

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, SEPTEMBER 20, 2017 ~ VOL. CCLXX NO. 68

WSJ.com

★★★★ \$4.00

DJIA 22370.80 ▲ 39.45 0.2%

NASDAQ 6461.32 ▲ 0.1%

STOXX 600 382.12 ▲ 0.04%

10-YR. TREAS. ▼ 3/32, yield 2.23%

OIL \$49.48 ▼ \$0.43

GOLD \$1,306.20 ▼ \$0.10

EURO \$1.1994

YEN 111.60

What's News

Business & Finance

Toys "R" Us, hobbled by the debt heaped on it when the retailer was taken private, was left without a fighting chance as it struggled against competitors. **A1**

◆ Guggenheim's CEO is considering ceding the post as the investment firm contends with internal unrest and scrutiny from regulators. **B1**

◆ A slump in bond prices reflects investors' unease as markets brace for the Fed to start unwinding its easy-money policies. **B1**

◆ Stocks set records in quiet trading ahead of Wednesday's Fed statement. The Dow rose 39.45 points to 22370.80. **B16**

◆ Harvard's endowment delivered an 8.1% return in fiscal 2017, trailing results from other universities. **B1**

◆ Annual premiums for employer health plans rose 3% this year to nearly \$19,000 as the share of firms insuring workers edged down. **B3**

◆ Walgreens received FTC approval to acquire nearly 2,000 drugstores from Rite Aid after more stores were dropped from the deal. **B3**

◆ Activist investors threatened to vote against the proposed merger between Clariant and Huntsman. **B15**

◆ Housing starts slipped in August on steep declines in multifamily building. **A2**

◆ Ford said it will temporarily idle production lines at five North American plants to whittle unsold inventory. **B8**

◆ Hedge-fund manager David Stemerman is shutting his firm to run for governor of Connecticut. **B15**

World-Wide

◆ Trump threatened to destroy North Korea if the U.S. has to defend itself or its allies against the Pyongyang regime and excoriated Iran in his first U.N. address. **A1**

◆ Central Mexico was hit by an earthquake that collapsed buildings in Mexico City and killed at least 149 people, a toll that was expected to rise. **A8**

◆ Hurricane Maria battered the eastern Caribbean islands of Guadeloupe and Dominica as it headed for Puerto Rico. **A3**

◆ The latest GOP push to repeal the ACA gained momentum, but key senators wavered in their support. **A4**

◆ Senate Republicans reached a budget deal that would allow tax cuts over the next decade. **A4**

◆ Mueller's office has interviewed Deputy Attorney General Rosenstein about Trump's firing of Comey. **A4**

◆ Trump is using campaign funds to help pay for his attorneys in the Russian election probe. **A4**

◆ Suu Kyi defended Myanmar's treatment of Rohingya Muslims and said her government would investigate all alleged abuses. **A8**

◆ Russia's war games with Belarus have exposed a rift between Moscow and its closest military ally. **A9**

◆ A senator is pressing for public disclosure of hospital inspections amid complaints over safety standards. **A2**

◆ A group of states has stepped up a probe of the opioid painkiller industry. **A6**

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Trump Takes Aim at North Korea

By ELI STOKOLS
AND FARNAZ FASSIHI

UNITED NATIONS—President Donald Trump threatened to annihilate North Korea if the U.S. has to defend itself or its allies against the Pyongyang regime, delivering the dire warning Tuesday during his first address to the United Nations General Assembly.

Mr. Trump began his speech by espousing a form of international cooperation based on the nationalism that propelled his 2016 presidential campaign before using unusually blunt language for a U.N. address to

weigh in on some of the world's most intractable problems—first among them North Korea.

"No nation on Earth has an interest in seeing this band of criminals arm itself with nuclear weapons and missiles," the president said, adding that denuclearization is the "only acceptable future" for Kim Jong Un's regime.

"Rocket Man" is on a suicide mission, not only for himself but for his regime," he said, using a nickname for Mr. Kim he first applied in a Twitter message over the weekend.

The GOP president also excoriated Iran, calling it an authoritarian regime and denouncing the 2015 nuclear disarmament agreement be-

tween Iran and six world powers, including the U.S.

That deal, negotiated by Mr. Trump's Democratic predecessor, Barack Obama, was "one of the worst and most one-sided transactions the United States has ever entered into," he said. "Frankly, that deal is an embarrassment to the United States and I don't think you've heard

the last of it, believe me."

As his speech went on, the president ratcheted up his rhetoric and left behind the more-unifying tone of his opening remarks, promising to crush "the loser terrorists" and asserting that some parts of the world "are going to hell."

Mr. Trump's speech drew a mixed reaction from delegates. He received applause early in his speech for defining his "America first" outlook as a way for independent, sovereign Please see TRUMP page A10

◆ Gerald F. Seib: Trump signals U.S. return to realpolitik... A10

Powerful Earthquake Shakes Central Mexico, Killing Scores



SEARCH FOR SURVIVORS: Rescuers display a sign asking for silence as they try to locate possible victims under the rubble of a building in Mexico City on Tuesday. The dead included at least 20 children at a school that collapsed. **A8**. Go to WSJ.com for the latest news.

Mountain Of Debt Felled Toys 'R' Us

By MIRIAM GOTTFRIED
AND LILLIAN RIZZO

Competition may have brought down Toys "R" Us Inc. But the debt that three Wall Street firms heaped on the company when they took it private—and the way the ownership group was constructed—left the retailer without a fighting chance.

When a consortium comprised of Vornado Realty Trust and private-equity firms KKR & Co. and Bain Capital bought the toy retailer for \$6.6 billion in 2005, it was already struggling against competition from discounters including Wal-Mart Stores Inc. and Target Corp., and the threat of online competition from the rapidly growing Amazon.com Inc. loomed. Still, Toys "R" Us had valuable real estate and the investors planned to boost the company's sales and financial performance, banking in part on the strength of its name.

A dozen years later, Toys "R" Us has filed for bankruptcy protection, seeking relief from creditors in a Virginia court late Monday in a move that will all but wipe out the owners' \$1.4 billion of equity. The company has \$5.3 billion in debt, unchanged from when it went private.

Vornado has marked down the value of its stake in Toys "R" Us to zero, according to the real estate firm's annual securities filing. KKR and Bain have similarly marked down their investments, according to people familiar with the matter. The owners didn't pay themselves any dividends and though they have been drawing advisory fees, the amounts represent a small fraction of their overall losses.

As in virtually all private-eq Please see TOYS page A6

◆ Toy manufacturers make do in wake of Toys 'R' Us filing... B2

Industrial Espionage Cases Soar In U.S.

By PETER LOFTUS

Samuel Straface thought he was the last one out the door one recent evening at the medical-technology startup he leads in suburban Boston.

But as he passed a glass-walled conference room on the second floor, Dr. Straface says he saw a man he didn't recognize, sitting by himself in front of two open laptops and a tablet device. He continued walking a few steps toward the exit, but then, feeling uneasy, he turned back.

The man was later identified as Dong Liu, a dual citizen of China and Canada. And his after-hours computing at Medrobotics Corp. is at the center of an economic-espionage case brought by U.S. prosecutors.

Mr. Liu is in federal custody, charged with attempting to steal trade secrets and trying to gain unauthorized access to the company's computer system, prosecutors said. If convicted of both charges, he could face a maximum sentence of 15 years in prison.

"Mr. Liu adamantly asserts his innocence and we fully expect he'll be exonerated after a careful review of the evidence," said Robert Goldstein, Mr. Liu's defense attorney. The U.S. attorney's office for the District of Massachusetts declined to comment on the case beyond details in court records.

Just before his arrest, police said Mr. Liu told them he was there to discuss doing business with the company—but Dr. Straface says no one had scheduled a meeting with Mr. Liu.

The case against Mr. Liu is part of a boom in federal prosecutions alleging theft or attempted theft of trade secrets from U.S. companies or firms with American operations. Many of the cases involve a

ANTIFA VIOLENCE SPLITS THE LEFT

Liberals' bind: whether to denounce radicals whose aims they often share

BERKELEY, Calif.—Thousands of protesters converged on Martin Luther King Jr. Civic Center Park one Sunday late last month to confront far-right activists. Among them were dozens

dressed in black with faces masked.

Organizers on bullhorns called for the crowd to be "defensive," but matters didn't stay nonviolent for long. Using clubs and wooden shields emblazoned with "no hate," groups of around half a dozen of the masked protesters beat and chased some of the small number of far-right activists who showed up at the "No to Marxism" rally, even though it had been canceled.

Broadly labeled antifa, for "antifascist," such protesters are part of a loose affiliation of far-left groups and individuals who unite around a willingness to confront, sometimes

By Ian Lovett,
Jennifer Levitz
and Cameron
McWhirter

violently, anyone they perceive to be an agent of racism, anti-Semitism or fascism—whether white nationalists, far-right extremists, or in some cases members of the media or the police

they claim protect those groups. At times, antifa activists have been credited with defending peaceful protesters; they have also been criticized as instigators.

Last month, demonstrators wearing black and promising violence in self-defense showed up at major rallies in Charlottesville, Va., Boston and Berkeley and at President Donald Trump's Phoenix campaign rally. Berkeley is bracing for more clashes starting this weekend, when conservative activists have said they are planning a series of "free speech week" events.

The antifa tactics are testing the liberal Please see ANTIFA page A12

Obviously, the Key to Culling Pigeons Is a €12,000 Birdhouse

* * *

Lisbon's new plan involves spoiling birds with gourmet food, snatching their eggs

By PATRICIA KOWSMANN

The pigeon, a ubiquitous civic irritant whose garbanzo-sized brain make it a byword for witlessness, finally has something worth bragging about.

A safe space.

For €12,000, the city of Lisbon has restored a towering birdhouse replete with fresh water, gourmet bird food and a wood-paneled interior designed, city officials say, to promote pigeon wellness.

The two-story roost, known as a "contraceptive pigeon house," is part of a growing European effort to control pigeon populations by means that are gentler than gassing them to death or feeding them to reptiles at the zoo.

A pigeon

The scheme involves plying the birds with ground corn until they settle in luxuriant nests. When the unsuspecting birds lay eggs there, caretakers sneak in when they're not looking to replace them with fake ones.

To ensure mother pigeons don't get suspicious, at least one real egg is left in place.

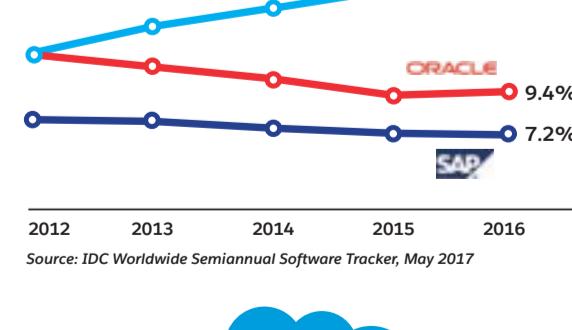
Since the birdhouse opened, however, its mission has crept beyond mere population control. Caretakers have equipped the facility, which costs €250 per month to maintain, with a pigeon first-aid station, and there's talk of offering services such as deworming and, paradoxically, a nursery.

"We want to give the pigeons security and a space that is only

Please see BIRDS page A12

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U.S. NEWS

Home Construction a Mixed Bag

BY LAURA KUSISTO
AND BEN LEUBSDORF

WASHINGTON—U.S. single-family housing starts continued to edge higher in August, in what could be the last snapshot of the market's health before the cleanup from major hurricanes begins to skew construction activity.

Overall housing starts, however, slipped 0.8% in August from the prior month to a seasonally adjusted annual rate of 1.18 million, driven by continued steep declines in multifamily building, the Commerce Department said Tuesday.

Single-family starts rose 1.6% in August, while starts for buildings with two or more units fell 6.5%.

The report offers a mixed picture of a market in which single-family construction is gradually improving while multifamily construction is declining significantly due to an oversupply of apartments in many urban markets.

Starts were up 2.7% in the first eight months of 2017 compared with the same period a year earlier. Permits rose 7.5% from the first eight months of 2016. The three-month moving average for single-family home starts was the highest since the recession.

U.S. median household in-



A home under construction in Sacramento, Calif., in August. Single-family housing starts rose 1.6%

come, adjusted for inflation, set a record in 2016, surpassing the previous peak in 1999, the Census Bureau reported last week, as Americans enjoy a period of sustained income growth and economic prosperity. Despite those gains, new construction remains weak due to a shortage of labor, lack of available land and other factors.

"Almost every other item of investment, everything is up and recovered, but housing

construction has not recovered," said Chris Rupkey, chief financial economist at MUFG Union Bank.

Monthly data on housing starts tend to be volatile and imprecise; August's 0.8% loss came with a margin of error of 9.6 percentage points. The 5.7% rise for permits had a 2-point margin of error.

Residential building permits, which provide a less volatile read on the market, rebounded in August. Permits,

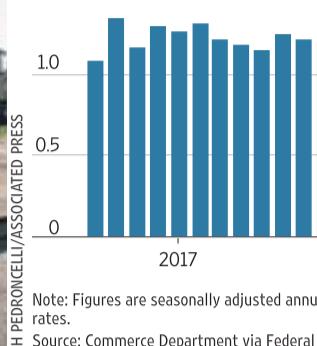
which typically lead starts by a month or two, rose 5.7% to a 1.3 million annual rate last month.

Permits fell 1.5% for single-family houses but jumped 19.6% last month for apartment buildings and other multifamily buildings.

Limited supply and fast-rising prices have squeezed many would-be home buyers this year, despite mortgage rates that moved lower during the spring and summer. In July,

Start and Stop

Overall U.S. housing starts have softened in recent months as multifamily construction weakened following several strong years.



Note: Figures are seasonally adjusted annual rates.

Source: Commerce Department via Federal Reserve Bank of St. Louis

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purchases of previously owned homes and newly built single-family homes both fell from the previous month.

August is likely to provide the last indication of the health of the housing market before storms in Florida and Texas weigh on the data. The Commerce Department on Tuesday said hurricane-affected counties in Florida and Texas accounted for about 13% of total U.S. building permits last year.

"Recent news reports have provided additional examples of the Joint Commission's failure to adequately hold accountable facilities that have not properly cared for patients," Mr. Grassley wrote in his letter to Seema Verma, administrator of the Centers for Medicare and Medicaid Services, which oversees health-accrediting organizations.

Senator Presses for Disclosure Of Hospital Inspections

BY STEPHANIE ARMOUR

WASHINGTON—The chairman of the Senate Judiciary Committee is pressing for the public disclosure of hospital inspection reports, amid complaints that the nation's largest hospital accreditation group doesn't rigorously enforce health and safety standards.

Sen. Chuck Grassley (R., Iowa) asked federal regulators in a letter Monday to outline specific statutory changes that would be needed to end the confidentiality of inspection reports done by accreditors, including the Joint Commission, a nonprofit organization.

Mr. Grassley's request follows a Wall Street Journal investigative report that found the Joint Commission typically doesn't revoke or otherwise modify the accreditation of hospitals even when serious safety violations are found.

"Recent news reports have provided additional examples of the Joint Commission's failure to adequately hold accountable facilities that have not properly cared for patients," Mr. Grassley wrote in his letter to Seema Verma, administrator of the Centers for Medicare and Medicaid Services, which oversees health-accrediting organizations.

A commission spokeswoman didn't respond to requests to comment. In the past, commission officials said the organization provides comprehensive, effective inspections, and works closely with hospitals when necessary to improve their performance. It said the confidentiality of the process encourages hospitals to be candid with the commission.

The commission, which accredits almost 80% of the nation's hospitals, is allowed to keep its inspection reports confidential under federal law. That has prompted complaints by consumers groups, some physicians and others that serious problems with some hospitals are kept from patients.

CMS in August withdrew a draft regulation that would have required health-accrediting organizations, including the commission, to make their inspections available to the public. The agency said it did so because the proposal may appear as if CMS was attempting to circumvent the law.

Hospitals and health organizations pay accrediting organizations such as the Joint Commission to be inspected, which critics argue creates a conflict of interest.

The Journal found that less than 1% of commission-accredited hospitals that had federal safety violations lost accreditation in 2014. In over 30 instances, hospitals retained full accreditation even though CMS deemed their violations so significant that they caused, or were likely to cause, a risk of serious injury or death to patients.

Rates, Bond-Reduction Plan Top Fed Agenda

BY DAVID HARRISON

The Federal Reserve on Wednesday likely will announce the beginning of a yearslong program to shrink its bond portfolio and could offer clues about the prospects for another rate increase this year.

Officials will release a statement and their updated quarterly economic projections after the end of their two-day policy meeting and Chairwoman Janet Yellen will hold a news conference.

Here's what to look for:

Watch the dots

The big question for many central bank observers is what

the Fed will signal about the likely path of interest rates this year and beyond.

In June, officials penciled in one more interest rate increase in 2017. But a series of weak inflation reports gave several of them second thoughts.

Did those doubts dissipate following Thursday's relatively strong inflation report? Are we back on track for a December move? Officials' latest economic projections—particularly their so-called dot plot that reveals where they expect interest rates to go—could give a hint.

Also important will be whether officials lower the number of rate increases they envision in coming years, and how high they expect borrow-

ing costs to go before they stop.

Figuring out inflation

Inflation has stopped behaving the way policy makers expect it to. The growing economy and strong labor market should be pushing it up. Instead, it has been sluggish for most of the year, although it showed signs of picking up recently.

The models that Fed officials rely on anticipate inflation will rise toward their 2% target over the next couple of years. Watch their new economic projections for signs of whether officials have changed their views on when they expect to reach their goal.

The labor market

The labor market continues to improve. Employers keep adding jobs, pushing down the unemployment rate.

Right now, the unemployment rate is lower than the point the Fed considers full employment, which means the economy could start overheating, causing inflation to rise too much.

But since there are few signs of that happening, officials could lower their estimate of the jobless rate that indicates full employment.

That would reflect another way that central bankers are questioning their understanding of how the economy works.

Balance sheet

The Fed has already provided details of how it plans to reduce its hoard of Treasurys and mortgage-backed securities.

And it appears poised to announce Wednesday it will start the process in October.

But we still don't know how big the central bank's balance sheet will be at the end, a matter that could have implications for the bond market.

Ms. Yellen at her news conference could provide a sense of her thinking on the topic and the factors that will go into the decision.

◆ Markets uneasy as Fed turns off easy money B1

SPY

Continued from Page One
China connection.

FBI investigations and arrests for industrial espionage and violations of export-control laws, predominantly linked to the Chinese government, rose to an all-time high in 2015, according to a report last year for the U.S.-China Economic and Security Review Commission.

In May, the Justice Department charged two Chinese citizens, four Americans and one Canadian with conspiring to steal trade secrets from an engineering firm on behalf of a Chinese company that makes a marine product for military and civilian use. All seven have pleaded not guilty.

In another case, last year, federal prosecutors charged two Chinese citizens and three Americans with conspiring to steal trade secrets from drugmaker GlaxoSmithKline PLC and to provide them to companies doing business in China. Four of the five people pleaded not guilty; the fifth was never arrested and is considered a fugitive.

