime. It was a place that nobody really wanted to delve into. Then it just escalated."

The metamorphosis began in the late 1980s and early 1990s, when a loose collective called the Young British Artists began exhibiting together. Their work was often

shocking and headline friendly—think Damien Hirst's preserved shark and Tracey Emin's disheveled bed. Many of these artists moved to Hackney's Hoxton neighborhood, a former Victorian slum, where they could find cheap workspace in former warehouses only 3 miles from central London.

In 2000, the White Cube Gallery opened on Hoxton Square showing work by Hirst, Emin and all the Young British Artists. "Hoxton—which had previously been a little bit forgotten, seen as a little bit run down and unpleasant—suddenly got this reputation as the center of contemporary art in London," said Martin Phillips, branch

Please turn to page M4



\$260 MILLION
A third of a Hawaiian island for sale **M2**



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A mansion with a tumultuous past **M8**

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PRIVATE PROPERTIES

Buy a Third of the Island of Molokai for \$260 Million



FROM TOP: RICHARD A. COOKE III; DANA MELLISON (2)

A parcel of land that encompasses almost the entire western side of the Hawaiian island of Molokai is going on the market for \$260 million.

Called Molokai Ranch, the roughly 55,575-acre property spans about 35% of the rural island, encompassing 20 miles of coastline, a multitude of secluded beaches, ranch land and forests. There is a 1,200-head cattle operation, two golf courses and a currently "mothballed" hotel and lodge on the property.

If it sounds like a developer's dream, think again: The seller's efforts were stymied by intense local opposition. Molokai is a rural island, with no major resorts, few hotels and only a handful of restaurants. It also has locals committed to keeping it that way.

In 2003, the previous owners of Molokai Ranch proposed a master plan that would have sold 200 lots for luxury homes, built a new hotel and donated 26,000 acres to a land trust, said Kah Meng Ho, chief financial officer of GL Limited, a Singapore-based

holding company which became the parent company of the ranch in the mid-2000s. Islanders protested by posting signs against the plan, voicing dissent at planning meetings and establishing a "resistance camp" near the development site, said Karen Holt, executive director of the Molokai Community Service Council.

In 2008, GL closed the lodge and other tourist operations and let go of most of the staff, said Mr. Ho. The company has decided to sell in order to focus energies on its hotel assets in London.

The seller and listing agent believe the buyer will be a private individual. "We are not looking for a buyer who wants to purchase with development rights as a contingency," said listing agent Scott Carvill of Carvill Sotheby's International Realty, located on Oahu.

While noting that her group doesn't represent the island, Ms. Holt said that the community would likely protest a "traditional developer" but not a private buyer.

—Katy McLaughlin

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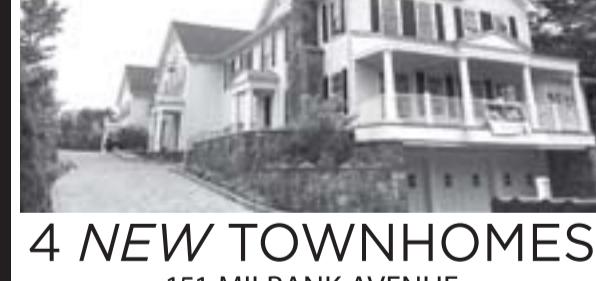
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GREENWICH HOME DEFIES SLUMP AND SELLS FOR \$22 MILLION

A Tudor-style home in Greenwich, Conn., has sold for \$22 million, defying a pricing slump in what's traditionally been one of the most expensive markets in the U.S.

The property, known as North Court, sold for \$2 million above its asking price, said Helene Barre of Sotheby's International Realty, who represented the sellers. The property listed for \$20 million last fall, she said.

The transaction appears to be the priciest in Greenwich so far in 2017, according to appraiser Jonathan Miller. The Greenwich market has been struggling in recent years due to the rising state income tax burden on the wealthy and a growing preference among buyers for apartments in Manhattan's trophy towers. However, Ms. Barre said she saw an uptick in interest in high-end properties this summer.

The sellers are Drew Aaron and Hana Soukupová. Mr. Aaron, 40, is the CEO of the Aaron Group, a global distributor of paper and packaging, and the CEO of Lionsgate Capital, a mortgage and insurance advisory firm in Mallorca and Ibiza. Ms. Soukupová, 31, is a model who has posed for Victoria's Secret and Gucci.



The couple paid \$8 million for the 3.75-acre property in 2012 and spent an additional \$7.5 million restoring and renovating the main home, Mr.

Aaron said. In addition to the home there is also a pool and a tennis court, a boxwood garden and a guesthouse.

The couple originally in-

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MANSION

ACTORS' BROOKLYN HOME LISTS

A little more than a year after selling their Los Angeles home to move to the East Coast, actors Emily Blunt and John Krasinski are putting their recently renovated home in Brooklyn, N.Y., on the market for \$8 million.

"We've been nomads for a while now, but that's the nature of the business," said Mr. Krasinski. "The house is so special—someone who can spend every night there should have it." Mr. Krasinski said that he and his wife are selling the



FROM TOP: STRIBLING MARKETING ASSOCIATES (RENDERING); VICTORIA CREAMER/LUKE GIBSON



property because they've been traveling so much for work and haven't spent enough time there. Their two daughters, Hazel and Violet, at ages 3 and 1, are still young enough to travel with them, he said.

Located steps from Brooklyn's Prospect Park in the neighborhood of Park Slope, the four-story, seven-bedroom house contains 5,200 square feet of living space.

Ms. Blunt, 34, and Mr. Krasinski, 37, purchased the home through a trust for \$6 million in late 2015 after deciding to relocate from Los Angeles, Mr. Krasinski said. They did an extensive renovation, while maintaining many of the home's original details, he said.

The listing agents are Karen Talbott and Kyle Talbott of the Corcoran Group.

—Katherine Clarke

FOOTWEAR FOUNDER STEVE MADDEN PAYS \$12.2 MILLION FOR NEW YORK CONDO

Steve Madden, founder and former CEO of the eponymous footwear label, has purchased a \$12.2 million apartment on Manhattan's East Side, according to people with knowledge of the deal.

The five-bedroom, 6½ bathroom home is located at 252 East 57th Street, a recently completed condominium

project designed by architecture firm SOM and developed by World Wide Group and Rose Associates.

The apartment spans 4,624 square feet with north, east and west exposures. It has a more than 38-foot-long living and dining area, according to the listing. The master bedroom has two bathrooms and

three walk-in closets. The building's amenities include an automated parking garage, a 75-foot swimming pool, a spa and a children's playroom.

The building, seen in a rendering here, is one of several new high-rises that have gone up or are currently under construction on 57th Street, which is commonly referred to as

Manhattan's Billionaire's Row, though its location between Second and Third Avenues makes it a less expensive alternative to towers directly south of Central Park.

Mr. Madden still owns another property in New York's Upper East Side, according to public records. A spokesperson for Mr. Madden declined to

comment, and a representative of the developer declined to comment.

Tal Alexander and Oren Alexander of Douglas Elliman represented Mr. Madden in his most recent deal. The developer was represented by Pamela D'Arc of Stribling Marketing Associates.

—Katherine Clarke

LONGTIME HOME OF 'GREEN ACRES' ACTOR EDDIE ALBERT LISTS FOR \$19.5 MILLION

A Los Angeles home that had been owned by "Green Acres" actor Eddie Albert for roughly 50 years is listing for \$19.5 million.

In the Pacific Palisades neighborhood, the home is currently owned by landscape designer Jay Griffith, who has designed gardens for celebrities including Brad Pitt, he said. Mr. Griffith said he bought the property in 2006 for \$7 million. He restored the wood and windows and lightly remodeled the kitchen in the



roughly 4,800-square foot house built in 1933. Mr. Griffith said he is selling to move to a larger property in the Santa Barbara area.

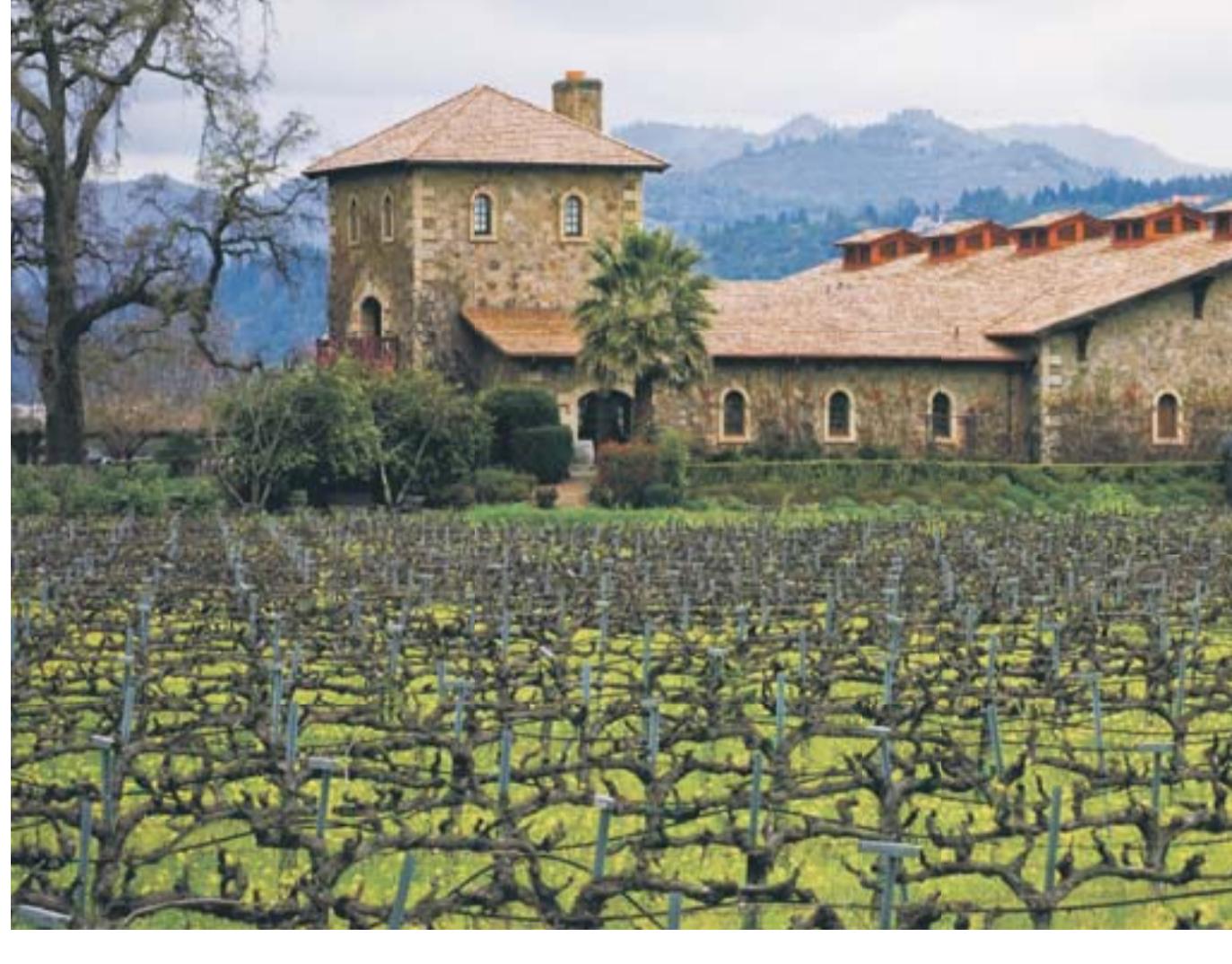
Mr. Albert, who died in 2005 at the age of 99, is known for playing a wealthy lawyer-turned-farmer on television's "Green Acres," which ran on CBS from 1965 to 1971. He appeared in films including "Roman Holiday" and "Oklahoma!" and was decorated for heroism for his service in the Battle of Tarawa in WWII, said