In August, at the request of President Donald Trump, the U.S. Trade Representative launched an investigation into Chinese efforts to secure U.S. technology. The probe will examine whether the Chinese government is backing unauthorized intrusions into U.S. corporate computer networks or cyber-enabled theft of trade secrets, the trade agency said.

Foreign theft of U.S. trade secrets costs the American economy at least \$180 billion a year, according to a report this year from the Commission on the Theft of American Intellectual Property, an independent, bipartisan group co-chaired by Jon Huntsman Jr., a former ambassador to China. "Cyber theft is a cheap way to avoid costly and time-intensive R&D that may simply be beyond the thieves' capacity," the report said, singling out China as a big culprit.

The Chinese government's main information office in Bei-



Samuel Straface, CEO of Medrobotics in Raynham, Mass.

ing declined to comment, and its intellectual-property administration didn't respond to a request for comment. Government officials in the past have denied allegations Beijing takes part in or encourages the theft of trade secrets.

Medrobotics, of Raynham, Mass., makes a snake-like robot designed to get to hard-to-reach places in the body during minimally invasive surgeries. Each machine costs \$1 million,

marks on the case.

On that evening in late August, Dr. Straface said he introduced himself to Mr. Liu as the company's CEO and asked who Mr. Liu was and what he was doing in the office.

Mr. Liu mumbled at first, then said he was there to visit the company's head of intellectual property and also the sales director for the European division, according to Dr. Straface.

"At one point he mentioned that he was here to do business with the CEO, not seeming to realize he was looking at the CEO," Dr. Straface said.

Dr. Straface stepped outside the conference room and called the police, who arrested Mr. Liu on trespassing charges and also summoned the Federal Bureau of Investigation, which sent agents that night, according to a police report. A bureau special agent assigned to a squad specializing in counterintelligence matters has investigated the Aug. 28 incident, according to an affidavit filed with the U.S. District Court in Boston.

Mr. Liu, 44 years old, told investigators he was a patent attorney for a Chinese firm called Boss & Young Patent & Trademark Law Office, according to court records. Boss & Young, based in Beijing, didn't respond to an email, and a receptionist

for the firm in Beijing said no one by Mr. Liu's name worked at the firm.

Mr. Liu made two initial appearances at hearings in federal court following his arrest but hasn't entered a formal plea. He is being held in Boston, and a trial date hasn't been set.

The entrance to Medrobotics has an outer set of doors that are unlocked during business hours, and a second set of locked doors that require buzzing in by an employee who monitors the door or an access card, according to Dr. Straface.

Mr. Liu later told police someone had let him through the second set of doors around 5 p.m. on Aug. 28, according to a police report.

Dr. Straface said it didn't appear that Mr. Liu had gotten into sensitive areas of the building that require access cards. It isn't known where he was at all times; Dr. Straface spotted him

about 7:30 p.m.

The FBI confiscated "an unusual amount of computer equipment" that Mr. Liu had brought with him, including the laptops and tablet and also two smartphones, a smartwatch, a computer thumb drive, two digital video cameras, several SIM cards and high-capacity storage drives, according to the affidavit.

Two Medrobotics employees later said they saw Mr. Liu recording video of a monitor displaying public information about the company in the lobby, according to the affidavit.

Someone seeking confidential information could have used a computer to try to connect with a WiFi or other network, the FBI affidavit said. The Aug. 30 affidavit said it was "too early to tell whether Liu succeeded in obtaining any trade secrets or other corporate information."

—Xiao Xiao contributed to this article.

CORRECTIONS & AMPLIFICATIONS

In some editions Tuesday, Scottie Nell Hughes's middle name was misspelled as Neil in a Business News article about her lawsuit against Fox News and several of its employees.

Patent holders have exclusive rights on an invention for 20 years after the filing date. A Business & Finance article Tuesday about auto-industry patents incorrectly said the exclusive rights period starts from the grant date.

In some editions Tuesday, toy retailer FAO Schwarz was misspelled as FAO Schwartz in a Page One article about Toys "R" Us filing for chapter 11 bankruptcy protection.

For the week ended Sept. 15, Treasury yields at constant maturities were as follows: three-month, 1.04%; six-month, 1.16%; one-year, 1.27%; two-year, 1.35%; three-year, 1.48%; five-year,

1.77%; seven-year, 2.00%; 10-year, 2.18%; and 20-year, 2.52%. The Key Interest Rates table published Tuesday in Business & Finance incorrectly gave the yields as 1.05%, 1.17%, 1.30%, 1.39%, 1.53%, 1.81%, 2.04%, 2.20%, and 2.52%, respectively.

Sanjay Goel is a professor in the information-technology management department at the University at Albany, State University of New York at Albany. An article about two-factor authentication in Monday's Journal Report on Cybersecurity incorrectly said he is an associate professor, and it used the university's informal name, SUNY Albany.

Bordeaux, France, produced about 770 million bottles of wine last year. A Mansion article on Friday about homes in southwestern France incorrectly said Bordeaux produces almost one million bottles of wine a year.

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

THE WALL STREET JOURNAL

(USPS 664-880)

(Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0934)

(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:

1211 Avenue of the Americas,

New York, NY, 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster:

Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicago, IL 60602.

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Letter to the Editor:

U.S. NEWS



Debris litters a road in Le Carbet, on the French Caribbean island of Martinique, after it was hit by Hurricane Maria on Tuesday.

Storm Nears Puerto Rico

Evacuations urged
after Category 5
hurricane batters
islands in its path

BY JOSÉ DE CÓRDOBA
AND ANTHONY HARRUP

SAN JUAN, Puerto Rico—Hurricane Maria thrashed the eastern Caribbean on Tuesday, killing at least one person on Guadeloupe and devastating the tiny island nation of Dominica before making a beeline for the Virgin Islands and Puerto Rico.

The eye of the Category 5 storm tore into Dominica on Monday night with maximum sustained winds near 160 miles an hour, ripping away roofs, knocking out electricity and inundating streets and mountainsides with heavy rain.

The storm continued to pick up speed, packing sustained winds of 175 miles per hour Tuesday night as the storm's eye closed in within 60 miles of St. Croix in the U.S. Virgin Islands, according to the National Hurricane Center.

Hours after the storm hit, Dominica's prime minister, Roosevelt Skerrit, found himself in trouble after the "merciless" wind tore the roof off his home and he had to be rescued, according to a post on his Facebook account.

"So far the winds have swept away the roofs of almost every person I have spoken to or otherwise made contact with," Mr. Skerrit wrote, saying initial reports were of widespread devastation on the island of 74,000 people.

Later he wrote: "So far we have lost all what money can buy and replace."

The prime minister had posted no additional news by early afternoon Tuesday, and

Weak Winds, Warm Waters Spur Storms

The most severe hurricane season in almost a decade is stoked by warmer-than-average Atlantic Ocean currents, weak westerly Pacific winds and turbulent hot tropical air over the Indian Ocean, with no sign conditions will slacken soon, climate analysts and meteorologists said.

"It's the trifecta," said atmospheric scientist Jeff Weber, who studies tropical meteorology and climate change at the University Corporation for Atmospheric Research in Boulder, Colo. "The atmospheric conditions are ideal for hurricane formations."

So far, the Atlantic hurricane season has spawned 13 named storms and seven hurricanes. An average season, which runs from June through

November, typically produces a dozen named storms, with six reaching hurricane strength.

Formally rated a Category 5 hurricane, the Maria storm system powered winds up to 175 miles an hour Tuesday night as it neared St. Croix, while Hurricane Jose, downgraded from its peak intensity as a Category 4 hurricane to a Category 1 system, has churned off the eastern seaboard with winds up to 75 miles an hour.

Three factors are fueling such intensity, experts said.

Warm Atlantic water—running two degrees Fahrenheit or so warmer than usual—is the engine that drives these storm systems and boosts their capacity to store more water vapor that can condense into torrential rains.

At the same time, weakening winds from the Pacific have reduced the wind shear that normally saps the strength of developing Atlantic

storms.

"That is a huge, huge player," said Gerry Bell, lead seasonal hurricane forecaster at the U.S. National Oceanic and Atmospheric Administration.

And over the Indian Ocean—far from the scene of the devastation in the U.S. and Caribbean—a tropical rainfall system called the Madden-Julian Oscillation is triggering the formation of the seeds of severe Atlantic storm systems. Its hot, roiling air spins off small atmospheric disruptions that drift across Africa and, under the right conditions, can develop into the beginnings of destructive Atlantic storms.

"Right now we are at the peak of a very active season," Dr. Bell said. "We know there will be more storms—not just more storms forming but more storms threatening populated areas, he said.

—Robert Lee Hotz

calls to the island were unsuccessful.

French Interior Minister Gérard Collomb said initial searches after the passage of the storm revealed limited damage on the island of Martinique, just south of Dominica.

On Guadeloupe, cleanup crews began work to clear roads and assess damage as the storm moved away from the island, where it left 80,000 homes without electricity. The island's prefecture said one person was killed by a falling tree, and two people were reported missing after a vessel capsized off the small island of La Désirade.

Jean-Michel Jumez, a local French official, said there is concern about the islands of Marie-Galante and Les Saintes, which lie close to Maria's path

to the south of Guadeloupe, and officials were still trying to establish contact with those islands, he said. "Communication has been very difficult."

Maria had intensified from a tropical storm to a Category 5 hurricane in just 30 hours, with its top winds increasing to 160 miles an hour from 65 from Sunday afternoon to Monday night, the National Hurricane Center reported.

After weakening briefly from that landfall, the storm regained its strength as it moved northwest. Around 2 p.m. ET, the storm was located roughly 110 miles from St. Croix.

The Dominican Republic issued a hurricane warning for much of its northeastern coast, and tropical storm warnings elsewhere.

In Puerto Rico, Gov. Ricardo

Rosselló urged people in flood-prone and coastal areas to evacuate.

"It's not safe to be out on the streets, it's not safe to be in a house with a zinc roof, or in a wooden house, or in a flood area," Mr. Rosselló said at a news conference. "This is very serious. It's the most dangerous storm in a century in Puerto Rico."

Gov. Kenneth Mapp of the U.S. Virgin Islands said the eye of the storm was on track to hit the island of St. Croix after midnight.

"In effect, it will be a direct hit," the governor said. "We want folks to be safe, this is an extremely, extremely dangerous hurricane."

—Dudley Althaus
and Matthew Dalton
contributed to this article.

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U.S. NEWS

LATEST ACA REPEAL EFFORT PICKS UP SPEED

Talks to scrap most of health law are under way, but challenges linger

WASHINGTON—A last-chance push by Republicans to scrap the Affordable Care Act gained momentum but still faced formidable odds Tuesday, with some key Republican senators wavering in their support days before a possible vote.

By Stephanie Armour,
Kristina Peterson
and Louise Radnofsky

The latest drive to repeal most of the ACA has the backing of Senate Majority Leader Mitch McConnell (R., Ky.), who said Tuesday that Republicans “are in the process of discussing” whether to hold a vote on the legislation from GOP Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana. Republican leaders, anxious to avoid the risk of a second high-profile loss on an ACA repeal, are reluctant to bring the bill to a vote unless they are assured of passage.

The White House also threw its muscle behind the legislation. Vice President Mike Pence flew back Tuesday to Washington from United Nations meetings in New York to cheer on Republican senators, saying President Donald Trump and the administration are strongly behind the effort.



Sen. Lindsey Graham, center, and from left, GOP Sens. Roy Blunt, John Cornyn, John Barrasso, Bill Cassidy, Mitch McConnell and John Thune.

The health-care push comes

at a difficult time for GOP leaders, who have been sidelined this month as Mr. Trump cut deals with Democrats. Another high-profile failed vote would highlight Republicans’ difficulties in unifying around their legislative agenda, while a success would give them a chance to follow through on their promise to repeal the law

often called Obamacare.

Senate Republicans said Tuesday they hadn’t yet pinned down the 50 votes the legislation would need to pass, but were hopeful that a late push from the White House would boost support.

“It all comes down to arithmetic and whether we can get 50,” said Sen. John Thune (R., S.D.). “I don’t think we’re there

yet.”

A bipartisan group of 10 governors, including Bill Walker of Alaska, an independent, and Brian Sandoval of Nevada, a Republican, sent Mr. McConnell a letter urging him not to back the repeal bill.

Sen. Lisa Murkowski (R., Alaska) is a pivotal undecided vote, while Sen. Dean Heller (R., Nev.) is a supporter of the

Graham-Cassidy bill.

Tuesday evening, a group of 15 Republican governors sent a letter to Mr. McConnell in support of the legislation.

Sen. John McCain (R., Ariz.) is another key undecided vote.

The latest repeal effort would largely turn federal funding from the ACA into block grants that states could use to set up their own health

systems. It would also significantly cut funding for Medicaid.

A week ago, many lawmakers of both parties dismissed the proposal as a long shot. The bill has gained traction partly because Republicans were facing the unwelcome prospect of heading into the 2018 midterm elections carrying the burden of the failure of their repeal bill in July.

The Graham-Cassidy bill faces some of the same challenges that sank the earlier repeal effort, such as the concern of centrist Republicans that the proposal goes too far in rolling back the current health law. Republican leadership have scant time to build support, since the proposal must pass by Sept. 30, when a parliamentary vehicle that allows bills to pass the Senate with a simple majority expires.

Republicans, who hold a 52-48 Senate majority, can afford to lose only two GOP votes, and Sen. Rand Paul (R., Ky.) has said he is firmly opposed because he doesn’t see the Graham-Cassidy bill as a true ACA repeal.

Sen. Susan Collins (R., Maine) also has been critical of the legislation, saying on Tuesday that she was troubled by the bill’s expedited process and “very limited debate.”

—Michelle Hackman contributed to this article.

◆ Costs of employer health plans rise..... B3

GOP Senators Cite Budget Deal

BY RICHARD RUBIN
AND SIOBHAN HUGHES

WASHINGTON—Senate Republicans reached a deal that would allow tax cuts over the next decade, bridging party divides over trade-offs between tax cuts and budget deficits and taking an important step toward tax-overhaul legislation.

Sens. Pat Toomey (R., Pa.) and Bob Corker (R., Tenn.), representing opposing fiscal-policy viewpoints in the Senate Budget Committee, said Tuesday they struck the agreement, which senators said could lead to a committee vote as early as next week.

Mr. Toomey had been seeking tax cuts that might reduce revenue by as much as \$2 trillion over a decade. Mr. Corker, more wary of budget deficits, had been arguing for a smaller number. The number could be as much as \$1.5 trillion in revenue-reducing tax cuts, but neither senator would confirm the figure in advance of a for-

mal announcement.

Mr. Corker said he was willing to let the budget move ahead to get the tax bill started. He said he would judge the eventual tax plan by how much it encouraged economic growth and avoided increasing budget deficits.

“Those two guys had the biggest difference that we had to iron out, so I’m very encouraged,” said Sen. David Perdue (R., Ga.), a Budget Committee member.

The Republicans are eager to cut tax rates and rewrite the tax system before the 2018 midterm elections. If the House and Senate adopt the same fiscal 2018 budget, Republicans can use the fast-track process known as reconciliation to write and pass a tax bill with a simple majority—instead of a 60-vote threshold that would require Democratic support.

The Toomey-Corker agreement would allow Republicans to lower tax rates while making fewer tough decisions on

what tax breaks to eliminate to help pay for the cuts.

Republicans say their tax-cutting efforts will boost economic growth and generate revenue, reducing the actual impact on the deficit. Still, they may need to make some of the tax cuts expire after 10 years, leaving decisions to a future Congress they may not control.

They still have a long way to go. “While I know a lot of

people read things into what this budget agreement does,

the only thing it really does is begin the tax reform discussion,” Mr. Corker said.

The full Senate would need to vote on the budget, and Republicans could lose only two votes from their 52 members. Then they would need to align it with the House budget that came out of committee in July.

As written, the House budget likely doesn’t allow for as

large a tax cut as the Toomey-Corker pact and is tied to more than \$200 billion in cuts. Those gaps will require a House-Senate negotiation.

Then the House and Senate would each write their own tax bills. Those measures are likely to diverge from each other and force lawmakers into the trade-off debates and lobbying fights that have prevented a major rewrite of the tax code since 1986.

Campaign Funds Go To Trump Legal Bills

BY REBECCA BALLHAUS

President Donald Trump is using funds raised for the Republican National Committee and his 2020 presidential campaign to help pay for the team of private attorneys representing him in the probe of Russian interference in the 2016 election, according to two people familiar with the payments.

The payment arrangement isn’t permanent, and representatives of the campaign and party committee are still exploring whether they will continue to pay for Mr. Trump’s legal team, or whether he will consider other payment options, such as a legal-defense fund, according to one of the people familiar with the plans.

The RNC paid more than \$230,000 to help pay Mr. Trump’s legal fees, according to a person familiar with the payments. That included \$131,250 paid to Jay Sekulow and \$100,000 to John Dowd, two lawyers who joined the president’s legal team in June.

The RNC also paid two lawyers for Donald Trump Jr., the president’s eldest son. The committee paid \$166,527 to Alan Futterman, who was paid \$50,000 by the Trump campaign in June. The RNC also paid \$30,102 to Williams & Jensen, a law firm representing the younger Mr. Trump.

Mr. Trump’s campaign has paid nearly \$1 million to the Washington-based law firm Jones Day, on top of nearly \$3 million it paid the firm during the 2016 campaign for routine legal services, according to filings with the Federal Election Commission. Subsequently, the law firm has also represented the campaign in the Russia probe, helping in particular with document production, according to a person with knowledge of the work.

Mr. Trump, a billionaire, donated \$65 million to his campaign in the 2016 election cycle, but hasn’t made any donations to his 2020 campaign, according to his most recent campaign filings. The re-election committee raised \$9 million in the first six months of the year.

At the end of June, the last time the Trump campaign was required to disclose details of its fundraising and spending, it had nearly \$12 million in the bank. The RNC had \$47 million in the bank at the end of July. It will post its next disclosure on Wednesday.

The payment arrangement was reported by Reuters on Tuesday.

Special Counsel Interviewed Rosenstein on Comey’s Firing

BY ARUNA VISWANATHA
AND DEL QUENTIN WILBER

Special Counsel Robert Mueller’s office has interviewed Deputy Attorney General Rod Rosenstein about President Donald Trump’s firing of former FBI Director James Comey, according to people familiar with the investigation.

The interview, which occurred in June or July, presents the unusual situation of investigators questioning the person overseeing their probe. Mr. Mueller’s office is investigating Russia’s alleged meddling in the 2016 election, whether anyone in the Trump campaign coordinated with Moscow’s efforts, and related matters.

Mr. Mueller as special counsel has a good deal of independence, but he ultimately answers to Mr. Rosenstein, because Attorney General Jeff Sessions recused himself from the investigation.

The special counsel’s handling of the interview could be a sign that Mr. Mueller’s team doesn’t view Mr. Rosenstein as a central witness in its probe, as the deputy attorney general hasn’t withdrawn himself from overseeing it since that interview. A key witness would likely have to take such a step.

“It is unusual,” said Peter Zeidenberg, a former federal prosecutor. “But my inference

is that they are not viewing him as a potential critical witness, because either the testimony isn’t that critical or there are other people that can say the same thing.”