Earle Zucht, Mr. Albert's son-in-law. Mr. Albert and his wife Margo, a flamenco dancer and actress, bought the home in the mid-1950s and raised two children in the home, Mr. Zucht said. Mrs. Albert died in 1985 and Mr. Albert continued living in the house until his death, Mr. Zucht said.

The co-listing agents are Fran Flanagan of Coldwell Banker Global Luxury and Brett Lawyer of Hilton & Hyland.

—Katy McLaughlin

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ARTISTS WERE KEY TO HACKNEY'S RISE



SCENES FROM HACKNEY

The Hackney Peace Carnival Mural in Dalston, far left, was painted in 1985. Friends of Ours coffee shop in Hoxton, above, serves pork-belly tacos, left.



LEAFY SETTING Victoria Park offers row boats and pedal boats for rent. Homes in Victoria Park Village sell for a premium.

Going Up in London

How the average home price has risen in the past decade.

	2007	2017	% increase
Hackney	\$399,704	\$795,242	99%
Prime Central London	\$1,065,230	\$2,219,110	108%
Greater London	\$456,974	\$764,310	67%

Source: Hamptons International and Land Registry

Red Property Partnership, recalls when part of the Kingsland Road, which runs through Dalston, was nicknamed the "murder mile" thanks to a spate of fatal stabbings and shootings.

Kingsland Road is now better known as a burgeoning foodie mecca, lined with highly rated independent, cafes and restaurants plus hip bars and pubs.

Dalston's dramatic about-face was helped along by the opening of the East London Line in 2010, which gave the area two train stations and

overseas buyers, particularly those from Hong Kong and Singapore, Mr. Tramontana noted.

A great strength of Hackney is the sheer variety of its different neighborhoods.

In Victoria Park, a leafy urban village with an eponymous public park at its heart, the streets are lined with large Victorian houses. Boutiques, independent cafes and restaurants sit along its de facto main street, Lauriston Road.

"Partly it is the park itself, and architecturally it does stand out quite a lot from the rest of Hackney because of its larger Victorian townhouses," explained Chris Manderson, sales manager of Foxtons estate agents who estimated that a four-bedroom house in the heart of "Victoria Park Village" would cost an average \$2.3 million.

The 21st century has seen a tremendous change in the fortunes of Hackney, but few believe its ascent can continue indefinitely.

"I don't think that it can keep going at the rate of knots that it has for the last few years," said Mr. Manderson, who blames Brexit-related turbulence for the slowdown.

On the other hand, U.K. buyers priced out of Prime Central London are starting to explore Hackney, and Mr. Manderson said he believes simple economics will encourage overseas buyers to follow suit. "It is still affordable, in the grand scheme of London," he said.

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NEW CONSTRUCTION

475 David Whites Ln, Southampton, NY

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The home features smart-home technology, a stunning gourmet kitchen with designer stone countertops and high end appliances, formal dining room, and custom cabinets and touches throughout. The luxurious master suite has its own fireplace, sitting room, custom closets and dressing areas, and a private balcony. The lower level features a state of the art fitness center and a high-tech media room. The professionally designed landscaping includes a 20x50 heated gunite pool, sunken tennis court, bluestone patios, a modern pool house with fireplace for nighttime enjoyment, and plenty of privacy. This expertly designed home features a private gated driveway and an elaborate security system that includes night vision color cameras. Solar panels have been strategically placed to maximize energy efficiency. The spectacular landscaping is further enhanced with a sophisticated lighting package with a multi-zoned sprinkler system to further complete this home paradise.

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\$1.035 million

Near Victoria Park

Two bedrooms, one bathroom

This apartment in a former warehouse is part of a boutique development close to Victoria Park. The newly renovated unit has wood floors, huge windows and measures 815 square feet.

Agent: Hamptons International

\$1.164 million

Victoria Park Village

Three bedrooms, two bathrooms, one half-bath

This 1,022-square-foot, split-level apartment was once a public house. The main floor has an open-plan kitchen and living room; a patio is located off the lower level.

Agent: Currell

On the Market in Hackney



\$1.035 million

Near Victoria Park

Two bedrooms, one bathroom

This apartment in a former warehouse is part of a boutique development close to Victoria Park. The newly renovated unit has wood floors, huge windows and measures 815 square feet.

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Agent: Currell



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SD #18. MLS# 2956815. \$2,845,000.
Fortune Heaney, 516.248.6655, c.516.521.9772
Patricia Costello, 516.248.6655, c.516.317.7279



Manhasset, NY – Strathmore Vanderbilt

SD #6. MLS# 2950840. \$1,685,000.
Rosemary O'Neill, 516.627.4440 ext.180
c.516.578.3099



Manhasset, NY – Stone Hill

SD #6. MLS# 2949996. \$3,788,000.
Rosalyn Hu Meyer, 516.627.4440 ext.361
c.917.887.2687



Old Westbury, NY

SD #15. MLS# 2890926. \$2,499,000.
Lois Kirshenbaum, 516.626.7600, c.516.526.7425



Old Westbury, NY

SD #15. MLS# 2934983. \$3,888,888.
Lois Kirshenbaum, 516.626.7600, c.516.526.7425



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SD #1. MLS# 2831834. \$2,985,000.
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MANSION

HOUSE CALL | MISTY COPELAND

A Perfectionist's Imperfect Home

A dancer found serenity amid childhood chaos; today, a top-floor condo

I was shy and introverted as a child. Growing up, I moved a few times with my family and I had several stepfathers, so these changes I'm sure took a toll. Fortunately, music offered me stability and protection, and dance became an escape, helping me understand why I was special.

I was born in Kansas City, Mo. My parents divorced when I was 2, and I didn't see my father again until I was 22. After they separated, my three siblings and I moved with my mother to Bellflower, Calif., where she married her new husband, Harold.

The first home I remember clearly was the one in San Pedro, Calif. We moved there when I was 7. It was a one-story, white-and-blue house that sat on a hill.

The house was the most beautiful thing I had ever seen. We had a view of the Pacific Ocean and Catalina Island on a clear day. It was perfect and seemed very pure.

I spent most of my free time with my siblings. My oldest brother, Doug, was always listening to the latest music. I remember sitting on the top bunk with him listening to New Edition. He shared a room with our brother, Chris.

My brothers loved watching the World Wrestling Federation on TV and would try the latest moves on



me in our backyard. I didn't mind. I loved being physical.

I shared a room with my oldest sister, Erica, and my younger sister, Lindsey. Erica had the day bed, and Lindsey and I shared the bunk beds. To have my own bed for the first time was a thrill.

I've always been a perfectionist, so everything had to be just so in our room. I think this was a result of me not wanting to rock the boat. Keeping things orderly at home meant no one would get upset, and life would remain calm and consistent.

The best part about our room is that it opened onto our back lawn. We had a glass door that let in lots of light. Outside, I created dances to music, mostly by Mariah Carey.

My mother was an early influence. She had studied dance and had been a Kansas City Chiefs cheerleader. From a young age, I remember her dancing around the house and teaching me routines. I couldn't wait to come home from school and practice with my



BARRE BELLE Misty Copeland, above, on a visit to the Cuban National Ballet in Havana in November, and at 15, left.

mother in the living room.

School was difficult. I never felt good about anything. I was constantly nervous that I'd do something wrong. That's why movement and music were so freeing for me.

My love of dance began when I was 7, in 1989. I watched "Nadia," about the Romanian gymnast Nadia Comănești. The film deeply affected me. The floor exercises were the closest thing to ballet I'd ever seen. I had no idea what it took to become a top athlete and artist. I'd try to do what the gymnasts were doing as they exercised. Our front yard became my training space.

When I was 12, I met the middle school's drill-team coach, Elizabeth Cantine. I remember her being amazed that I picked up movement so easily. The team was used to doing hip-hop, jazz and more lyrical movements, but Elizabeth had added ballet to the mix. Everyone had to work at it, but ballet

seemed to come naturally to me.

Elizabeth was the first person to teach me the vocabulary of ballet and told me I had a special gift.

By the early 1990s, home life was becoming stressful for me. My mother was going through the end of a marriage and adjusting to life as a single mom with six kids.

In 1996, Elizabeth introduced me to Cynthia Bradley, who taught a local ballet class at her dance studio. I danced five hours a day there. She showed me the potential of a future in ballet. No one had ever prepared me for that.

Eventually I went to live with Cynthia and her family. Moving in with the Bradleys gave me stability so I could focus on dance.

At 15, I won a national ballet competition, and in 1998 I went away for the summer on full scholarship to train with the San Francisco Ballet School. In 2000, right after high school, I was invited to join American Ballet Theatre. It was a dream come true.

Today, my husband, Olu, and I live on New York's Upper West Side in a condo. We moved in seven years ago and from our top-level floor, we have great views from every room.

I spend most of my time in the living room. Every morning I do my exercises and physical therapy on the floor in the early light.

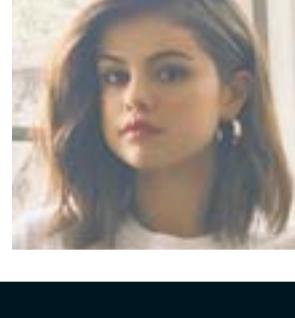
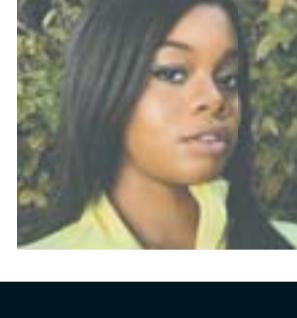
In 2004, I met my father, Doug Sr., for the first time in Wisconsin, where he lives now. My older brother, Doug Jr., wanted to go and insisted I come along. It was crazy. There in front of me was a man who had my face. It felt right. Now my father comes to Chicago whenever I'm performing there. He's so proud of me.