Ian Prior, a spokesman for the Justice Department, said in a statement, “As the deputy attorney general has said numerous times, if there comes a time when he needs to recuse, he will. However, nothing has changed.”

Mr. Mueller’s office declined to comment.

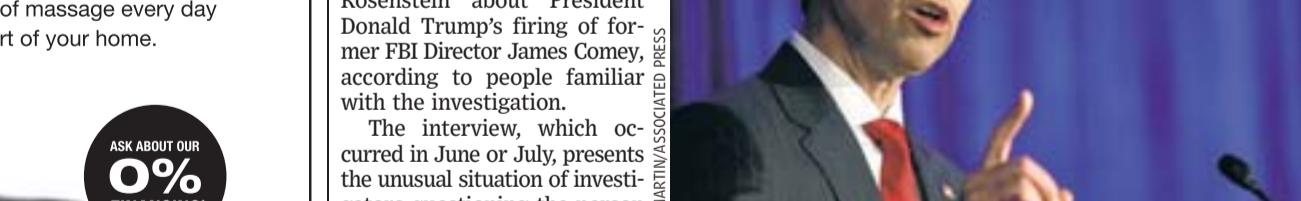
The federal probe was initially led by Mr. Comey. After the president fired him, Mr. Rosenstein named Mr. Mueller to serve as special counsel.

Mr. Trump has denied any

involvement with Russia. Russia has denied U.S. intelligence agencies’ findings that it sought to influence the election.

In the interview with the special counsel’s office, Mr. Rosenstein said that in a May 8 meeting with Mr. Trump, the president said that he knew that firing Mr. Comey wouldn’t end the Russia investigation, according to a person familiar with the interview.

The special counsel has been investigating whether Mr. Trump sought to obstruct justice by firing Mr. Comey. Legal experts say proving Mr. Trump obstructed justice would be difficult for a variety of reasons, including his authority as president to fire the FBI director.



Deputy Attorney General Rod Rosenstein oversees the probe.

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U.S. NEWS

Lawsuit Highlights Online Reviews

Defamation case involving a Chicago woman is scheduled to go to trial next year

BY JOE PALAZZOLO

A defamation lawsuit filed by an Ohio plastic surgeon that is slated to go to trial early next year could have far-reaching consequences for disputes between doctors and their patients over online reviews about the quality of medical care, according to legal experts.

Dr. Bahman Guyuron, former chairman of the department of plastic surgery at Case Western Reserve University School of Medicine, sued Marisa User in 2015 over anonymous reviews she had posted on the cosmetic-surgery website RealSelf and other sites where patients swap information about doctors.

Ms. User, who lives in Chicago, wrote on the site that she went to Dr. Guyuron for surgery to alleviate nasal congestion and for minor cosmetic work to her nose. After two procedures, Ms. User wrote in 2013, her breathing problems were worse and her nose was less attractive, leaving her with "confidence that has been destroyed."

Dr. Guyuron's lawsuit says that Ms. User's RealSelf review and her subsequent reviews on Yelp and RateMDs.com are rife with false information. The lawsuit seeks unspecified damages.

Ms. User's "relentless, vindictive and false accusations" compelled him to file the lawsuit, Dr. Guyuron said in an



Dr. Bahman Guyuron, an Ohio plastic surgeon, has sued a former patient over online reviews.

over online reviews.

"Given how few defamation cases go to trial—and cases involving doctors are even more rare—any trial would be an important signpost for future litigation," said Sara Kropf, a lawyer in Washington, D.C., who provides legal advice to doctors regarding patient reviews.

Ms. User said in a phone interview that Dr. Guyuron offered in February to drop the case if she agreed to take down the reviews and pay \$700,000, a settlement she said she couldn't afford to pay. He has since increased the amount to \$1.8 million, Ms. User said. Dr. Guyuron and his lawyers declined to comment on the settlement discussions.

Dr. Guyuron's lawsuit is scheduled to go to trial in February in the Cuyahoga County Court of Common Pleas.

Ms. User said in online reviews that the surgery resulted in her nostril collapsing when she breathes through her nose, requiring her to sleep with a breathing aid, and made her nose wider, despite Dr. Guyuron's promises to the contrary.

A second procedure also by Dr. Guyuron failed to fix the problems, she said in a RealSelf review.

Dr. Guyuron, in a deposition, said Ms. User exaggerated the surgery's impact on the width of her nose and her nostril. Ms. User also made false statements in her reviews about Dr. Guyuron guaranteeing certain results and providing inadequate follow-up care, among other things, his lawyers, Thomas Barni and Jason Hochman, said in court documents filed earlier this year.

Makers Of Opioids Are Asked For Data

BY THOMAS MACMILLAN

A group of states investigating the opioid painkiller industry and the causes of widespread addiction has stepped up its probe with a fresh demand for documents from drugmakers and distributors.

States including New York, California and Tennessee announced the moves, saying a group of 41 attorneys general served subpoenas on five manufacturers and demanded documents from the three companies that account for about 90% of the U.S. opioid distribution: AmerisourceBergen Corp., Cardinal Health, and McKesson Corp.

"For millions of Americans, their personal battle with opioid addiction did not start in a back alley with a tourniquet and syringe," New York Attorney General Eric Schneiderman said. "They got hooked on medicine they were prescribed for pain or that they found in a medicine cabinet."

States including Ohio and Mississippi have filed lawsuits against drug companies, alleging they misrepresented the risks of their painkillers.

Representatives for the three distributors said they were cooperating with the investigation. Healthcare Distribution Alliance, a trade group, said distributors welcome a discussion of the epidemic but aren't responsible for an increase in prescriptions.

Soda Health-Warning Rule In San Francisco Blocked

BY SARA RANDAZZO

A San Francisco ordinance that would require soda advertisements to include a prominent warning about the health effects of sugary drinks likely violates beverage makers' First Amendment rights, a federal appeals court ruled on Tuesday.

The three-judge panel of the Ninth U.S. Circuit Court of Appeals found the ordinance stifles commercial speech and unfairly targets soda over other potentially unhealthy food and drinks. The panel blocked the rule from going into effect.

The San Francisco ordinance, passed in 2015, requires advertisements for certain sugar-sweetened drinks to include a disclaimer that says:

"WARNING: Drinking beverages with added sugar(s) contributes to obesity, diabetes, and tooth decay. This is a message from the City and County of San Francisco."

The notice must be set apart and take up 20% of any advertisements for nonalcoholic beverages that contain added sweeteners and more than 25 calories per 12 ounces, which includes sodas and sports drinks.

The rule was set to go into effect in the summer of 2016, but a district court judge halted its implementation in response to a court challenge from the American Beverage Association.

The Ninth Circuit questioned the accuracy of the proposed language, saying it doesn't include necessary information for

consumers, like that the volume of consumption and other consumer behavior can contribute to any health risk.

A spokesman for San Francisco City Attorney Dennis Herrera said they are disappointed and evaluating all options, and that "San Francisco remains committed to being a leader when it comes to protecting the health of our residents, especially our children."

The American Beverage Association said the decision "affirms our position that the San Francisco warning mandate not only violates the constitutional right to free speech but it is also deceptive and misleading to consumers."

—Jennifer Maloney contributed to this article.

COURTS

Solicitor-General Pick Confirmed by Senate

The Senate confirmed Noel Francisco as U.S. solicitor general Tuesday, just ahead of a Supreme Court term that will see the Trump administration facing legal challenges on a range of issues.

The Senate split 50-to-47 along partisan lines, reflecting a distrust among some Democrats of any lawyer who would step forward to pursue President Donald Trump's legal agenda.

The solicitor general represents the federal government before the Supreme Court.

"I am confident that Noel will continue to be a tireless champion for justice and look forward to him being a central figure in our commitment to the classical understanding of law and jurisprudence," Attorney General Jeff Sessions said after the vote.

—Jess Bravin

IMMIGRATION POLICY

Venture-Capital Group Sues Administration

A group representing U.S. venture-capital investors is leading a lawsuit against the Trump administration, claiming it took illegal steps to prevent an immigration policy that would have helped foreign-born company founders stay in the U.S. to build startups.

The rule, enacted in the final days of the Obama administration, would have let foreign entrepreneurs apply to work in the U.S. if their startup raised \$250,000 from established U.S. investors, or showed other compelling evidence of potential for rapid growth.

A DHS spokesman declined to comment on the legislation from the National Venture Capital Association.

—Douglas MacMillan

LOUISIANA

Man Is Arrested in String of Shootings

A 23-year-old white man arrested Tuesday was accused of killing two black men and firing on a black family in a string of attacks that police say may have been racially motivated.

Investigators said DNA on shell casings and other evidence linked Kenneth James Gleason to the crimes, and a law-enforcement official said a copy of an Adolf Hitler speech was found at his home.

Mr. Gleason will be charged with first-degree murder in the separate shooting deaths last week of a homeless man and a dishwasher, authorities said.

"I feel confident that this killer would have killed again," interim Police Chief Jonny Dunnam said.

Mr. Gleason's attorney said his client "vehemently denies guilt."

—Associated Press

TOYS

Continued from Page One
uity deals, the original purchase was funded with significant debt.

Paying back that debt has cost Toys "R" Us dearly, with nearly \$6 billion in total interest payments, including a combined \$910 million in 2016 and 2017. And the company hasn't made progress reining in its heavy debt load during its 12 years under private ownership, as virtually all excess cash was earmarked for reinvestment. At the end of the quarter after the deal's close, the retailer's net debt was 7.2 times its earnings before interest, taxes, depreciation and amortization. As of the end of this year's first quarter, the leverage ratio stood at 7.8 times.

"The \$400 million a year in debt service was really constrictive as they were trying to compete," said Katherine Waldeck, a finance professor at Georgetown University's McDonough School of Business.

Chief Executive David Brandon said in court papers Tuesday that Toys "R" Us has been hampered by its "significant leverage," and the result is "the company has fallen behind some of its primary competitors on various fronts, including with regard to general upkeep and the condition of our stores, our inability to provide expedited shipping options, and our lack of a subscription-based delivery service."

The deal recalls a time when doing buyouts with multiple partners was popular because



Toys 'R' Us CEO David Brandon, above, said in court papers that the company has been hampered by its 'significant leverage.'

it opened up a wider array of big targets. These so-called club deals have fallen out of favor in recent years as limited partners who were often invested in more than one buyer's funds pushed back. That has helped shrink the size of private-equity deals.

Club deals also created a challenge when it came to managing companies.

At Toys "R" Us, differences emerged among the three owners over whether to manage the company for growth. As a real-estate investment trust, Vornado was more focused on the retailer's asset value and on profiting from its real estate.

"At Toys, we invested in a club with two renowned private-equity firms who are focused on improving operations

and growing earnings," Vornado Chief Executive Steven Roth wrote in an April 2015 letter to investors. "Our suggestions of realizing value through real estate played second fiddle."

While some unprofitable stores were sold, Gerald Storch, who was CEO in the early stages of the buyout, led a push to combine the Toys "R" Us and Babies "R" Us brands under the same roofs and remodel the stores. The company beefed up its marketing and began selling online through its own websites.

The new superstores got high marks from consumers and helped Toys "R" Us post stronger sales, but the retailer's heavy debt load meant it was only able to convert 14%

Detrimental Debt

Nine of the 10 biggest retail bankruptcies by debt this year, Perfumania excluded, were backed by private equity.

| RETAILER | DEBT AT TIME OF FILING | NUMBER OF STORES |
|--------------------|------------------------|------------------|
| Toys 'R' Us | \$5.3 billion | 1,600 |
| Gymboree | \$1.1 | 1,344 |
| Payless | \$1.0 | about 3,500 |
| Rue21 | \$832 million | 1,179 |
| True Religion | \$535 | 140 |
| BCBG Max Azria | \$460 | 146 |
| Gander Mountain | \$441 | 160 |
| Perfumania | \$199 | 226 |
| RadioShack | \$143 | about 1,500 |
| Eastern Outfitters | \$96 | 86 |

Sources: BDO USA; court filings

squeezed.

By the time Mr. Brandon, a veteran of Domino's Pizza and Valassis Communications Inc., took over the top spot after Mr. Urcelay retired in 2015, the company was primarily focused on maximizing cash flow, according to a person familiar with the matter.

One strategy Toys "R" Us could have pursued after it pulled the IPO was to carve off and sell its businesses in Canada, Japan, Europe and China—markets where the competitive dynamics were better than in the U.S. But the owners believed the process of separating these businesses would be too complicated and decided against such a move, according to people familiar with the matter.

Toys "R" Us has lined up a \$3.1 billion bankruptcy loan, and received court approval Tuesday to begin using roughly \$1 billion toward servicing its bank debt, paying vendors to keep shipments coming, and paying employees.

The company's attorneys said Tuesday this bankruptcy loan is vital to allowing Toys "R" Us to buy inventory for the crucial holiday season.

"I don't view this necessarily as a doomsday," said Louis Cisz, a bankruptcy and restructuring attorney at Nixon Peabody LLP, which isn't involved with the restructuring.

"There's no immediate plan to close stores. They're going to pay vendors in order to build up inventory. Those are positive signs under the circumstances."

—Suzanne Kapner contributed to this article.

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WORLD NEWS

Earthquake Hits Mexico, Killing Scores

Magnitude 7.1 tremor collapses buildings; teams dig for children trapped under school

By DUDLEY ALTHAUS
AND SANTIAGO PEREZ

MEXICO CITY—Central Mexico was rocked by a 7.1 magnitude earthquake that collapsed scores of buildings in Mexico City, killing at least 149 people in a toll that was rising by the hour Tuesday night.

In the south of the capital, a heart-wrenching scene played out at a primary school that collapsed, officials said.

Twenty children and two adults were killed at the Enrique Rebsamen school, Mexican President Enrique Peña Nieto said late Tuesday after visiting the site. At least 30 second-grade students were still missing, along with eight adults, authorities said.

Tuesday's earthquake struck on the anniversary of a devastating 1985 earthquake and



Rescuers carry a woman pulled from rubble in Mexico City. At least 149 people were killed and the death toll was expected to rise.

less than two weeks after another big quake struck the country. Officials said the death toll was sure to rise, given the number of collapsed buildings. Messages flooded social media listing missing colleagues, students and loved ones.

The state of Morelos, whose

border sits on the quake's epicenter, said at least 55 people had been killed. Mexico City's government reported another 49 killed, while Puebla state tallied another 32 dead. Other states also reported casualties.

The quake was unusually close to Mexico City, located just 60 miles south of the capi-

tal in Chiautla de Tapia, a small town in neighboring Puebla state, according to Mexico's seismological service.

Video footage from the capital soon after the quake showed large plumes of dust rising up from collapsing buildings. Thousands of residents gathered in the streets, many

crying and frantically trying to contact loved ones. Within minutes, many rushed to help haul away rubble from toppled buildings and listen for the cries of those trapped beneath.

"It was horrible," said Maria Jose Jas, a 17-year-old preparatory student at a Catholic school in Mexico City that was

damaged by the tremor. "Everyone was trying to get out the door at the same time. We were terrified."

The quake struck on the anniversary of a 1985 earthquake measuring 8.1 that destroyed large sections of central Mexico City and killed at least 6,000 people. It also came just hours after authorities staged the annual earthquake drill in the capital.

It was the second big earthquake in less than a month after an 8.1 magnitude tremor struck southern Mexico on Sept. 7, killing nearly 100 people.

Mexico was also hit earlier this month by Hurricane Katia, which killed two.

Southeast of Mexico City, the Popocatépetl volcano sent a large cloud of ash into the sky on Tuesday.

"This is too much," said Marcos Santamaría, a 62-year-old retiree. "It's like we're cursed or something."

—Robbie Whelan and Juan Montes contributed to this article.

Myanmar to Allow 'Verified' Rohingya to Return Home



BY JAMES HOOKWAY

Myanmar's leader, Aung San Suu Kyi, defended her country's treatment of ethnic-Rohingya Muslims, saying her country had nothing to fear from international scrutiny after more than 410,000 Rohingya fled to Bangladesh over the past three weeks to escape Myanmar's armed forces.

Speaking to foreign diplomats in the national capital Naypyitaw on Tuesday, Ms. Suu Kyi said her government would investigate all allegations of human-rights abuses along her country's western border, and said that Myanmar would allow Rohingya who could prove they had lived in the country to return.

"We are ready to start the verification process at any time," she said.

But Ms. Suu Kyi, who holds the post of state counselor, also urged the rest of the world to view the crisis as an opportunity to address all the ethnic conflicts in the Buddhist-majority nation, not just in troubled Rakhine State, where Rohingya live. Myanmar, she said, had never been "soft on human rights."

Ms. Suu Kyi's government has faced growing international pressure as refugees continue to pour into Bangladesh—many of them without any kind of documentation. Myanmar regards the Rohingya as illegal immigrants.

Secretary of State Rex Til-

erson discussed the plight of Rohingya refugees with Ms. Suu Kyi in a telephone call on Tuesday. He urged the Burmese government and military to facilitate humanitarian aid and to confront allegations of human-rights abuses, State Department spokeswoman Heather Nauert said.

Former colonial ruler Britain warned at the United Nations on Monday that Myanmar, also known as Burma, would face close scrutiny if Ms. Suu Kyi didn't move to end the military's campaign against the Rohingya.

Other countries, notably India and China, have been supportive of Myanmar's military operations along its western border. Chinese Foreign Minis-

ter Wang Yi told U.N. Secretary-General António Guterres in New York on Monday that Beijing "understands and supports" Myanmar's efforts to step up security in the area, according to a statement from China's Foreign Ministry.

The exodus began on Aug. 25 when militants calling themselves the Arakan Rohingya Salvation Army launched a series of coordinate attacks on government outposts in Rakhine State, on the country's western border, killing 12 people.

Myanmar's armed forces responded by torching Rohingya villages and in some instances shooting villagers as they fled toward the border with Bangladesh.