—As told to Marc Myers

Misty Copeland, 34, is a principal dancer with the American Ballet Theatre, which begins its fall season in New York on Oct. 18. She is the author of "Ballerina Body" (Grand Central).



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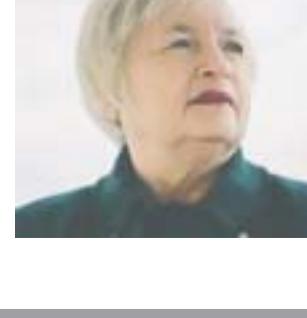
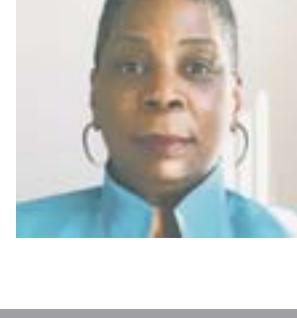
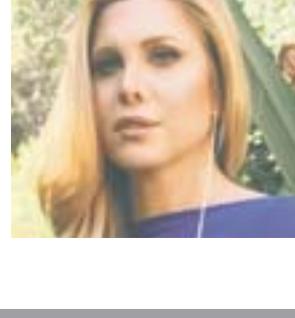
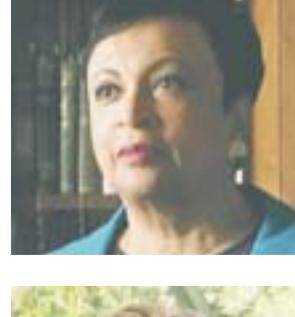


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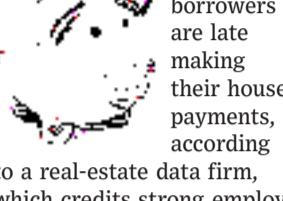


MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

MORE BORROWERS PAYING ON TIME

Only 2.1% of jumbo mortgages were 90 days or more past due in May—the lowest rate in nearly a decade; Las Vegas tops list of metro areas where mortgage payments are overdue



Fewer borrowers are late making their house payments, according

ing markets, such as the Las Vegas and Sarasota, Fla., metros, are lagging, Mr. Khater says, even though the real-estate markets may be coming back.

Jumbo borrowers who pay their mortgages late or miss payments entirely will be dinged on their credit histories. Late payments remain on a credit report for seven to 10 years, says Bethy Hardeman, chief consumer advocate for finance site Credit Karma. The impact on your credit score "varies based on where you're starting," she adds, "but it's not unusual if you default to lose 50 to 100 points." But that doesn't mean that delinquent borrowers will never be able to qualify for a jumbo mortgage again.

Lenders of conforming loans have to comply with strict investor guidelines to sell loans on the secondary market. But jumbo lenders, many of which hold on to loans in their portfolio, have lots of discretion—even for borrowers with blips on their credit report.

"We have a set of criteria that we believe matches our risk appetite," says Diane Morais, president of consumer and commercial banking products for Ally Bank.

"Because we retain these loans on our balance sheet,

more factors can come into the decision process."



CHRIS GASH

Overdue Payments

Delinquency and foreclosure rates for loans with an original balance of \$750,000 or more.

METRO AREA	30 days or more	90 days or more	Foreclosure rate
Las Vegas	9.8%	8.0%	3.5%
Miami-Fort Lauderdale	7.3%	5.7%	3.2%
New York	4.3%	3.4%	2.1%
Los Angeles	3.2%	1.8%	0.6%
Chicago	3.0%	2.2%	1.2%
Washington, D.C.	2.7%	1.5%	0.6%
Dallas	2.3%	1.2%	0.4%
U.S.	3.2%	2.1%	1.0%

Source: CoreLogic data as of May

house and paying off the mortgage if there is sufficient equity; a mortgage modification that offers lower payments or interest rates; or, for more serious delinquencies, a short sale or deed in lieu of foreclosure.

• **Control the credit you can.** Even if you're delinquent on your mortgage, you can still exercise significant control over your use of credit—and ultimately, rebuild your credit score. Make payments on credit cards and other loans on time, and keep your credit utilization rate down by using no more than 30% of your available credit.

"That shows that you're using credit responsibly," Ms. Hardeman says.

• **Consider credit counseling.** Borrowers who can't create a budget or have trouble sticking to one might benefit from credit counseling. The National Foundation for Credit Counseling (www.nfcc.org) has a directory of accredited firms.

ever be approved again." Ms. Morais says that Ally considers the cause of a delinquency or default and will take extenuating circumstances into consideration. "Was there just one late payment or an extended pattern of past-due behavior?" she says. "There is no hard-and-fast rule where I would say that under no circumstances would someone who's had a delinquency on a jumbo loan

are willing to assist borrowers when possible—especially when there are extenuating circumstances. "It's my credit risk, my judgment and my experience that says what's the best way to work with the borrower," says Scott Witherspoon, chief credit officer of Affinity Federal Credit Union, a portfolio lender in Basking Ridge, N.J.