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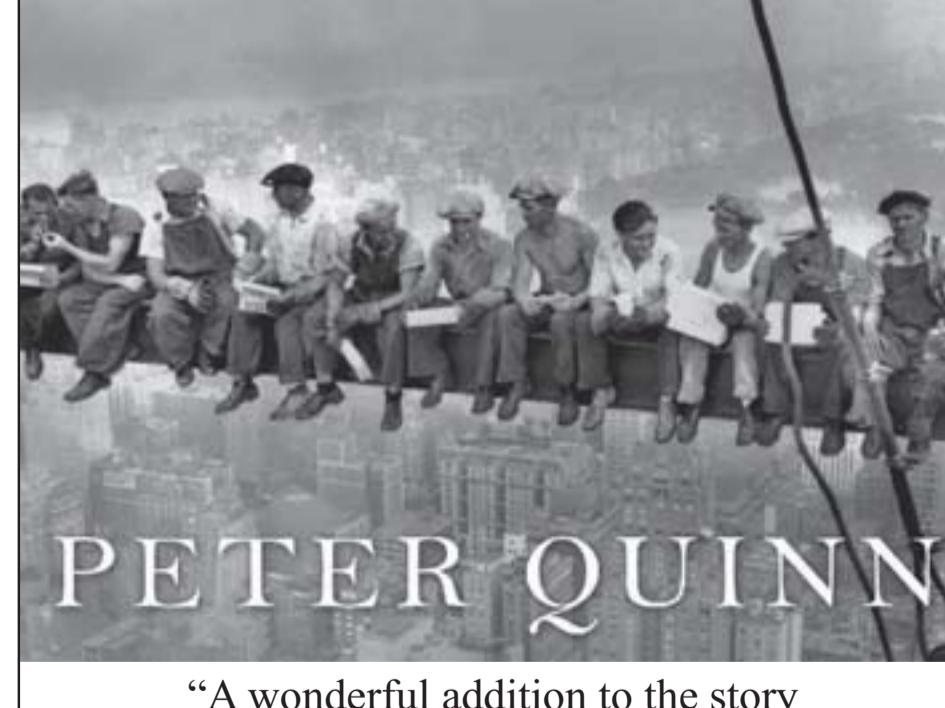
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WORLD NEWS

U.K. Bomb Suspect's Planning Is Probed

BY JENNY GROSS
AND JASON DOUGLAS

LONDON—Police are investigating whether an 18-year-old refugee suspected of planting a bomb on a London subway car practiced building the device in a shed in his foster home's backyard, a Western security official said.

Investigators over the weekend searched the house in Sunbury-on-Thames, a London suburb where neighbors said the young man arrested in connection with the attack had been living. The Western security official confirmed neighbors' description of him as a refugee from the Middle East. Police haven't released his name.

Investigators are sifting through the man's online and phone records for clues on how he was allegedly radicalized and how he learned to build the hydrogen-peroxide-based explosive TATP bomb, the official said.

Police said Tuesday they arrested a third man, 25 years old, in connection with the attack at an address in Newport, Wales. On Saturday, police arrested a 21-year-old man in West London.

"Detectives are carrying out extensive inquiries to determine the full facts behind the attack," said Commander Dean Haydon, head of the Metropolitan Police's Counter Terrorism Command.

The improvised device partially exploded on a crowded train during the Friday morning rush hour, leaving 30 people injured in the fifth terrorist attack to hit the U.K. since March.

Triacetone triperoxide, or TATP, bombs have been used in recent Islamist terrorist attacks in Europe, including this year in Manchester, when suicide bomber Salman Abedi killed 22 people outside an Ariana Grande concert.

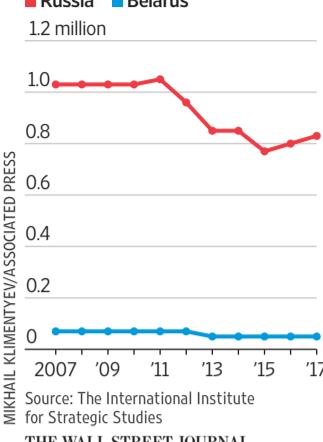


President Vladimir Putin and other Russian officials watched a military exercise at the Luzhsky Range near St. Petersburg on Monday.

Out in Force

Russia is making significant investments to modernize its forces.

Number of active military



Source: The International Institute for Strategic Studies

THE WALL STREET JOURNAL.

War Games Rankle Moscow Ally

BY THOMAS GROVE

MINSK, Belarus—War games that Russia and neighboring Belarus have been staging have sharpened tensions with the West—and exposed a rift between Moscow and its closest military ally.

On paper, Belarus and Russia have a tight alliance. The former Soviet republic, which shares borders with three members of the North Atlantic Treaty Organization, is sworn to come to Moscow's aid in the event of an attack.

But Minsk bristled when Russia sought to move more of its soldiers into Belarus during the joint exercises, which continued Monday as Chinese naval vessels arrived in Russia's far-eastern port of Vladivostok for separate joint exercises.

When Russia's defense ministry said that a premier tank unit was rolling toward the Belarus border and that three Russian paratrooper divisions were to land on Belarusian soil, the Belarus defense ministry contradicted that.

"None of this was agreed with Belarus beforehand," said Arseny Sivitsky, director of the Minsk-based Center for Strategic and Foreign Policy

Video Footage Suggests Russia Bombed Vehicles

MOSCOW—Russia's large-scale war games have been lighting up the internet, after video footage emerged that appeared to show a helicopter inadvertently launching rockets toward vehicles parked at a military training range in western Russia.

Russian news websites posted video clips on Tuesday said to be filmed during Zapad, a series of joint military drills that Russia and neighbor-

ing Belarus have held over the past week. The footage appears to show a Ka-52 attack helicopter firing air-to-ground rockets toward a group of vehicles, including a military truck and civilian cars.

Footage posted by the news site 66.ru showed the rockets landing close to the military truck. The smoke from the blast envelops one person in the center of the frame, and the person holding the camera falls to the ground.

The independent news site Fontanka.ru posted video of the apparent aftermath, with a military truck with camouflage

netting peppered with shrapnel. The tabloid site Life.ru said three people were injured.

In a statement to the news agency Interfax, the press service of Russia's Western Military District denied the incident, saying, "All the reports on social networks about volleys [fire] on a crowd of journalists, or a large number of seriously wounded are deliberate provocation or someone's personal stupidity."

The exercises, which conclude Wednesday, have drawn major international media scrutiny.

—Nathan Hodge

Studies, which has ties to the Belarus foreign and defense ministries.

Relations have fallen to such an extent that Russian President Vladimir Putin and his counterpart in Belarus, Alexander Lukashenko, are likely not to meet during the exercises, a break with tradition.

Mr. Lukashenko's spokeswoman told the Belarusian state news service that he wasn't even invited to watch parallel exercises that Moscow is conducting in Russia.

Kremlin spokesman Dmitry Peskov said no problems existed between the two presidents and their failure to meet was due to the busy schedules of the leaders.

The rift is emerging as Mr. Lukashenko, often called "Europe's last dictator," takes steps to normalize ties with the West.

Belarus has said it wants to join the World Trade Organization in the next three years to give the country a chance to negotiate trade deals with

the European Union.

Such overtures have irritated the Kremlin, especially following the uprising that ousted a pro-Russia president in Ukraine, which borders both Russia and Belarus.

Moscow subsequently invaded and annexed Crimea in 2014, which ratcheted up tensions between Russia and NATO.

The current joint military exercises, known as Zapad, are one of the largest such events Russia has conducted since the

end of the Cold War. Officially, the exercises are supposed to involve 12,700 soldiers deployed in both countries, with most of the training taking place on Belarusian soil.

But Western and Belarusian observers have put the number of Russian troops involved in the war games at between 70,000 and 120,000. Mr. Putin on Monday watched one of the Zapad drills at a training range outside his hometown of St. Petersburg.

The military drills, set to last until Wednesday, had already increased tensions between Russia and the West. Before the exercises, Western officials and Belarusian analysts said Russia might try to use the cover of the exercises to establish a permanent military contingent on Belarusian soil.

Russia is also carrying out a number of maneuvers on its own territory that involve large numbers of troops, military experts say. Russia hasn't said how many soldiers are participating in those overlapping exercises, but its Northern Fleet and Southern military district have also been involved in maneuvers since the start of Zapad.

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WORLD NEWS

Trump Signals U.S.'s Return to Realpolitik



CAPITAL JOURNAL

By Gerald F. Seib

Early in his maiden speech to the United Nations General Assembly on Tuesday, President Donald Trump offered fellow world leaders the best, most concise summary he's ever provided of his approach to world affairs: "We are guided by outcomes, not ideology," he declared.

Having prepared his listeners for some blunt, hard-nosed pragmatism, Mr. Trump de-

livered just that. In many ways, in fact, his address marked the return of U.S. foreign policy to realpolitik: a set of principles and precepts based on practical considerations rather than philosophical or moral calculations.

And while his predecessors might have cloaked their threats and grievances in a rhetorical velvet glove while at the U.N., Mr. Trump took off that glove while delivering the most important and revealing speech of his young presidency.

He declared that if the U.S. is forced to defend against North Korea's nuclear weapons and ballistic missiles, "we will have no choice but to totally destroy North Korea."

In the president's terminology, Kim Jong Un wasn't the leader of North Korea, but rather the "Rocket Man...on a suicide mission."



EDUARDO MUNOZ/REUTERS

President Trump told the United Nations the U.S. may 'totally destroy' North Korea if it has to take action against the Pyongyang regime.

Iran, a country his predecessor spent years seeking to engage, is, in Mr. Trump's description, a nation engaged in the "pursuit of death and destruction." As for the nuclear deal with Iran that President Barack Obama's team labored to negotiate, Mr. Trump branded it "one of the worst and most one-sided transactions the United States has ever entered into" and "an embarrassment."

Mr. Trump also warned that the U.S. is prepared to take further, undefined steps to change the course of Venezuela's socialist regime. And, while he offered words of thanks to China and Russia

for help on other matters, he indirectly called them out for their aggressive behavior in their neighborhoods: "We must reject threats to sovereignty, from the Ukraine to the South China Sea. We must uphold respect for law, respect for borders and respect for culture, and the peaceful engagement these allow."

Both the stark nature of Mr. Trump's messages and his willingness to deliver them from the U.N. podium were unprecedented for an American president. The U.N. audience got Trumpism in its pure, unvarnished form.

In one of the most intriguing sections of the speech, Mr. Trump attempted to define what his "America First" approach to the presidency really means, in terms specifically designed to appeal to fellow world leaders nervous about the concept.

"As president of the United States, I will always put America first, just like you, as the leaders of your countries, will always and should always put your countries first. All responsible leaders have an obligation to serve their own citizens, and the nation-state remains the best vehicle for elevating the human condition."

That final line represented a dig at the notion that instantaneous world-wide communications and the free flow of goods and people are making traditional national identities obsolete. The Trump message is the opposite: Nations and borders matter no less in the era of globalization.

Afterward, some said they found the president's bluntness refreshing, others alarming. But all who listened came away understanding that the Trump Doctrine is the doctrine of transactions: I am not disengaging from the world, he seemed to be saying, but rather engaging with it on

my terms, and purely in pursuit of American interests.

The address had some broader strokes as well. In fact, it was almost two speeches back-to-back.

The first segment offered some of the more traditional odes to American ideals and leadership: "In America, we do not seek to impose our way of life on anyone, but rather to let it shine as an example for everyone to watch," Mr. Trump declared. "In America the people govern, the people rule and the people are sovereign."

From there, he moved into the second section, marked by direct messages to American foes. His warnings to North Korea will get the most attention, and raise the question of whether such threats are more likely to scare North Korea away from nuclear weapons or deepen its belief it needs them for protection.

Yet the most dramatic departure from the approach of the Obama administration came in his discussion of Iran. Mr. Obama saw Iran as a country to be engaged and slowly pulled away from its revolutionary moorings and into the international mainstream. Mr. Trump suggested no patience for such a course. Instead, he virtually called for Iranians to effect a regime change.

"Oppressive regimes cannot endure forever, and the day will come when the people will face a choice: Will they continue down the path of poverty, bloodshed and terror, or will the Iranian people return to the nation's proud roots as a center of civilization, culture and wealth, where their people can be happy and prosperous once again?"

WORLD WATCH

KENYA

Tear Gas Fired at Kenyatta Loyalists

Police fired tear gas at supporters of President Uhuru Kenyatta who were protesting outside the Supreme Court.

The protests came a day after petitions were filed asking the Judicial Service Commission to remove Chief Justice David Maraga and two other justices following a court order this month that nullified Mr. Kenyatta's Aug. 8 re-election and ordered a new vote for Oct. 17.

Mr. Maraga said the protests were aimed at intimidating the judiciary. —Associated Press

HUNGARY

Central Bank Cuts One Policy Rate

Hungary's central bank cut its overnight deposit rate of interest further into negative territory in an effort to curb the country's strengthening currency.

The bank cut the rate it pays on deposits placed with it overnight by commercial banks to minus 0.15% from minus 0.05%.

—Paul Hannon

TRUMP

Continued from Page One
nations to cooperate. Israel, a close U.S. ally, applauded his stand on Iran.

"In over 30 years in my experience with the U.N., I never heard a bolder or more courageous speech," Prime Minister Benjamin Netanyahu of Israel said in a statement issued after the address.

But the antipathy Messrs. Trump and Netanyahu share toward the 2015 Iran nuclear agreement runs counter to the consensus among other world leaders, who see the agreement as working.

Some said they found Mr. Trump's stance on North Korea alarming. Among his most forceful comments: "The United States has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea."

"There was visible shock in the room," one diplomat said. A U.N. official said, "He used the U.N.'s platform to declare war on North Korea."

The European Union's foreign policy chief, Federica Mogherini, was openly critical of Mr. Trump's remarks. "We

Netanyahu, at U.N., Says Israel Will Act To Curb Tehran

Israeli Prime Minister Benjamin Netanyahu told the United Nations General Assembly that his country would act to prevent Iran from establishing a permanent military presence in Syria, the same day the Israeli military said it shot down an Iranian-made drone.

Echoing a speech by U.S.

never talk about destroying another country, but bringing peace," she said.

Iranian Foreign Minister Javad Zarif tweeted after Mr. Trump's speech: "Trump's ignorant hate speech belongs in medieval times—not the 21st Century U.N.—unworthy of a reply."

Some U.S. political leaders praised the speech. "President Trump gave a strong and needed challenge to U.N. members to live up to its charter and to confront global challenges," said Mitt Romney, the 2012 GOP presidential candidate and former contender to be Mr. Trump's Secretary of State.

French President Emmanuel

President Donald Trump, the Israeli leader on Tuesday also lambasted the landmark 2015 nuclear deal between Iran and six world powers, telling the group of nations to "fix or nix" the agreement.

"Those who threaten us with annihilation put themselves in mortal peril," Mr. Netanyahu told the U.N., in a direct message to Iran.

Earlier on Tuesday, the Israeli military said it had downed an unmanned aerial vehicle with a Patriot missile-

defense system over the Golan Heights after it came near but failed to reach Israeli-controlled airspace.

The drone took off from the Syrian capital of Damascus on a reconnaissance mission for the Lebanese militant group Hezbollah, an ally of Syrian President Bashar al-Assad, the military said.

There was no immediate response to Israel's claim about the downed drone from Hezbollah or the Syrian regime.

—Rory Jones

will not close any door to dialogue." On the Iran nuclear agreement, he said he had urged Mr. Trump in a meeting Monday to retain the deal.

"I don't understand what the substitute plan is. If we simply throw away this agreement we can't replace it," Mr. Macron told reporters.

Mr. Trump withdrew the U.S. from the Paris climate agreement earlier this year, but Mr. Macron, saying the "planet will not negotiate with us," left the door open for a return.

In his address, Mr. Trump also singled out Cuba and Venezuela as civil-rights violators. He said Venezuelan President Nicolás Maduro's government

French's Macron delivered an emphatic defense of multilateral diplomacy.

address after hearing the U.S. president speak, according to a European diplomat.

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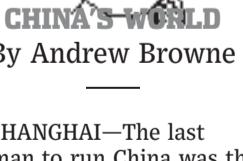
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Women Are Still Late to the Party at Upper Reaches of the Politburo



CHINA'S WORLD

By Andrew Browne

SHANGHAI—The last woman to run China was the Dowager Empress more than a century ago.

On current trends, it could be another hundred years before a woman takes charge again. A country that officially promotes equality between the sexes is a men-only bastion at the very top. No woman has ever climbed as high as the Politburo Standing Committee, which currently has seven members led by Xi Jinping.

The wider Politburo isn't much more inclusive.

This dismal record will al-

most certainly go unchallenged during the party's next shuffle in a few weeks. As with so much in the political arena under Mr. Xi, China is heading backward on women's rights. He has compounded an unabashed sexism in senior party appointments with a broad assault on civil society, including feminist groups.

At the same time, Mr. Xi is reviving Confucian values to try to anchor the party's legitimacy in classical tradition. The glass ceiling in politics is now reinforced by a rigidly paternalistic philosophy.

This year, social-media sites lit up in protest after an expert on traditional culture, Ding Xuan, urged chastity for female students in a university lecture.

Feminist leaders are dismayed. Writing in the Paper, a state-owned news website, the activist Wang Xiaoneng bemoans a conservative backlash against feminists by men who portray them as

"objects with claws, a hateful face, bias against men and psychological distortions."

Others think the problem is deeply entrenched in the party, which the sociologist Li Yinhe argues are widespread around the world. "Among women politicians, the ones with a strong feminist inclination can hardly be selected; only those who don't make men feel threatened can," she wrote in a commentary after the latest U.S. presidential election.

But would more women in the Politburo, or even a female president, really make a difference? The evidence around Asia is mixed. Although the region has produced more women presidents, prime ministers and opposition leaders than any other in the modern era, they've done little to advance a pro-woman agenda more generally.

T he first democratically elected female Chinese leader, Taiwan's current President Tsai Ing-wen, breaks that mold. A lawyer, she worked her way up the political ladder. Even so, she is up against the legacy of Confucian thinking on the island. Former Vice President Annette Lu, a pioneer feminist, sought to marry traditional Chinese conceptions of an ideal woman—soft, domestic and chaste—with modern realities. Ahead of China's 19th Party congress next month, when most positions on the Politburo standing committee will turn over—President Xi and Prime Minister Li Keqiang will stay on—the prospects for change are dim. Women have never made up more than 10% of the party's Central Committee, from whose ranks the Politburo is drawn, writes Cheng Li, an expert on elite Chinese politics at the Brookings Institution.

Only two women serve on the current 25-member Politburo. The National People's Congress—China's legislative body—does a better job: 23% of its members are women, which is the global average for parliaments, according to data from the Inter-Parliamentary Union; the figure for the U.S. Congress is 19%.

At least in theory, hopes for gender equality were higher in the revolutionary era: "Women hold up half the sky," Mao declared. The party still counts freeing Chinese women from the bondage of arranged marriages and bringing them into the workforce as some of its most notable accomplishments.

As Mr. Xi turns back the clock, the state-sponsored All-China Women's Federation is taking note. It piled in with criticism of Ms. Ding's lecture and an article in one of its official publications urged more gender-equality education, arguing that, "Monsters and demons can only live in places where the sun doesn't shine."



ASSOCIATED PRESS

A female delegate from an ethnic minority left a plenary session for the National People's Congress in Beijing in March.

This dismal record will al-

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ON THIS JEWISH NEW YEAR, A REMINDER THAT THE STRENGTH OF THE JEWISH PEOPLE LIES IN OUR UNITY

I have devoted my adult life to fighting for the global Jewish community. I have worked to build a world where we are all united, where our community grows, where children are not afraid, where nothing stops Jewish people from achieving their dreams. I have sought a world where we are accepted by—and collaborate with—people of all religions, where anti-Semitism and the horrors of the past are relegated to the dustbin of history.

As we enter this new year, it is imperative that we remember these four basic principles:

We are one people

From the Orthodox to the secular, from the most conservative to the most liberal, Jews have always been strongest when we are united and care for each other.

Anti-Semitism and anti-Israel lies must be fought

The age-old hatred of Jews today now disguises itself as anti-Zionism, an irrational hatred of Israel we've seen in the halls of the U.N. and on college campuses in the form of the BDS movement. This hatred must end now.

We should never have to be afraid to practice our faith

No Jewish child wearing a yarmulke on his head or a star of David around his neck should walk in fear. All good people of faith must feel safe to express their beliefs.

We must never be silent

Jews learned the consequences of world silence. We must not be bystanders when Jews, Christians, Muslims or any other people are attacked. When people of any faith are attacked, we must speak out.

We at the World Jewish Congress will continue to work for a better and safer world, and we wish everyone a Happy New Year, filled with sweetness and peace. *שנה טובָה*.



Ronald S. Lauder
President, World Jewish Congress



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Publication of this message was paid for in full by Ronald S. Lauder.

IN DEPTH

ANTIFA

Continued from Page One
movement that has galvanized in opposition to Mr. Trump—creating a rift among its leaders, organizers and demonstrators about whether to denounce a radical fringe, some of whose antidiscrimination objectives, if not tactics, they share.

James Hannon, a psychotherapist and seasoned liberal organizer in Massachusetts who marched at a recent Boston rally against racism, said elements of the antifa movement that use confrontational tactics allow others to blur the line between leftist groups and the hate groups against which they protest.

"The social justice, the peace movement, the left or just progressives really have to start calling out the antifa and say, 'Hey, hey, hey, you don't represent us,'" said Mr. Hannon, 67 years old. "We're surrendering a moral high ground."

Following the Berkeley outbursts, House Minority Leader Nancy Pelosi, a California Democrat, condemned "the violent actions of people calling themselves antifa." Berkeley Mayor Jesse Arreguin, a Democrat, said "progressives need to disavow black bloc," a term used broadly for protesters wearing black who in recent years have used violent tactics like those espoused by some in the antifa movement.

Others on the left, however, are uncomfortable condemning such activists, particularly after last month's "Unite the Right" rally in Charlottesville. Seth Wispelwey, a United Church of Christ pastor, said he and a group of clergy who tried to block white supremacists from entering a city park were attacked and were saved only because protesters he identified as antifa stepped in and fought back.

"If antifa had not been there," said Mr. Wispelwey, who helped organize the Charlottesville clergy protest, "we could have been trampled."

Conservatives have blamed antifa for violence at a series of recent protests. Mr. Trump has consistently blamed "both sides" after confrontations, including in Charlottesville, where a driver with a history of Nazi sympathies allegedly rammed his car into a crowd, killing a woman.

'Bad dudes'

"Especially in light of the advent of antifa," Mr. Trump said last week, "if you look at what's going on there, you know, you have some pretty bad dudes on the other side also."

Mr. Trump's remarks, in particular after Charlottesville, were criticized by many on the left and right for not more clearly condemning neo-Nazis and white supremacists. Today, some liberals worry the antifa movement is undermining their efforts by, in effect, lending support to the president's claims that both the far left and far right are to blame.

During the civil-rights movement, the Rev. Martin Luther King Jr. and Malcolm X openly clashed over methods. Dr. King espoused nonviolence. Malcolm X pushed a more militant approach. In the late 1960s and early 1970s, groups such as the

JOSH EDELMAN/ASSOCIATED PRESS (TOP) JASON HENRY FOR THE WALL STREET JOURNAL (BOTTOM)



Demonstrators at the August rally in Berkeley, Calif., during which antifa protesters clashed with far-right activists.

Berkeley's Clash With Antifa

The late-August rally in Berkeley, Calif., showed the dilemma the antifa movement presents the left. The "No to Marxism in America" event was planned for Sunday, Aug. 27. Groups planning to protest organized counter-rallies.

In the weeks leading to it, some organizers—including the **National Lawyers Guild**, a protest group called Showing Up for Racial Justice, or SURJ, and representatives of groups identifying themselves as antifa—gathered to discuss tactics, said Dan Siegel, a member of the National Lawyers Guild and longtime leftist organizer.

Jeff Conant, a spokesman for SURJ's Bay Area chapter, said organizers decided against condemning any actions, including "physical confrontations," by demonstrators on the left. "We feel it serves the interests of white supremacists to divide progressive movements," he said.

Organizers took to internet message boards to ask protesters not to initiate any violence.

The right-wing event's organizer called it off two nights before it was to happen. Some sympathizers showed up anyway, and protesters went ahead with their counter-rally.

John Cookenboo, a 28-year-old warehouse worker, and Vincent Yochelson, a 23-year-old line cook, came to the Berkeley protest from neighboring Oakland with body armor, helmets and shields they had bought on eBay. They said they had hoped they wouldn't need the gear.

"I'm not going to let my friends get beat over the head or pepper sprayed," said Mr. Yochelson. "I'm going to do what I can to protect them."



John Cookenboo of Oakland, Calif., attended the Berkeley rally.

Though the young men both identified as antifa, they said they weren't part of any organized group. This loose structure makes protests such as the one in Berkeley hard to control. The protesters are all dressed alike, but no one is in charge. Much of the coordination, Mr. Cookenboo said, is done by word-of-mouth and on closed internet message boards.

"I try not to openly incite violence," Mr. Cookenboo said. "I don't feel like, at the end of the day, that accomplished too much."

Nonetheless, there was violence. One young man pepper sprayed a group of masked protesters who appeared to be antifa and was quickly set upon and beaten by at least five people dressed in black, one of them using a shield fashioned from a plastic trash can. When the young man was on the ground, another black-clad activist kicked him.

Protesters in dark get-ups set off smoke bombs, toppled police barricades and smashed the cam-

eras of some journalists and bystanders. "You do it again, I'll break your phone," a man in a Spider-Man mask told a Wall Street Journal reporter who was taking photographs.

City officials said 13 were arrested and two hospitalized. After the event, organizers and some demonstrators said that those who behaved aggressively didn't represent the majority and that things had gone well.

"It went wonderfully," said Tur-ha Ak, a leader of Community Ready Corps, an organization devoted to fighting white supremacy, though he acknowledged "some situations here and there."

He said that he didn't identify as antifa but that "they were there to protect the crowd, just like in Charlottesville."

Berkeley Mayor Jesse Arreguin disagreed: "We saw a large group of black-clad extremists who really turned a peaceful protest on its head."

—Ian Lovett

Black Panthers and Weather Underground condoned violence against authorities to further goals such as ending the Vietnam War.

Arthur Eckstein, a University of Maryland professor who was an activist at that time and wrote a recent book on the Weather Underground, said

left-wing groups today are grappling with the same question: How much violence, if any, is acceptable?

Antifa protesters are even more loosely organized than the far-right-wing groups they clash with, but they are united in their willingness to use physical force. And while some

groups identify themselves by that name, the term also is used more broadly to describe the tactics used by a range of groups—some of whom may reject the antifa label.

Most people associated with the movement appear to be young men, but women and older activists also take part.

Many are involved in other causes, such as socialism or anarchism. The term also can denote opposition to capitalism.

Tactics of people calling themselves antifa have ranged from shouting down those they deem bigots to more-aggressive measures. Police linked them to damaging property and throwing Molotov cocktails in February demonstrations that led University of California, Berkeley, to cancel an appearance of a speaker who was a Breitbart News Network writer at the time.

These tactics echo those that emerged more than a decade ago among radicals on the political far-left who committed violence at major demonstrations against world leaders, such as at the 1999 World Trade Organization's meetings in Seattle. Black-garbed protesters clashed there with police and hurled bricks through bank windows.

Brian Levin, a former New York City police officer and director of the Center for the Study of Hate and Extremism at California State University, San Bernardino, said multiple studies show that in the past 15 years, extremists with far-right ideologies have committed more violence—including homicides—"by a long shot" than have extreme leftists.

An August analysis by the Cato Institute, a libertarian think tank, using data from multiple sources reached a similar conclusion, finding that since 1992, 219 people have been killed in attacks by "nationalist and right wing terrorists"; 23 were killed by "left wing terrorists," including 13 since the start of 2016.

Mr. Levin said the resurgence of these competing extremes is still dangerous and is leading to an escalating number of violent confrontations between the two sides.

At protests in Boston and Berkeley, far-left groups initiated confrontations, leading to bipartisan complaints that antifa is imposing mob rule and denying others their rights to assemble—even though antifa protesters have made up only a small proportion of the crowds.

Some activists on the left, leery of mayhem, said they

Antifa Rumbles

A look at some of the movement's clashes in 2017

Feb. 1: Police link antifa to damaging property in demonstrations that lead University of California, Berkeley, to cancel an appearance by a Breitbart News Network writer.

June 4: Masked, black-clad counterprotesters clash with police at a free-speech rally in Portland, Ore.

Aug. 12: In Charlottesville, Va., white nationalists and antifa who oppose them engage in a violent confrontation.

Aug. 19: Wearing bandanas over their faces, antifa counterprotesters in Boston confront anyone they deem to be fascist.

Aug. 27: A mass protest opposing a 'No to Marxism' rally in Berkeley, Calif., turns violent as black-clad activists clash with a few conservative activists.

would no longer march with groups they call antifa. Samantha Pree-Stinson, a Green Party candidate for the Minneapolis City Council, said she finds the movement too unpredictable.

At a March antiracism rally in Minneapolis, she said, activists chanted "punch a Nazi in the face" and litigated on fire a scarecrow dressed as a white nationalist. "The people who end up taking the rap for it are black organizers," said Ms. Pree-Stinson, 36, who described herself as a black Latina.

In Boston, masked counterprotesters distributed fliers titled "WHY ANTIFA?" The leaflets criticized the "liberal" approach of believing that elections, courts, the Constitution, a free press and other institutions would "prevent things from going too far." They called for "uncompromising militancy" against fascists and said

'I try not to openly incite violence,' says John Cookenboo, who identifies as antifa.

antifa "must force their hate out of public spaces by any means necessary."

The approach worries Democratic political consultant and activism trainer Stefanie Coxe, 35, who joined more than 30,000 in Boston to counter a "free speech" rally. The initial lineup of attendees overlapped with headliners at the deadly Charlottesville rally. Organizers said the event had no links to white supremacy.

Boston's police commissioner said the event was overwhelmingly peaceful. Ms. Coxe agreed but said she felt unsettled at times by aggressive, masked activists. Any time one of them spotted someone they considered a "fascist," she said, they rushed to "get in people's faces."

"I had never felt unsafe because of my own side before," said Ms. Coxe. "I really think we have to ask ourselves, 'Are we helping to put down white supremacy, or are we helping to give them talking points?'"

BIRDS

Continued from Page One
theirs," says Joana Antunes, a 28-year-old lawyer who oversees the house with five other volunteers.

"Pigeons deserve and need dignity and quality of life," she says.

Across Europe, cities have been experimenting with pigeon eradication methods that are somewhat more sophisticated and humane than chasing them around with giant nets.

Barcelona created feeding centers where machines dispense contraceptive corn. Paris spends €22,000 per year on nesting areas where pigeon eggs are shaken so they won't develop. The U.K.'s Pigeon Control Advisory Service advises "using a non-lethal and holistic approach" to reduce pigeon numbers. This includes covering the eggs with paraffin oil to keep them from hatching.

Lisbon, where city officials say the bird population is above the normal level of five for every human, pigeons swarm cafes in search of scraps. Their droppings crown statues and coat antique architecture.

PATRICIA KOMSMA/NYT/REUTERS (TOP) THE WALL STREET JOURNAL (PHOTOS)



Lisbon's 'contraceptive pigeon house' (left) cost €12,000 to outfit. Above, caretakers will replace real pigeon eggs with fake ones (such as the one on the right) in hopes of slowly reducing the number of births.

friendly, but don't we kill pigs, cows and chickens without flinching?"

Miguel de Sepulveda Veloso, a member of Movimento Fórum Cidadania Lisboa, a civic group that seeks to safeguard Lisbon's historic buildings from hazards, including droppings, said he thinks treating pigeons humanely is a bit much. "Pigeons are a plague and should be treated as such," he said.

A few years ago, Ms. Antunes, the caretaker, said she first noticed the plight of pigeons when she was volunteering to help stray cats and dogs. She began rescuing some of the birds but discovered they had no support network. "I couldn't find organizations that accepted them," she recalled.

In 2015, Ms. Antunes delivered a speech at an animal rights march in Lisbon, calling for pigeon protections. That attracted followers who helped her found a pigeon rights group called "For the Life and Dignity of the Pigeons."

"I realized how affectionate and intelligent they are," Ms. Antunes said. "They are very sensitive creatures."

Her proposal to create the shelters was met with resistance by neighborhood councils re-

sponsible for overseeing them, said Celia Costa, who coordinates the project for city hall. The technique's adoption, she added, was "far from being consensual."

Pigeon caretakers have clashed with the city at times. Their demand to install a fire alarm and video surveillance to protect the birds from potential saboteurs was rejected. When the city tried to equip the house with a data-gathering sensor, Ms. Antunes and her cohorts nixed the idea, saying the devices emitted harmful radiation.

Since the shelter opened in May, the birds haven't exactly flocked to it. A dozen of the house's 63 total nests are occupied. As a result, only 111 eggs—including some found outside the house—have been confiscated. The city continues to catch and gas the birds, killing anywhere between 20 and 400 on a given day for a cost of €500.

Nevertheless, Ms. Antunes and her caretaker colleagues are already planning the next phase of pigeon-pampering.

"Soon we want to get a box to house the babies, to raise them and make sure they like it here enough to lay their own eggs," she said.

The contraceptive birdhouse,

which opened as a pilot program in the northwestern neighborhood of Benfica, has a bright future. The city plans to open 23 more pigeon houses—one for each of its districts—aiming to build the next seven of them for €75,000.

The obvious question, of course, is whether coddling pigeons is an effective way to hold down the population. So far, only a dozen have moved into the house, and Mr. Vieira, the hygiene director, said his office still gets 300 to 400 calls a month from citizens whose homes, cars and clothing have

been slathered in droppings.

Cristina Saia, who is fighting a losing battle to keep bird feces off the flowers hanging from her balcony, is one of many Lisboners whose view of the birds is considerably less munificent.

"Pigeons are flying rats," she said.

Regina Gato, a retiree who lives in Benfica—the site of the first birdhouse—said it took only days for a recently renovated fountain there to become crusted in pigeon poop. "I just want authorities to sort it out," she said. "I'm very animal

GREATER NEW YORK

Charter Bus in Fatal Crash Was Speeding

Driver once worked for the MTA but was fired in 2015 after a drunken-driving arrest

BY PAUL BERGER
AND MELANIE GRAYCE WEST

The charter bus that plowed into a Metropolitan Transportation Authority bus early Monday in Flushing, Queens, killing three people and injuring more than a dozen, was traveling at about 58 miles an hour, according to federal investigators.

The speed limit in the area is 30 miles an hour, said Robert Accetta, who is leading the investigation into the crash for the National Transportation



CONNECTICUT STATE POLICE

Raymond Mong

Safety Board.

A team of at least seven investigators will spend the next six to 10 days examining the crash scene, the charter bus

and records from Dahlia Group Inc., the Flushing company that owns the bus, Mr. Accetta said at a news conference Tuesday.

The driver of the charter bus, Raymond Mong, 49 years old, died at an area hospital soon after the crash. Mr. Mong's empty charter bus spun the Q20 MTA bus around and then plowed into a commercial building around 6:20 a.m., killing a passenger on the MTA bus, Gregory Liljeffors, 55, and a pedestrian, Henry Wdowiak, 86, both of Queens.

Mr. Mong was fired from his position as an MTA bus driver in April 2015 for a drunken-driving charge that same month in Connecticut. He pleaded guilty to a charge

of operating a vehicle while under the influence of liquor or drugs, according to court records, and was sentenced to 18 months of probation on Oct. 20, 2015.

According to laws that regulate commercial drivers, drunken-driving convictions are reported to a federally maintained database and a conviction would trigger at least a one-year revocation of a commercial driver's license from the date a person pleads guilty.

Mr. Mong was properly licensed and had a valid medical certificate, according to Mr. Accetta.

Mr. Accetta said his team is investigating whether fatigue, vehicle maintenance or other factors caused the crash. In-

vestigators are awaiting toxicology reports on the driver. Mr. Accetta stressed that the investigation was still in a preliminary stage and that Dahlia is cooperating with federal investigators.

The tires on the two-year-old charter bus were in good condition, Mr. Accetta said.

The charter-bus company appears to have disconnected its phone service. Christine Chiang, chief executive of Dahlia, didn't answer the phone at two listed numbers.

Federal Motor Carrier Safety Administration ranks Dahlia among the top 20% of similar-size carriers for unsafe driving based on seven driving violations against its drivers in the past two years.

Last year, a Dahlia bus

flipped over in Madison, Conn., killing one person and injuring 36.

A spokeswoman for New York State Department of Motor Vehicles wouldn't comment on Mr. Mong's license. But she said that the agency has no record of being notified by Dahlia of Mr. Mong's status as a driver for the company at the time of the crash, as required by New York law.

"This is an ongoing state and federal investigation and we cannot comment further," the spokeswoman, Tiffany Portzer, said.

According to federal records, Dahlia Group operates five buses and employs six drivers.

—Zolan Kanno-Youngs contributed to this article.

Hurricane Jose Churns Up the Surf at the Jersey Shore



UNAFRAID: Cheryl Wolcott braved the elements in Belmar, N.J., on Tuesday as Jose created dangerous conditions along the East Coast.

Norwegian Air Lifts Stewart Airport

BY PAUL BERGER

Stewart International Airport is on track to record a 45% increase in passengers this year, reversing a decade of decline.

The former U.S. Air Force base, which sits on 2,700 acres surrounded by mountains 60 miles north of New York City, is reviving thanks largely to Norwegian Air Shuttle ASA, which launched international flights from Stewart in June.

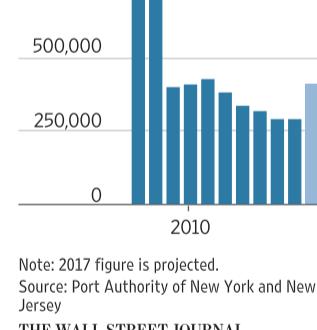
The 400,000 people expected through the airport in 2017 is less than half the traffic during Stewart's brief heyday a decade ago. But it is a positive sign for the airport, just west of Newburgh.

Norwegian Air's Chief Executive Bjørn Kjos said the airline is considering adding extra flights to existing routes from Stewart as well as expanding to new destinations next year. "I think we will see more flights coming into this airport," Mr. Kjos said.

Stewart is attractive not only because it is cheap, he added, but because passengers move quickly through immigration and baggage claim, of-

Taking Off

Passengers traveling in and out of Stewart International Airport



Note: 2017 figure is projected.
Source: Port Authority of New York and New Jersey

ten in under 30 minutes, where they transfer to a \$20 bus ride to the Port Authority Bus Terminal in Midtown Manhattan.

Monthly passenger numbers reached 56,000 in July and 51,000 in August, double the same periods last year. They were the first full months that Norwegian operated routes to Edinburgh; Dub-

lin and Shannon in Ireland; Belfast; and Bergen, Norway.

Waiting outside Stewart on Monday evening for a bus home to New York City, Liz Vink and James Sweeney said they paid about \$300 each for round-trip tickets to Dublin, less than half what they would have paid to travel from a major airport in the metropolitan area.