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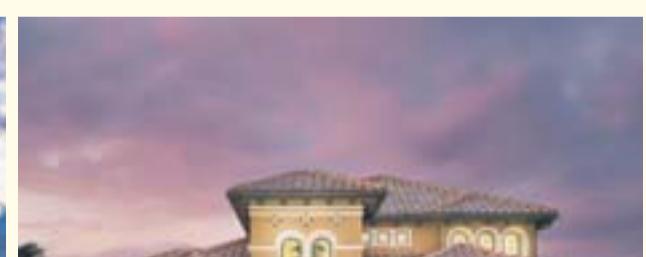
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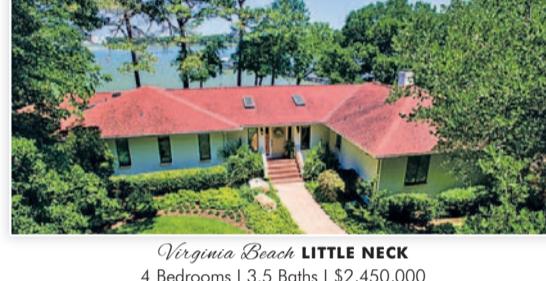
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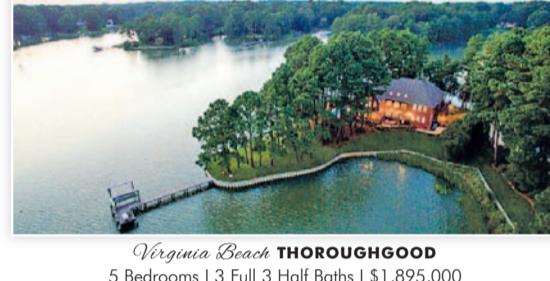
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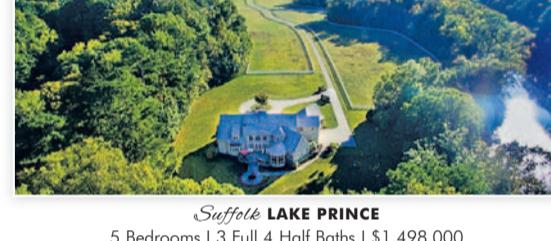
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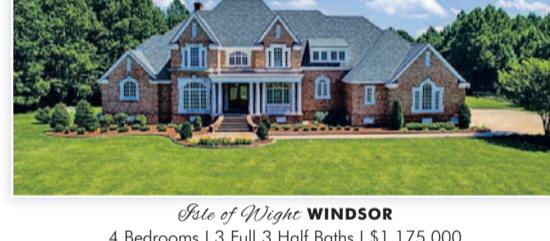
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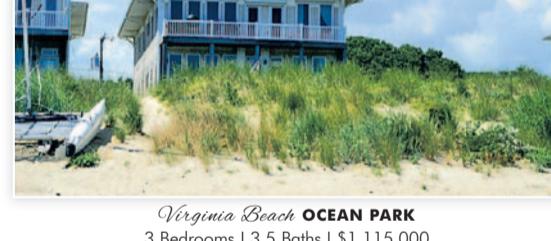
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LIVING HISTORY

A Shanghai Mansion With a Tumultuous Past

A merchant's home seized during Mao's Cultural Revolution is now on the market for \$24 million



CRYSTAL PALACE The exterior, above; a painted tile of an ancient Chinese scene in the garden, right.

BY JAMES T. AREDDY

THE 8,600-SQUARE-FOOT mansion known as Crystal Palace is a monument to Shanghai's tumultuous swings from capitalism to communism, back to somewhere in between. Built for hat merchant Ye Fukang just months before Mao Zedong took power in 1949, it's now on the market for 160 million yuan, or around \$24 million.

Mr. Ye and his six wives survived communist rule until 1966, when Mao's Red Guards tossed them out to use the house as a museum criticizing bourgeois decadence. It got a new name meant to disparage: Crystal Palace.

The mansion is centrally located in a former colonial district called the French Concession. A frieze of imperial lions high on its broad brick face survived, as did Art Deco floors inlaid with copper and chinoiserie tile lining the walled garden.

"You came through the main gate, around the grass garden and into the front room," recalls the owner's son, 82-year-old Jimmy Ye, pointing to the spot with a 15-foot ceiling where he was married. Feeling the contours of hand-rounded bricks and steel window frames, Mr. Ye added, "The Italian columns rise straight up to the Chinese-style lions. It's a mix of East and West."

There's no trace today of the hat-maker's Czechoslovakian glass sculptures, prized chandeliers or clock collection, nor his oversized canopy bed with dragon carvings.

In the first months of Mao's Cultural Revolution, the family's prized possessions were stolen or smashed. Mr. Ye was cast as an enemy of the state for his Cornell University law diploma and merchandising background. He spent his remaining years in jail, where he died in 1975, a year earlier than

Mao. Chinese authorities later reversed the verdict on Mr. Ye.

The house now has landmark status, but its four floors of boxy rooms and service wing stand derelict. Half-hearted renovations date



to the early 1980s when it was barracks for People's Liberation Army officers and their families. A dozen water faucets pour into a communal wash basin. Steel girders prop up the main stone gate.

The Ye family eventually regained title to Crystal Palace, but

the only person living there is a guard whose bamboo mattress occupies an old dining room.

Currently owned by a Hong Kong-registered corporation, the leasehold continues until 2080, according to the agency Savills, which has the listing. Savills agent Roy Zhao estimates taxes will exceed 20 million yuan, or \$3 million, on top of the sales price. In a city where luxury properties can sell for over \$2,800 per square foot, Mr. Zhao says, "the price is not actually that high."

The home will require extensive renovations, and the buyer should expect to face painful choices like whether to keep the original tile or install in-floor heating.

"I hope whoever takes over the house can restore it to what I remember, but it will be difficult," says Mr. Ye.

—Yifan Xie contributed to this article.