Ms. Vink said she wasn't fazed by the bus ride, which takes about 90 minutes, noting that she has had "bad experiences" getting to John F. Kennedy International Airport in Queens.

"You can spend an hour on the subway," she said.

Norwegian says its one-way fares to Europe averaged between \$150 and \$170 this summer. The airline, which carried about 52,000 people during July and August, says that its aircraft have, on average, been 95% full.

The Port Authority of New York and New Jersey, which owns Stewart, says 254,000 people used the airport through the end of August, while 275,000 passengers used it all in 2016.

The Port Authority took over Stewart from a British company, National Express Group PLC, in 2007. The agency paid \$78.5 million for a 93-year lease on the airport.

Over the past decade, the agency has invested about \$180 million to improve Stewart, including the rehabilitation and modernization of the airport's two runways.

Its aim is for Stewart to relieve congestion at the agency's three heavily-congested New York area hubs, LaGuardia, Kennedy and Newark Liberty International airports, which each handle tens of millions of passengers a year.

Stewart served a record 910,000 passengers in 2007, triple the number in 2006. But the airport struggled after the recession of 2008 hit the airline industry.

Within a few years, two of the heaviest users of Stewart ceased operations there. The low-cost carrier Skybus Airlines Inc. went out of business and AirTran Airways Inc. was bought by Southwest Airlines Co.

Testimony Differs In NYPD Case of Mistaken Identity

BY ZOLAN KANNO-YOUNGS

James Blake said he felt "extremely vulnerable" when a New York City police officer ran across 42nd Street and tackled him outside Manhattan's Grand Hyatt hotel as he waited for a car to the U.S. Open, the retired tennis star testified on the first day of a department trial at police headquarters.

But Officer James Frascatore, in his first public comments on the incident, testified that he acted appropriately and thought he was pursuing a violent felon accused of credit-card fraud.

The case of mistaken identity, which took place in September 2015, was captured on surveillance camera.

"This is a pattern that can be stopped right now," Mr. Blake, 37 years old, said in a press briefing after his testimony. "This officer shouldn't have a job. He doesn't have the temperament for it."

The Civilian Complaint Review Board, the city's independent police oversight agency, investigated and accused Officer Frascatore, 40, of using excessive force. The agency investigates civilian complaints and sometimes serves as the prosecution in department disciplinary trials—including in the trial on Tuesday.

Deputy Commissioner of Trials Rosemarie Maldonado, the judge in the trial, will give a verdict and recommendation for any punishment to Police Commissioner James O'Neill after the internal hearings. The most severe punishment the officer could get in this trial is termination. Mr. O'Neill has final say over Officer Frascatore's fate.

Officer Frascatore was tasked with apprehending a suspect accused of stealing credit-card information and using that information to buy items from an online concierge service, according to his testimony.

Officer Frascatore said he and other detectives were shown a photograph of someone who looked like Mr. Blake and told it was the suspect. An employee of the concierge ser-

vice who accompanied them to the area around Grand Central terminal pointed out Mr. Blake as a suspect, according to his testimony. The police officers were also told the suspect could be armed with a knife.

"I was running, obviously to get over the street as quickly as possible for the element of surprise," Officer Frascatore said in his testimony. "I wanted to get control of the suspect first."

Stephen Worth, the attorney for Officer Frascatore, said his client took Mr. Blake "gently to the ground and put him under arrest."

Mr. Blake testified that when he saw Officer Frascatore running toward him, he at first thought it was an old friend playing a joke on him. Officer Frascatore didn't identify himself until he apprehended Mr.


James Blake said the officer who tackled him doesn't have the right temperament for his job.

Blake, according to both men's testimonies.

Officer Frascatore told Mr. Blake he was safe as he handcuffed him, they both testified.

Mr. Blake testified that he replied he didn't feel safe. The police led Mr. Blake away from the entrance to the Grand Hyatt before checking his identification and realizing they had the wrong man.

Jonathan Fogel, the CCRB prosecutor, argued that mistaking the identity of Mr. Blake wasn't an excuse in a trial about excessive force. He said Officer Frascatore acted inappropriately by failing to identify himself as a police officer before tackling Mr. Blake and arresting him with "brutal, unprovoked violence."

Mr. Fogel also presented video footage of Officer Frascatore arresting the actual suspect inside the Grand Hyatt hotel without taking him to the ground. Officer Frascatore testified that the environment was more secure and the suspect had less of a chance to escape.

Tribeca TV Festival Provides New Stage for the Small Screen

BY CHARLES PASSY

Since its inaugural event in 2002, the annual Tribeca Film Festival has become one of the most prominent showcases of its kind in the U.S., drawing more than 150,000 attendees for a widening range of events.

The 2017 edition of the festival, held in April, saw a discussion with rocker Bruce Springsteen and a two-day showcase devoted to games, among other non-cinematic highlights.

Now, the festival is pushing boundaries once again, holding the three-day Tribeca TV Festival starting Friday at the Cinépolis Chelsea theater in Manhattan. Highlights include



CHRIS HASTON/NBC

The Tribeca TV Festival will feature a conversation with producers and key cast members from the sitcom 'Will & Grace.'

company's ambitions, Tribeca executives note that television has become an increasingly important storytelling medium

that merits its own platform.

"We thought, 'Let's jump in and really show the work that is exciting and great,'" said

Paula Weinstein, Tribeca's executive vice president.

Adding merit to the idea, officials say, is the fact that television has broadened beyond the traditional broadcast and cable networks to include a host of streaming services that are gaining increased respect.

This past weekend, the "Handmaid's Tale," seen on Hulu, became the first streaming show to win the Emmy for Outstanding Drama Series.

That isn't to say that Tribeca officials, who wouldn't reveal the cost of producing the festival, aren't facing some challenges. Key among them: Television generally is considered a medium enjoyed at

home, not in a theater.

Then again, John Wildman, a film expert who works with many festivals, says the movie world is changing, too. "Frankly, more and more people are watching films at home," he said.

Tribeca may be late in rolling out a television festival because there already are several showcases devoted to the medium world-wide.

Tribeca officials note, however, that its film festival regularly has been featuring television shows. The response to such screenings has been so positive that a stand-alone television festival didn't seem like such a big leap, they add.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Chasing His Delivery Empire Dream

Last December, Steve Evangelista took a gamble and paid \$59,000 for a beverage-delivery route. Contents: One used, refrigerated box truck and the exclusive right to sell Coca-Cola's Simply Beverages line, including orange juice and lemonade, to stores in five Queens ZIP Codes.

It's a big change from the desk job he left behind. "I've lost 30 pounds since I started," he says.

Unknown to most New Yorkers, most of the people delivering snacks and drinks to bodegas around town aren't working for the food makers. They're independent business owners who work as grocery middlemen.

In a typical example, a route owner might buy 100 cases of ice tea from a regional wholesaler for 75 cents a bottle and resell them to groceries for \$1. Retail customers would pay about \$2 a bottle.

It starts with buying a truck route. Most routes include dozens of established accounts. But Mr. Evangelista, who is 39 years old and engaged to be married, chose to buy a new route. It's riskier but cheaper, and offers more upside. Each new store he adds increases both his weekly profit and the value of his route.

"I wanted to bet on myself," he says.

Mr. Evangelista spent the winter walking the streets of Queens, asking bodegas and pizzerias to stock his beverage lines, which also include Minute Maid and Odwalla. Now, he says he has nearly 60 regular accounts; his take-home averages \$900 to \$1,000 a week.

He's hoping to triple the business on his route. Last week, he surveyed the soda coolers at a Latino bodega in



Steve Evangelista paid \$59,000 for a Queens beverage-delivery route. Recently, he made a delivery, above, and reviewed orders.

Sunnyside. The Simply drinks weren't moving, the owner reported. "Think we could move it into another slot?" asks Mr. Evangelista. "Slip it into the juice cooler, or maybe here by the eggs?"

He offers to come back and reorganize the display. He also introduces a new bottle size: "32 ounces. It's a new package. It's really cool!"

His enthusiasm pays off—the shopkeeper places a big order. "Eighteen cases!" Mr. Evangelista exclaims, leaving the store. "That's awesome!"

Mr. Evangelista, who plays the sax and bass guitar, majored in music education and performance at Five Towns College on Long Island. He had planned to teach music, but things worked out for the best, he says.

"Sales are addictive," he notes. "You get one sale and then you don't stop."

There are about 7,500 truck routes in the New York metro



area, estimates Kenneth Sussman, owner and president of Route Brokers. He and his team sell about 150 routes a year.

The average truck route costs about \$150,000, says Mr. Sussman. A Pepsi route in Queens netting \$1,600 a week just hit the market for \$439,000, he says. An Utz snack route netting \$1,300 a week is available for \$124,000.

Routes typically sell for

two to four times their annual net, says Mr. Sussman. Routes featuring big brands such as Boar's Head and Tropicana fetch a higher multiple, as do routes with low mileage and a shorter work week.

It's an ideal small business for an outgoing, "ordinary guy," says Mr. Sussman. "But if you don't like being outside, if you don't like to work hard, this is not the right business."

I'll say. When I meet Mr.

Evangelista again later in the week, he's sweating through his logo shirt.

"Going crazy," he says.

"When I deliver, I'm frantic!"

Thanks to the week's sales push, it's his biggest delivery day ever: 335 cases.

He can manage about four stops an hour. It takes forever to assemble the orders on his tightly packed truck. "Raspberry, one fruit punch," he mutters. "Where are you, cranberry?"

He's working 80 hours a week. But the first year typically is the toughest. Soon he can hire help, then buy another route. And then who knows? Some of the area's largest distribution outfits started as one-man routes.

"The goal is for me to be sitting at the diner while my salesman and driver are out," he says, "and we're talking about my empire!"

anne.kadet@wsj.com

GREATER NEW YORK WATCH

NEW YORK CITY

Councilman to Push For Free Babysitting

The city would offer free babysitting at public hearings and community-board meetings under new legislation expected to be introduced by Councilman Ben Kallos this month.

Mr. Kallos, a Manhattan Democrat, said the bill would be aimed at increasing participation in local government. "It's really hard to get parents to come to community-board meetings," he said in a phone interview.

There isn't yet a cost estimate for the legislation, Mr. Kallos said. The measure would require the city to provide child care upon request through the Administration for Children's Services, the child-welfare agency.

—Mara Gay

NEW JERSEY

Train Kills Man Walking on Tracks

A man was struck and killed Tuesday by an NJ Transit train in Bergen County, authorities said.

The accident occurred shortly after 11 a.m. in Carlstadt, just west of the train station in Rutherford. It wasn't clear why the man, whose name wasn't released, was on the tracks.

None of the 36 passengers and crew aboard the train were injured.

—Associated Press

NEW JERSEY

Dog Walker Attacked By a Pack of Coyotes

Police are warning that a pack of five coyotes surrounded a dog walker and attempted to snatch the dog.

The confrontation happened last week on Oak Road in Saddle River. Police said the coyotes ran off when a passing motorist honked the horn and got out of the vehicle.

State wildlife officials are investigating.

—Associated Press

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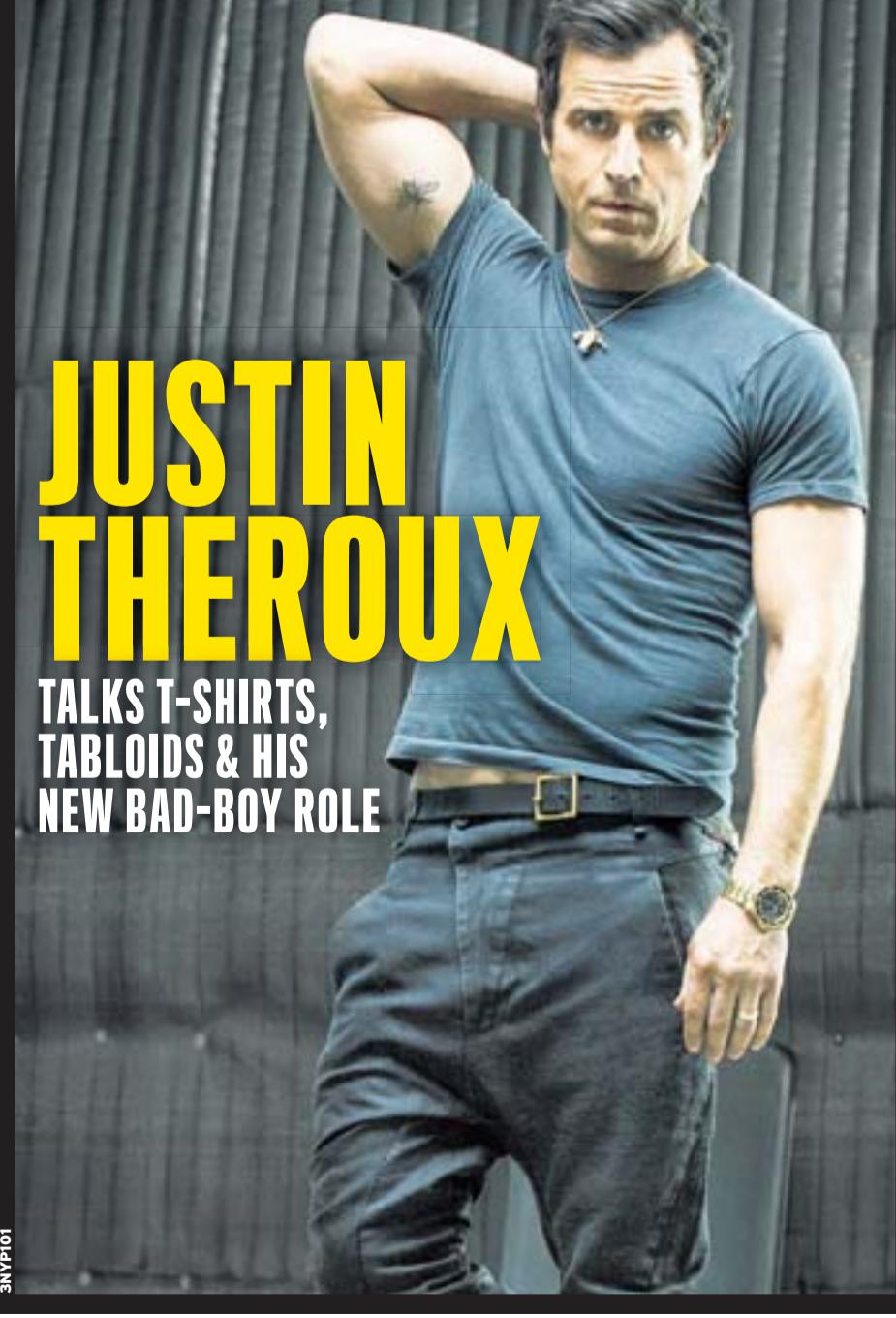
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LIFE & ARTS

FITNESS

Working Up a Real Sweat With VR

A new generation of virtual-reality games for the gym aims to get users' heart rates up; tennis and boxing, but also swordplay

BY SARAH E. NEEDLEMAN

WHEN ANTHONY HASSETT isn't lifting weights at Wyandotte Athletic Club in Columbus, Ohio, he's there dodging arrows and slicing bananas. The 27-year-old's fitness routine has changed since the gym added virtual-reality headsets and videogames last year.

"You don't even realize you're getting a workout until you've been going 20 or 30 minutes straight," says Mr. Hassett, an auto mechanic who estimates he has lost at least 5 pounds as a result of adding the practice to his twice-weekly workouts. "It's definitely the future of cardio."

Virtual reality is starting to tiptoe into the \$27.6 billion health-club industry. Though it is costly, some clubs are carving out floor space for playing VR games, while others are bringing in new fitness machines that support the technology.

Gyms have long sought to distract members from the monotony and rigor of exercise with digital entertainment,

from small TV screens mounted on workout machines to movie theater-like spaces for large groups. But some fitness gurus and academics say virtual reality does a better job of keeping gym-goers engaged than those things or older generations of games like Nintendo's "Wii Fit," which popularized fitness gaming late last decade.

With headsets on, users only see the digital world. In "Fruit Ninja VR," users swing their arms to slice flying fruit, and may need to squat or reach up to succeed. Users throw chairs and darts—or duck to avoid getting hit—in "Drunk Bar Fight."

And when a headset is synced to a resistance machine being developed by Black Box VR, users defend a base from attackers while playing the Idaho startup's battle game "VR Fitness Revolution."

The results can be as effective as running up a hill," says Maralice Kern, an exercise physiologist at San Francisco State University who has analyzed people's oxygen consumption and heart rate from playing VR games in comparison with traditional exercise.

At the YMCA of the Greater Twin Cities, fitness staffers have been testing a full-body virtual-reality machine for a new downtown Minneapolis location the Y is moving to in January. Users step into footholds and lie flat on their stomachs with their arms outstretched as they play simple games that mimic flying and scuba diving.

"It's a 'wow' experience," says Nathan Maehren, senior vice presi-



ANDREW SPEAR FOR THE WALL STREET JOURNAL (2); PATRICK T. FALLON/BLOOMBERG NEWS (BELOW)

Anthony Hassett, top, plays a virtual-reality game at Wyandotte Athletic Club in Columbus, Ohio. One of the games the gym offers is boxing for one or two players, inset. Riders at the 2017 Consumer Electronics Show in Las Vegas try bikes with special sensors from VirZoom, a startup in Cambridge, Mass., bottom.

health clubs in partnership with Life Fitness, one of the world's largest fitness-equipment manufacturers.

Virtual reality has some issues to solve to gain wide adoption in gyms. Headsets are bulky and some of the highest-quality models are tethered to wires. They are pricey, costing up to \$600 apiece, and require a smartphone, gaming console or high-end computer to work. While some virtual-reality games cost under \$10, Holodia, a startup in Lugano, Switzerland, sells bundles of fitness games and apps to health clubs for between \$69 and \$99 in monthly subscriptions.

Over time, though, headset designs will improve and costs will come down, says Bryan O'Rourke, a fitness consultant in New Orleans.

"People want to work out in a way that's motivating and engaging, and this technology does that," he says. "You're going to see virtual reality as a gateway drug for people who aren't into fitness."

Tristan Moore of Tempe, Ariz., can relate. The 29-year-old video-game developer hasn't set foot in a gym in years and says he considers running around a park or lifting weights at home too mundane. But lately he's been working up a sweat at his office playing virtual-reality games such as "HoloBall," in which players use a paddle to try to hit a ball past opponents in a futuristic environment.

"I'm a nerd, so I'm not somebody who has an aptitude for physical activity," he says. "But doing it in VR is pretty easy....This is the best chance I've had at sticking at something."

Experts recommend limiting virtual-reality exercise routines to no more than 30 minutes to avoid the risk of dizziness. Gyms with virtual-reality gear say they've received few complaints of people feeling queasy from using it, a former side effect that people commonly reported after testing early versions of some headsets a few years ago.

At Wyandotte Athletic Club, where Mr. Hassett works out, personal trainers help members who aren't gamers. The facility has five headsets, courtesy of VR Fit, a new company hoping to outfit health clubs with virtual-reality gear.