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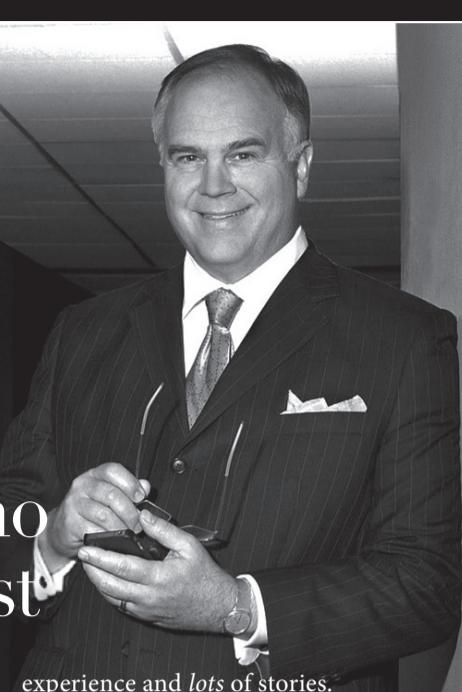
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Real Estate Trends



The Ones Who Know the Most

A couple of years ago, I wrote a letter for this space celebrating some rather important heroes in our lives: grandmothers and grandfathers. I received such feedback about it that I thought I'd revisit it — just in time for this Sunday, which is National Grandparents Day.

My wife, Nancy, and I have five grown children; four are married and two have our five grandchildren between them. They are spread all over the world: New York, Portland, Beijing and beyond. Because of that, we don't see them as much as we would like — but when we do, it's always a wonderful time, and a grand opportunity to teach, learn and love. As the late, great columnist Doug Larson wrote, "Few things are more delightful than grandchildren fighting over your lap."

Our company is made up of all sorts of real-estate professionals. We have Millennials, Gen Xers and Baby Boomers — and grandparents, too. You can figure out who that last group is pretty quickly: They tend to brag about kids the most.

I love our working grandparents. They are smart, fun and so energetic. They know more about technology than I do. They also know about people — what makes them tick, and what they really need. They've got lots of

experience and lots of stories.

So, in honor of grandparents everywhere — heroes right in our own families — some more thoughts about them, from some other smart people.

Comedy writer Gene Perret: "My grandchild has taught me what true love means. It means watching Scooby-Doo cartoons while the basketball game is on another channel."

"A grandmother," wrote the late humorist Erma Bombeck, "pretends she doesn't know who you are on Halloween."

The writer Robert Brault is on to that. "To a small child," he wrote, "the perfect granddad is unafraid of big dogs and fierce storms but absolutely terrified of the word boo."

And the great Italian proverb beats it all: "If nothing is going well, call your grandmother."

Are those phones I hear, ringing? To all grandparents, past, present and future — especially those in the workplace with pictures on their desks — congratulations and enjoy your special day. You've earned it.

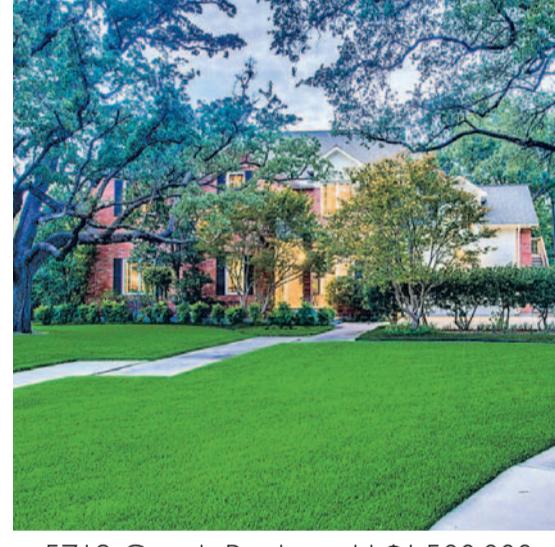
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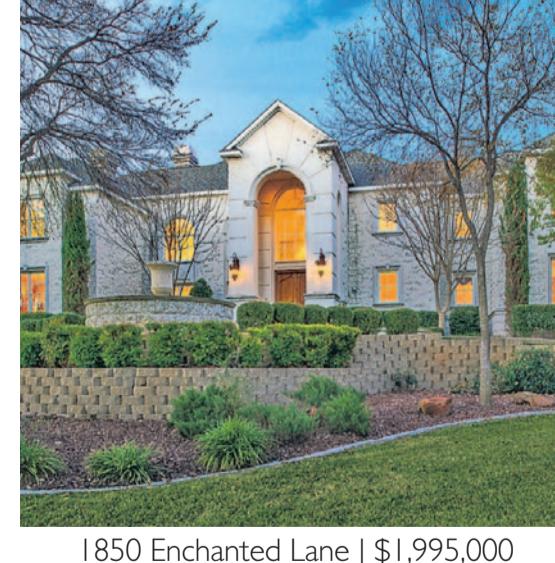
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A HIGH-RISE BUILT FOR ME

Continued from page M1

is a bid to attract wealthy downsizers, who developers say are a target market for luxury downtown living, but who can be reluctant to give up the custom-built suburban homes they are used to.

Some developers are anticipating such demands from day one, engineering their buildings to accommodate buyers who want to enlarge rooms, move kitchens and bathrooms, or combine units. In buildings already under construction, other developers are willing to eat some of the costs incurred when buyers redraw where the

walls will go.

Wayne Mailloux, a 69-year-old retired executive, and his wife Penny, a 69-year-old retired teacher, were ready to move out of their 10,500-square-foot home in a suburb near Scottsdale, Ariz.