Dozens of Wyandotte members have given virtual-reality workouts a try, including 73-year-old Judy Herman, who was an office manager at the gym before retiring in 2015.

Referring to "Holopoint," a game where players fight ninjas, she says, "I loved the archery with the castles and flaming swords."

dent of digital at the nonprofit, which purchased the machine last spring for roughly \$9,000 from German startup Icaros. "It has unique fitness benefits that you

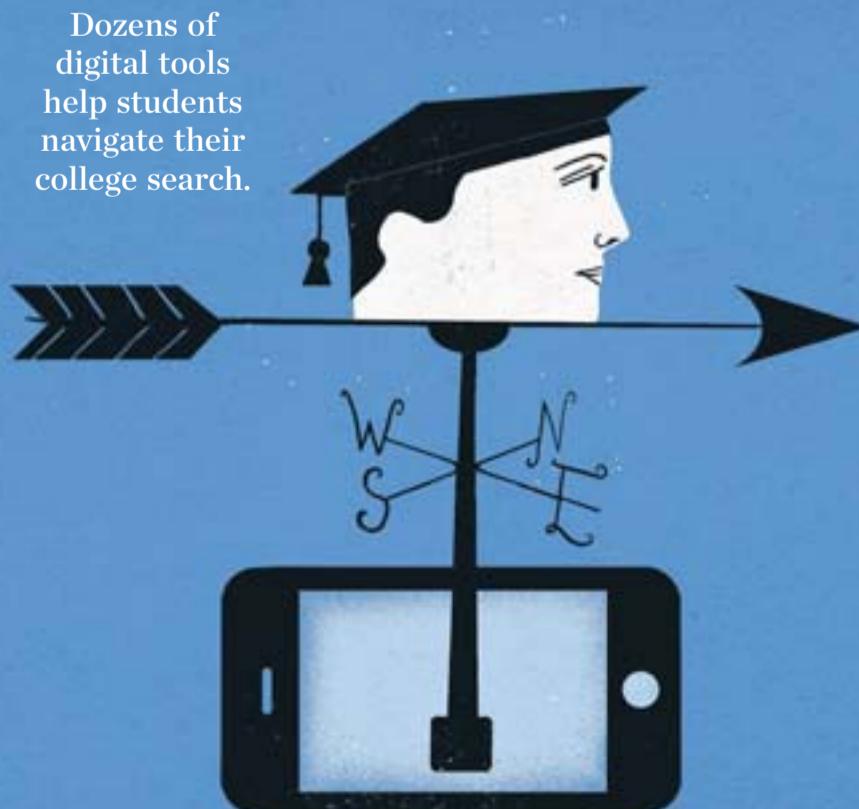
can't get with traditional equipment and standard gravity."

Another startup, VirZoom in Cambridge, Mass., sells \$99 sensors that make stationary bikes

compatible with VR headsets and can track users' pedal speed while they play fitness games it developed.

The company is testing it at 10

Dozens of digital tools help students navigate their college search.



WORK & FAMILY | By Sue Shellenbarger

YALE? HARVARD? APPS RATE THE BEST FIT

THE COLLEGE SEARCH can be an ordeal fraught with anxiety and confusion, and dozens of free websites and mobile apps are vying to help students find the college of their dreams.

The digital tools can help students consider more choices, including little-known colleges that may have a lot to offer, says David Hawkins, a senior executive at the National Association for College Admission Counseling, Arlington, Va. But they also risk confusing students who lack adult guidance or distracting them from important priorities, college counselors say.

Many websites and apps ask students a lot of questions to generate college lists, but only a few invite them to have a little fun with the process. The iOS app Admittedly quizzes users on their preferences for such factors as walkability or weather. An article on the app headed, "The mountains are calling and I must go," suggests 10 campuses in hilly terrain. (Admittedly recently launched on the web as myOptions.)

The College Fair, a mobile app launched in 2016 under the name Schoold, asks users for academic and personal data, then claims to use Netflix-like algorithms to fine-tune college lists.

The app also posts whimsical rankings such as "Places Where the Professors Know Your Name." The app has been downloaded 1.2 million times, says Allison Winston, president of Kickwheel, its owner. More than one-third of teens do most of their college research on smartphones, research shows.

College Fair employs six coaches who chat online with students. Few teens receive much counseling: the average public high-school counselor's caseload is 490 students. And many are skeptical at first, asking, "Is this a bot?" I don't want to talk to a bot," says Kickwheel CEO Joe Ross.

Fifteen-year-old Alara Kilic of Glen Ridge, N.J., chatted on the app with coach Jadelin Felipe, who has a master's degree and 11 years' experience in university admissions and other student services. Ms. Kilic, a high-school sophomore, says Ms. Felipe helped her plot a path toward medical school, as well as decide to take three honors classes this semester rather than four. "I'm very happy with that decision," Ms. Kilic says.

Ms. Felipe says she encourages students who

Please see COLLEGE page A15

LIFE & ARTS

MY RIDE | By A.J. Baime

A 1966 Wolseley Souped Up By Heinz

Brad Swiggart, 63, a financial adviser from Lincoln, Neb., on his 1966 "Heinz 57" Wolseley Hornet, as told to A.J. Baime.

In the mid-1960s, Heinz launched a contest in Britain. The entry form, which appeared in magazines, read "57 Unique Cars to Be Won!" after the company's "57 Varieties" tagline that it still uses today.

Contestants had to match a Heinz soup flavor (Cream of Celery, Cream of Green Pea) with the picnic item that best went with it (Liver Sausage Salad, Beefburgers).

Contestants who got the matches right were put in a drawing, and 57 cars were given away.

The convertible cars were custom-built by a British company called Crayford, based on a model called the Wolseley Hornet. The vehicles came with a picnic basket, a Max Factor cosmetics tray, a tea kettle and the same carpeting used in Rolls-Royces. Nowhere did the vehicle say Heinz.

I bought my Heinz 57 Wolseley at a Barrett-Jackson auction in Scottsdale, Ariz., in 2009 for \$9,625. I would have paid double that amount.

Through a car club, I was able to obtain a photograph of what I believe to be the original winner getting the keys from a Heinz soup representative at a dealership in 1966.

Today there are reportedly 41 of the original 57 cars in existence, and last fall, I went to a 50th reunion in Birmingham, England. There were about 10 Heinz

57 owners there. It was so much fun, I am planning to go back to another Heinz car gathering this fall.

I have a small collection of unique cars, and for what it's worth, this one is my wife's favorite, because its story is so surprising. In fact, the story is so unique I had a board made up with it all spelled out, because every time I drive this car, I end up having to tell the story over and over. (That gets old.)

The car is right-hand drive, and the original engine was replaced before I bought it with a more powerful 1275-cc one, also a British motor from the 1960s.

I've been asked every question under the sun. What is my favorite Heinz soup flavor? Tomato. Would I consider selling the car? No way.

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



Brad Swiggart, a financial adviser from Lincoln, Neb., with his Heinz 57 soup car. Badged a Wolseley, the car is one of 57 given away in a contest in the U.K. in 1966 by the Heinz food company.



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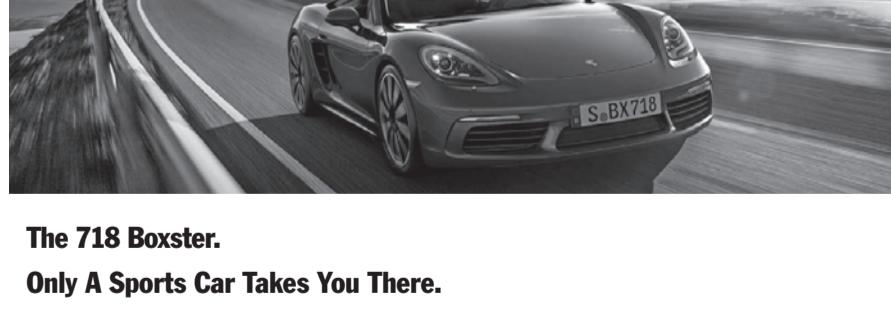
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LIFE & ARTS

EXHIBITION REVIEW

Survival Couture

How clothing created for harsh environments inspired designers

BY LAURA JACOBS

New York

THOSE FAMILIAR with the habitat dioramas at the American Museum of Natural History will feel a jolt of recognition at the entrance of "Expedition: Fashion From the Extreme," the Museum at FIT's gallant new show. There it is, the Serengeti Plain diorama—same gnarled tree, same golden grasslands—but instead of zebras and gazelles we have five khaki safari outfits. Two are the real thing: a suit made by Abercrombie & Fitch (1913-15) and a jacket by Burberry (1940). The other three are playful appropriations that include a tawny pair of lace-up safari tunics by Yves Saint Laurent (1968) and a Ralph Lauren-meets-Karen Blixen ensemble (1984). What a perfect metaphor for an exhibition that heads off into uncharted territory.

"Expedition" is the first major exhibition to show how clothing designed to preserve life in extreme environments inspired couture and ready-to-wear fashion. As Patricia Mears, FIT deputy director and the curator of this show, writes in the exhibition brochure: "Expeditions to the North and South poles, the highest mountain peaks, the depths of the ocean, and outer space have been widely covered in the press for more than a century. But it was not until the 1960s that these endeavors began to influence fashion."

Ms. Mears divides the show into four areas of exploration: Arctic, Mountaineering, Deep Sea and Outer Space. The main gallery is painted a deep blue-black that here glows ultraviolet, there oceanic teal. White icebergs and snowcaps create frigid landscapes, blanched reefs invoke leagues under the sea, and in the center of the gallery a circular metal scaffold supports a hovering cylinder of light, the abstraction of a spaceship. A white noise of wind and water sounds the elemental. The show contains 65 ensembles—the most historic and fragile presented in plexiglass cubes, as if preserved in ice.

"Expedition" begins in the Arctic because polar navigation came first, cresting in the years 1880 to 1920. This section contains two stunning touchstones: the head-to-toe fur ensemble of blue fox and polar bear that Matthew Henson wore in 1909, when he reached the North Pole with Robert Peary and four Inuit men; and a Siberian funerary robe of intricately patterned fur piecemeal, dating to about 1900 and exceedingly rare because these robes were burned with the body. Both garments speak to a time when skins and furs were vital for polar survival.

In the 1960s, Vogue editor Diana Vreeland commissioned fashion shoots that were themselves expeditions to harsh yet breathtaking climes, and even the great couturier Madame Grès, famous for Gre-



A pair of Yves Saint Laurent safari tunics from 1968

cian pleating, acknowledged expeditioners with a 1969 après-ski outfit that included wolf-fur pants, here on display. Issey Miyake's white felt and faux fur jacket (1997) is pure Sherpa chic, while Karl Lagerfeld, in 2010, channeled Peary and Henson with an outrageous Chewbacca-like faux fur suit for men. A black silk gown from Yohji Yamamoto's acclaimed fall/winter 2000 collection suggests a snow queen in Victorian mourning.

Mountaineering takes us into thin air, where heavy furs would hinder attempts to climb Everest and K2, respectively summited in 1953 and 1954. Eddie Bauer's goose-down Skyliner jacket (1936)—to-the-waist, with diamond-shaped quilting, volumetric yet lightweight—led the way. Juxtaposed is Charles James's 1937 masterpiece, a white silk and eiderdown evening jacket, its quilting of biomorphic arabesques both fantastical and frightening. Down would go hip-hop with Tommy Hilfiger's "puffers," this one in gold (1999); sci-fi with Junya Watanabe's puffer of predatory black ribbing (2014); and haute with Demna Gvasalia's red puffer for Balenciaga (2016), cut with the drop-away Watteau back that Balenciaga himself so loved.

Deep Sea diving, originally cumbersome and treacherous with spherical helmets and long hoses

(think Diver Dan), advanced to lightweight technology in the 1950s—scuba gear and the wet suit. By the '60s, the fashion glossies were awash in modern mermaids. Neoprene, invented by DuPont in 1930 and taken up by surfers in the '50s, caught a wave to dry land in 1989, as an overcoat by Junko Kohshino. Donna Karan's pretty-in-pink neoprene dress of 1994 is here, as are Thom Browne's neoprene riffs on menswear classics.

The Space Race spanned 1957 to 1972. This section is dominated, as ever, by the modernism of André Courrèges, Pierre Cardin and Paco Rabanne. Metals, plastic and silver (a nod to NASA's use of Mylar) accented the era's space-capsule A-line silhouettes—Cardin's tan shift of 1967 actually sports a "Star Trek" insignia. Helmut Lang's gauze jumpsuit of 1999, its cowl neck just begging for a space helmet, is the ghost of an astronaut. As for Philipp Plein's beaded, sequined catsuit of 2016, this is what Seven of Nine, the glam Borg of television's "Star Trek: Voyager" series, might wear to the next Met Gala.

Ms. Jacobs writes about culture and fashion for *Vanity Fair*.

Expedition: Fashion From the Extreme

The Museum at FIT, through Jan. 6, 2018



Jill Madenbergs and her daughter Amanda, who used the website Naviance in her college search.

COLLEGE

Continued from page A13
are stressed by the college search to focus on paths they're drawn to naturally, asking, "What do you love doing?"

Two-thirds of high-school juniors have used a college-planning website, up from about 50% a decade ago, says Kim Reid, an analyst at Eduventures, a Boston research firm. Educational consultant Jill Madenbergs of Lake Success, N.Y., says college-planning apps and websites can be a good place to start a search, but students should base final decisions on campus visits, self-exploration and discussions with parents, adult mentors or counselors about their interests and potential majors. An extensive website called BigFuture, by the nonprofit college-planning concern The College Board, has helpful tools linking students' interests with potential majors, careers and colleges, says Ms. Madenbergs, co-author with her 19-year-old daughter Amanda of "Love the Journey to College."

Amanda used a site called Naviance to plan where to apply. The Naviance program, owned by the Cincinnati-based education software company Hobsons, offers a wealth of college- and career-planning tools, but it's available only to students whose schools subscribe, including about 40% of U.S. public high-school students. It's well-known for its scatterplots—dot diagrams charting the grades and test scores of students from the same high school who applied to a particular college in the past and showing whether they were admitted. Seeing where your grades and test scores appear in relation to others' helps students estimate their chances of admission. Amanda says the site helped her figure out which colleges to consider "reach" vs. safety schools.

It isn't wise to spend too much time comparing yourself to peers, however, says Amanda,

now a sophomore at Cornell University. "It's easy to feel worse about yourself after doing that."

Some digital tools offer access to current students at target colleges. A website called AdmitSee, founded in 2013 by two law-school students, allows users who buy a monthly subscription to see advice and essays from students at schools of interest. This can be helpful for students applying to elite schools, says Timothy Jaconette, a Santa Cruz, Calif., college counselor.

A free Pittsburgh-based site called Niche posts Yelp-like college reviews and rankings. Users can find students' answers to questions they might not ask on a campus tour.

Rankings risk distracting teens from attributes that might make an unranked college a perfect fit, counselors say. And users of some sites risk being swamped by mass-marketing spam. It's important to examine websites' privacy policies and consider opting out if asked to authorize contact by third-party vendors.

Some 4 in 5 teens and parents say they trust the information on college-planning websites, according to a 2017 survey of 4,274 students and 2,138 parents led by Eduventures and Ruffalo Noel Levitz, a Cedar Rapids, Iowa, provider of enrollment-management services, but wise use requires a critical eye. Websites and apps that offer students' odds of admission or projected income after graduation are sometimes based on incomplete data or on small samples. Their projections should be taken as ballpark guesses.

Parchment, a site that stores users' transcripts, test scores and other credentials, creates scatterplots showing admission odds, using data from past users. But it's transparent about the reliability of its projections, including a confidence rating based on the past accuracy of its projections for that school, says Matthew Pittinsky, CEO of the Scottsdale, Ariz., company and co-founder of the education software company Blackboard Inc.

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OPINION

Dems Collude With Moscow Don



BUSINESS WORLD
By Holman W. Jenkins, Jr.

By the standards of a few weeks ago, Democrats Nancy Pelosi and Chuck Schumer now are actively colluding with a guy who actively colluded with Russia to win the White House.

OK, Mr. Schumer in particular has known Donald Trump for decades. He knew there was little real substance to the Trump-Russia accusations. It was Mr. Schumer who publicly warned Mr. Trump of the folly of making a political enemy of the intelligence agencies.

Which brings us to Special Counsel Robert Mueller. If he hasn't been asking himself some big-boy questions, he should start now. The FBI handed over to Mr. Mueller a counterintelligence investigation—not a hunt for a Trump crime, but a hunt for the truth about Russia's role in the election.

The problem with the word "collusion" is that when Russia stirs up U.S. politics in its own interest, its actions can be convenient for different parties. That includes a U.S. intelligence community with its own ideas about what needs to happen. More than ever, the story line that Kremlin efforts were aimed with winsome simplicity at helping Mr. Trump seems largely a fabrication of the U.S. intelligence agencies.

No Catholic Judges? Someone Tell Scalia



POLITICS & IDEAS
By William A. Galston

An old argument about religion and law has become a political flashpoint. Two decades ago, John Garvey, then a law professor at Notre Dame and now president of Catholic University, wrote an article with a third-year law student on the topic of "Catholic Judges in Capital Cases." They argued that in some rare but important cases, judges may face an irresolvable clash between the requirements of civil law and the demands of conscience—for example, if called upon to participate in administering the death penalty.

The question was what to do. Catholic judges cannot allow their faith to override the oath they took to administer the civil law. Neither can they silence the demands of conscience. The only acceptable course, the authors contended, would be for Catholic judges to recuse themselves from the proceedings.

The article's second author, that third-year law student, was Amy Coney Barrett. Today she is a respected professor at Notre Dame, and President Trump has nominated her to the Seventh U.S. Circuit Court of Appeals. Predictably, this previously obscure article on Catholic judges has been pulled into the never-ending contest over the composition

OPINION

REVIEW & OUTLOOK

Trump Shock at Turtle Bay

Donald Trump's method has been to use his speeches on the world stage to roil diplomatic convention, and he did it again Tuesday in his address to the United Nations. No coterie of complacency deserves candor more, and perhaps Mr. Trump's definition of "America First" is even evolving to recognize the necessity of American global leadership.

The President abandoned any nuance, even by his standards, in denouncing the "rogue regimes" in North Korea and Iran. He was especially unabashed in describing North Korea's offenses, calling it a "depraved regime." These aren't words typically heard at Turtle Bay, where others among the depraved sit on the Human Rights Council, as Mr. Trump also had the effrontery to point out.

But he really rattled the seats with his threat to act against North Korea if the U.N. fails to do so. "No nation on Earth has an interest in seeing this band of criminals arm itself with nuclear weapons and missiles," Mr. Trump said. "The United States has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea. Rocket Man is on a suicide mission for himself and for his regime."

The threat to destroy the North offended the foreign affairs cognoscenti, who view Mr. Trump as a barbarian. And at first hearing the "Rocket Man" reference to dictator Kim Jong Un does sound like an insult better left to teenagers in the school yard.

Then again, Mr. Trump inherited the North Korean nuclear crisis, and he is trying to get a cynical world's attention that he intends to do something about it. Traditional diplomacy isn't getting through to Mr. Kim and his entourage, or to their patrons in Beijing. After years of Barack Obama's diplomatic niceties that ducked the problem, maybe the world needs to be told some unpleasant truths about an evil regime with a weapon of mass murder and the means to deliver it.