Their destination was the Optima Kierland, a building slated for completion next March in the upscale North Scottsdale neighborhood. They liked the idea of being able to walk to restaurants and movies, said Mr. Mailloux. What they didn't like: The largest units in the building maxed out at 1,709 square feet.

"We've grown accustomed to space, and we like to entertain," said Mr. Mailloux.

The solution was for the couple to buy three three-bedroom units and two one-bedroom units and combine them into a three bedroom, 6,574-square-foot unit with three terraces. The Maillouxes hired their own interior designer to create a plan to reconfigure the space. Mr. Mailloux declined to discuss what they spent on the condo. Three bedroom units in the building have sold for an average of \$930,000, and one bedrooms for \$350,000, said Mike Akerly, regional

manager at Polaris Pacific, a San Francisco-based company which is handling marketing and sales for the Optima. Typically discounts aren't given to buyers who combine units, he said, adding that about 30% of buyers have combined two to five units.

The building also charges \$75,000 for the first combination of two units, plus \$25,000 for each additional unit to be combined.

This fee covers the cost of resubmitting plans for city permits, and mechanical and engineering work to accommodate a client's design, said Mr. Akerly.

"They have allowed us to make it into our home," Mr. Mailloux said.

Selling unfinished space isn't unusual in new buildings: Many high-end condos are delivered to buyers after closing in what the industry dubs a "white box" state, which means that the unit has subflooring and "throw away" bathrooms and kitchens only intended to satisfy municipal codes and which will likely be replaced, said Shaun Osher, chief executive of CORE real-estate brokerage in New York City.

The difference between this type of sale and what developers are doing today is that buyers are able to finish units to their specifications before closing. That way buyers don't have to carry the costs of a condo while they renovate, and they have more flexibility if the building is designed to make it easy to move kitchens, bathrooms and walls around.

Tom Scannapieco gambled that customization would be key to convincing well-heeled suburban buyers to pay unprecedented prices for Philadelphia condos. The developer completed his first customizable high-rise in the city, 1706 Rittenhouse, in 2013. A penthouse in the building sold for a city record of \$12.5 million in 2010. His next Philadelphia high rise, 500 Walnut, which will start seeing buyers move in next month, follows the same concept. A penthouse at 500 Walnut went into contract last year for \$17.85 million, blowing past his previous record. Prices for units in both buildings were "unprecedented for Philadelphia," said Mike McCann,

an agent at Berkshire Hathaway HomeServices, Fox & Roach Realtors, who is currently representing a three-bedroom condo at 1706 Rittenhouse for \$7 million.

To make 26-story 500 Walnut more customizable, Mr. Scannapieco said he doubled his plumbing costs so buyers had the option of moving bathrooms 30 feet from the pipes, rather than a more traditional 8 feet. The building was engineered with 10 fewer columns than a traditional building its size, Mr. Scannapieco said, so that buyers would have the option of expanding rooms. Doing so meant he had to thicken the concrete between floors, which is expensive, he said. Ceilings conceal an 8-to-9-inch cavity, Mr. Scannapieco said, designed so buyers can run wiring

and pipes through rooms, adding to the flexibility. These engineering elements added roughly 10% to the cost of the building, Mr. Scannapieco said.

Mr. Scannapieco said the costs are worth it: He is able to charge a 30% to 50% premium in the market because of the customization, high-end finishes and luxury services his buildings offer.

The goal was to attract buyers like Joan Carter and her husband John Aglialoro, entrepreneurs who have lived for 30 years in a large suburban home in Haddonfield, N.J. The couple was looking to move into Philadelphia—their first foray ever into city living—but were turned off by "cookie cutter things" they saw on the market, Ms. Carter said.

When the couple met with the sales team at 500 Walnut, the developer paid an architect to provide them with a free consultation to sketch out a redesign of the floor plan. Once they decided to buy, they hired their own architect who designed a back hallway where caterers and workmen could enter without going through the main living space, a large office and a wine cellar for roughly 700 bottles.

Ms. Carter declined to say what the couple spent on their condo, which should be finished in the first quarter of next year. Thus far, floor-through units, such as the one Ms. Carter bought, have sold for between \$6.6 million and \$9 million, said Mr. Scannapieco; the building is two-thirds sold. Almost all the buyers have spent over \$400,000 on customization, and some have spent as much as \$1.5 million, Mr. Scannapieco said. Resales, even of highly customized units at 1706 Rittenhouse, have been strong because buyers in these buildings "use top architects and top designers and don't do silly, tacky stuff," said Mr. McCann.

Mr. Von Troll said the customization plan finally convinced him to buy because it solved his main problem: While he and his wife wanted Auberge's amenities, they were loath to give up their current condo nearby, which Mr. Von Troll said had all the specific features they love.

Out of 127 buyers thus far in Auberge's two towers under construction, eight of them have combined units. Clients who combined units and asked for redrawn floor plans early on in the process paid far less in customization costs than they would today now that construction is further along, said Ms. Marks.

The Von Troll's customized floor plan provided their must-have items, including a 1,500-square-foot master suite, which will include a "humongous closet" of roughly 400-square feet, Mr. Von Troll said. It will be oriented east to west, "so I can see the sunrise and sunset," plus a "nice big terrace" looking right out over the ocean, he said.

"We're looking for a house in the sky, basically," said Mr. Von Troll.



COMBINATION DEAL Wayne and Penny Mailloux tour their under-construction condo at the Optima Kierland in Scottsdale, Ariz. They combined five units to create their unit of more than 6,500 square feet.