Mr. Trump added a challenge that most of the media ignored: "The United States is ready, willing, and able, but hopefully this will not be necessary. That's what the United Nations is all about. That's what the United Nations is for. Let's see how they do."

A bracing call on North Korea but a cramped view of 'sovereignty'

This is another hard truth. The U.N. was founded on the promise to provide what Mr. Obama often called "collective security." But the

U.N. has nearly always failed in that duty amid Russian vetoes at the Security Council, as during the Cold War and this decade in Syria, or out of indifference as in the Rwanda genocide of the 1990s.

The great exception was the first Iraq war, after the fall of the Berlin Wall, when George H.W. Bush rallied the U.N. to resist Saddam Hussein's invasion of Kuwait. The U.S. provided the military muscle to enforce the U.N.'s will, but at least the U.N. wasn't an obstacle. Alas, Turtle Bay has since returned to its previous habit of abetting the world's rogues by preventing collective security.

Mr. Trump on Tuesday also tried to make a case for national "sovereignty" as the basis for U.N. purpose, and here he was less successful. He is right that national interests can be the basis for global action, but Mr. Trump defines that interest too narrowly.

"We do not expect diverse countries to share the same cultures, traditions, or even systems of government," he said, "but we do expect all nations to uphold these two core sovereign duties, to respect the interests of their own people and rights of every other sovereign nation."

How about the *rights* of their own people? Defined in such narrow terms, "sovereignty" and "interests" don't include room for how nations govern themselves, which matters to how dangerous they are to their neighbors. In his own speech Mr. Trump rightly spent many sentences deplored how North Korea and Iran treat *their* people.

This view of "sovereignty" also leaves authoritarians too much room to claim dominant spheres of influence. China's Xi Jinping and Vladimir Putin might both say they are exercising Trumpian sovereignty in the South China Sea and Ukraine. Yet those leaders are the main obstacles now to defanging North Korea and Iran. This is the contradiction of narrow Trumpian national interest.

Mr. Trump is right to challenge the U.N., but the hard truth he may be learning is that there is no substitute for U.S. leadership on behalf of American values and interests if he wants to build a more peaceful world.

James Madison Weeps

Freedom of speech is a principal pillar of a free government," wrote Ben Franklin. "When this support is taken away, the constitution of a free society is dissolved." Imagine what Franklin, James Madison and the other Founders would make of a new Brookings Institution survey showing that American college students have no clue what the First Amendment means.

John Villasenor surveyed more than 1,500 undergraduates, and among the alarming findings: Most American college students do not know that even hate speech is constitutionally protected; half agree that it's okay to shout down a speaker whose views they don't agree with; and nearly one of five believe it is acceptable for a student group opposed to a speaker

to use violence to keep him from speaking. Some of the answers vary by political identification, but overall the findings suggest great confusion.

Mr. Villasenor's conclusion is blunt. "Freedom of expression," he says, "is deeply imperiled on U.S. campuses." We'd take that further. Given that a functioning democracy

rests on free expression, what do these results say about America's future when these students leave school and begin to take their places in public life?

It's easy to mock the students for their ignorance. But what about the people responsible for teaching them? These results suggest that the failures of our education system are beginning to have terrible consequences for America's civic life.

All Mr. Comey's Wiretaps

When Donald Trump claimed in March that he'd had his "wires tapped" prior to the election, the press and Obama officials dismissed the accusation as a fantasy. We were among the skeptics, but with former director James Comey's politicized FBI the story is getting more complicated.

CNN reported Monday that the FBI obtained a warrant last year to eavesdrop on Paul Manafort, Mr. Trump's campaign manager from May to August in 2016. The story claims the FBI first wiretapped Mr. Manafort in 2014 while investigating his work as a lobbyist for Ukraine's ruling party. That warrant lapsed, but the FBI convinced the court that administers the Foreign Intelligence Surveillance Act (FISA) to issue a second order as part of its probe into Russian meddling in the election.

Guess who has lived in a condo in Trump Tower since 2006? Paul Manafort.

The story suggests the monitoring started in the summer or fall, and extended into early this year. While Mr. Manafort resigned from the campaign in August, he continued to speak with Candidate Trump. It is thus highly likely that the FBI was listening to the political and election-related conversations of a leading contender for the White House. That's extraordinary—and worrisome.

Mr. Comey told Congress in late March that he "had no information that supports those [Trump] tweets." Former Director of National Intelligence James Clapper was even more specific that "there was no such wiretap activity mounted against—the President-elect at the time, or as a candidate, or against his campaign." He denied that any such FISA order existed. Were they lying?

The warrant's timing may also shed light on the FBI's relationship to the infamous "Steele dossier." That widely discredited dossier claiming ties between Russians and the Trump cam-

A survey finds college students are clueless about free speech.

aign was commissioned by left-leaning research firm Fusion GPS and developed by former British spy Christopher Steele—who relied on Russian sources. But the Washington Post and others have reported that Mr. Steele was familiar to the FBI, had reached out to the agency about his work, and had even arranged a deal in 2016 to get paid by the FBI to continue his research.

The FISA court sets a high bar for warrants on U.S. citizens, and presumably even higher for wiretapping a presidential campaign. Did Mr. Comey's FBI marshal the Steele dossier to persuade the court?

All of this is reason for House and Senate investigators to keep exploring how Mr. Comey's FBI was investigating both presidential campaigns. Russian meddling is a threat to democracy but so was the FBI if it relied on Russian disinformation to eavesdrop on a presidential campaign. The Justice Department and FBI have stonewalled Congressional requests for documents and interviews, citing the "integrity" of Special Counsel Robert Mueller's investigation.

But Mr. Mueller is not investigating the FBI, and in any event his ties to the bureau and Mr. Comey make him too conflicted for such a job. Congress is charged with providing oversight of law enforcement and the FISA courts, and it has an obligation to investigate their role in 2016. The intelligence committees have subpoena authority and the ability to hold those who don't cooperate in contempt.

Mr. Comey investigated both leading presidential campaigns in an election year, playing the role of supposedly impartial legal authority. But his maneuvering to get Mr. Mueller appointed, and his leaks to the press, have shown that Mr. Comey is as political and self-serving as anyone in Washington. No investigation into Russia's role in the 2016 campaign will be credible or complete without the facts about all Mr. Comey's wiretaps.

Congress needs to learn how the FBI meddled in the 2016 campaign.

paid by the FBI to continue his research.

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All of this is reason for House and Senate investigators to keep exploring how Mr. Comey's FBI was investigating both presidential campaigns. Russian meddling is a threat to democracy but so was the FBI if it relied on Russian disinformation to eavesdrop on a presidential campaign. The Justice Department and FBI have stonewalled Congressional requests for documents and interviews, citing the "integrity" of Special Counsel Robert Mueller's investigation.

But Mr. Mueller is not investigating the FBI, and in any event his ties to the bureau and Mr. Comey make him too conflicted for such a job. Congress is charged with providing oversight of law enforcement and the FISA courts, and it has an obligation to investigate their role in 2016. The intelligence committees have subpoena authority and the ability to hold those who don't cooperate in contempt.

Mr. Comey investigated both leading presidential campaigns in an election year, playing the role of supposedly impartial legal authority. But his maneuvering to get Mr. Mueller appointed, and his leaks to the press, have shown that Mr. Comey is as political and self-serving as anyone in Washington. No investigation into Russia's role in the 2016 campaign will be credible or complete without the facts about all Mr. Comey's wiretaps.

LETTERS TO THE EDITOR

Respect Prerogative of Home-State Senators

The editorial board completely discounts the history of the blue slip, which requires both home-state senators to sign off on judicial nominees from their state ("The Al Franken Standard," Sept. 13).

Here are the facts: In 2016 alone, President Obama's nominations of Judge Abdul Kallon for the 11th Circuit, Justice Myra Selby for the Seventh Circuit, Rebecca Haywood for the Third Circuit and Justice Lisabeth Tabor Hughes for the Sixth Circuit did not move forward because they didn't receive two blue slips.

Trump nominees have been confirmed to two of these vacancies, and nominees for the two other vacancies are pending.

Consider the specifics of the Sixth

Circuit vacancy in Kentucky: In March 2016, after the vacancy had been open for almost 1,000 days, President Obama nominated Justice Hughes. Sens. Mitch McConnell and Rand Paul did not return their blue slips, and Justice Hughes never received a hearing.

Their prerogative as home-state senators was honored, and the prerogative of home-state senators should continue to be honored.

The editorial board was silent when these highly qualified nominees were blocked, and it's important to set the record straight.

SEN. DIANNE FEINSTEIN (D., CALIF.)
Ranking Member
Senate Judiciary Committee
Washington

Death and Taxes Plus Entitlement Growth

Regarding Tunku Varadarajan's "The Weekend Interview with John F. Cogan: Why Entitlements Keep Growing, and . . ." (Sept. 9): While I'm sure Mr. Cogan is correct, it really doesn't take 400 pages to understand the phenomenon and reasons behind it.

People, especially politicians, love to spend other people's money. Politicians love to buy votes and stay in office. What better way than offering free money to more constituent groups?

Expansion is rarely publicized, yet a contraction is railed against by the groups affected, including the administrators and politicians who might lose power or influence caused by a benefit reduction.

Politicians from both parties operate under one basic rule: By the time the damage from the spending extravagance they approve to stay in office is found out, they will have moved on.

LARRY THOMAS
North Hampton, N.H.

I'm convinced entitlement reform won't happen until the can reaches the end of the road.

ZACHARY M. GOLDMAN
San Diego

Mr. Cogan's discussion of the almost inexorable growth of entitlements reminds me of C. Northcote Parkinson's description and explanation, over a half-century ago, of the growth in the number of British government employees. Tongue only partly in cheek, he concluded from two principles that the number of employees rose at a certain rate "irrespective of any variation in the amount of work (if any) to be done."

CHARLES A. GREENHALL
South Pasadena, Calif.

President Ronald Reagan curbed the growth of the welfare state and, in particular, the Medicare program which services the health-care needs of senior citizens and the disabled. However, a slimmer and leaner public sector wasn't achieved by extolling the virtues of laissez-faire capitalism.

In fact, Reagan enacted price controls for all hospitals accepting Medicare when he signed into law the Tax Equity and Fiscal Responsibility Act of 1982. The law established a diag-

A Positive Medical Lesson From a Tragic Early Death

As a health-policy specialist, I miss Joseph Rago's incisive and insightful commentary on the American health-care system. As a sarcoidosis patient, I commend the Journal for calling attention to this condition through its editorial "A Disease Called Sarcoidosis" (Sept. 13).

Patients living with rare diseases face a classic chicken-and-egg problem because without public awareness building support for needed research and treatments remains an uphill struggle. In honoring your colleague, your editorial also provides a much-needed call to action to address a disease that affects more than 200,000 Americans.

ROBERT HACKEY, PH.D.
Providence College
Providence, R.I.

Perhaps as a legacy tribute to Joseph Rago, readers of the Journal should be encouraged to have an annual EKG. While there is no sarcoidosis blood test or other screening modality, the presence of a new first-degree or right bundle branch block is often a harbinger of myocardial sarcoidosis, and it is this process that renders an otherwise benign process a lethal one. That is how my own myocardial sarcoidosis was diagnosed almost five years ago.

J.A. McERLEAN, M.D.
Farmington Hills, Mich.

AMPLIFICATION

Tate Britain's survey of sculptor Rachel Whiteread was co-organized by the National Gallery of Art, where it will travel next fall. A Thursday review of the exhibition, "Poetic Sculptor of Emptiness," didn't mention the co-organizer.

PAUL GRAVER
Northfield, Ill.

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OPINION

Give Us Real Tax Reform, Not a Pig In a Poke

By Jim Jordan
And Mark Meadows

Reconciliation is a parliamentary vehicle linked with the budget and designed to achieve specific revenue and spending requirements. This is the preferred approach for certain policy objectives because only 51 votes are required for passage in the Senate. Republicans plan to use this process for tax reform. There's one concern: This was the same approach attempted for ObamaCare repeal.

In January, Congress passed a budget with reconciliation instructions for fiscal 2017. The House Freedom Caucus and Republicans across the country believed the legislation to address ObamaCare would be the same as the bill that passed both chambers in 2015 with only one Republican "no" vote. Everyone assumed we would send the same bill to President Trump that we put on President Obama's desk.

Congress shouldn't repeat the errors that killed the plan to repeal and replace ObamaCare.

But that's not what happened. After the budget passed, first we got secrecy. Remember Sen. Rand Paul, searching the Capitol for the hidden bill? When it turned up, it wasn't clean repeal. It wasn't what Congress had passed in 2015. It wasn't what we promised the voters.

Members were told we couldn't change the legislation—no real amendment process, no witness testimony. Take it or leave it, we were told—"it's a binary choice!"

After intense debate, the Freedom Caucus did change the bill, and all but two of our members supported the much-improved version that passed the House but still sits in the Senate.

Now comes tax reform, and the same play is being run again. The Freedom Caucus has been told: Don't introduce your tax reform. Wait for ours. But we won't show it to you until you vote for the 2018 budget.

If a car salesman shows you a picture of a car and demands a non-refundable down payment, you'd probably say, "Wait a minute. I've got a few questions." You might even ask to see the car. That's the situation we face with tax reform—except we haven't even seen a picture.

The House Freedom Caucus will gladly start the process if we are confident the tax plan will actually cut taxes for families, simplify the code and create jobs. We will gladly pass the budget when basic questions are answered: What are the personal rates? What's the corporate rate? What's the repatriation rate? How are small businesses treated?

The biggest question: Why the reluctance to show the American people the plan? Is the bill being written behind closed doors because it will only help the connected class and their high-paid consultants? Congress has been in session 8½ months. Is the plan being hidden away only to be rolled out at the last minute when members will be told again to take it or leave it, it's a binary choice?

The House Freedom Caucus wants government to operate on a budget, preferably a balanced one. We want to cut taxes and reform our broken tax code. Show us a plan that allows families to keep more of their money and one that grows our economy, and we will gladly vote to pass a budget.

Reps. Jordan (R., Ohio) and Meadows (R., N.C.) are, respectively, former and current chairman of the House Freedom Caucus.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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By Douglas A. Irwin

So far, the Trump administration's trade policy has seen an internal division among economic nationalists and "globalists" on the president's senior staff. The economic nationalists, and the president himself, believe protectionism will strengthen the American economy. "Look at the 19th century," said former White House chief strategist Steve Bannon in his recent "60 Minutes" interview. "What built America's so called 'American system,' from Hamilton to Polk to Henry Clay to Lincoln to the Roosevelts? A system of protection of our manufacturing, financial system that lends to manufacturers, OK, and the control of our borders."

In the nationalists' narrative, high tariffs were responsible for America's growth and industrialization in the 19th century. This is not only a misreading of history, it's a bad policy prescription for the 21st century. A return to high tariffs would sap America's economy today.

Mr. Bannon's simple story is historically and economically off base. As Treasury secretary, Alexander Hamilton wanted moderate tariffs, not protectionist duties. In his day, tariffs accounted for nearly all federal revenue. He wanted to keep imports flowing so he could finance the federal government's Revolutionary War debt and secure the young nation's credit. President Polk, far from being a protectionist, was a small-government Democrat. He slashed tariffs dramatically in 1846.

Mr. Bannon even gets the Roosevelts wrong. Theodore Roosevelt recognized the need to reduce tariffs but was uncharacteristically afraid of crossing old-guard Republicans in Congress, leaving the dirty work to his Republican successor,

Steve Bannon's Bad History



THE GRANGER COLLECTION

Sen. Reed Smoot (left), actress Mae Murray and Rep. Willis Hawley, 1929.

William Howard Taft. And Franklin D. Roosevelt was a "globalist" who got Congress to delegate tariff authority to the executive so that import duties could be cut in trade agreements with other countries.

Immigration and rapid industrialization—not tariffs—made the 19th-century economy great.

Economic nationalists always conveniently skip the story of the 1930 Smoot-Hawley tariff, probably because it doesn't fit their narrative. Smoot-Hawley—passed by Republicans and signed by a Republican president—didn't cause the Great Depression, but the trade wars it inspired certainly damaged the world economy and backfired badly against the United States.

More important, America didn't

boom during the 19th century because it was a closed economy. The U.S. industrialized rapidly between 1833 and 1860, when tariffs were being cut. While tariffs were high after the Civil War, the U.S. was open to foreign capital inflows. It was also open to the best industrial technology from Britain and Germany, and—importantly given Mr. Bannon's assertion that the U.S. had control of its borders back then—to massive immigration. The textile mills and steel furnaces of the late 19th century were largely staffed by foreign-born workers. As in our own era, many native-born Americans weren't interested in doing tedious and grinding jobs at low wages.

Economic nationalists also ignore the more sordid history of American protectionism. Clay—who served as a senator, House speaker and secretary of state—was a staunch advocate of protection, but he overplayed his hand. High tariffs meant high taxes, and Clay failed to anticipate how politically divisive they would be.

The South nearly revolted after the "Tariff of Abominations" in 1828, which was aimed at protecting industry in the Northern states. South Carolina threatened to secede from the Union. The Compromise of 1833 defused the crisis, putting tariffs on a downward trend for nearly three decades. Post-Civil War tariffs were just as controversial because they bred political corruption. Producers lobbied Congress for higher tariffs on their foreign competitors, while other special interests wanted the revenue spent on pet projects. Protectionism didn't drain the swamp; it created it.

The claim that protectionism made America's economy great in the past, and can do so again today, is wrong. When the government boosts domestic steel prices to protect a few firms from foreign competition, it also hurts domestic steel users who need cheap inputs to remain competitive in a global marketplace. Making the U.S. a "high price island" for steel, semiconductors, sugar and solar panels favors some businesses at the expense of others. Protectionism can even push manufacturers to leave the country in order to remain competitive. And protectionism hurts exporters—not just the many American farmers who sell to foreign markets, but big manufacturers, such as Boeing and General Electric, which produce goods for sale abroad.

Economic nationalists say their protectionist program will ignite an economic boom. In fact their poor understanding of history will damage the American economy and leave the country weaker.

Mr. Irwin is a professor of economics at Dartmouth and author of "Clashing over Commerce: A History of U.S. Trade Policy," to be published in November by the University of Chicago Press.

Ta-Nehisi Coates and the Politics of Contempt



The great jazz musician Miles Davis was known for his boorishness, especially toward his white fan base. Davis would play his trumpet with his back to the audience and curse at people between sets. "If somebody told me I only had one hour to live, I'd spend it choking a white man," he once told a newspaper reporter. "I'd do it nice and slow." His admirers ate it up.

Reading Ta-Nehisi Coates's new essay on Donald Trump in the Atlantic magazine brought Davis to mind. Mr. Coates, who couldn't be more highly regarded among the left-liberal intelligentsia, doesn't have anything especially new or interesting to add to the never-ending debate on the left about how Mr. Trump got elected. As ESPN anchor Jemele Hill and countless other liberals have done for the past 10 months, he blames white racism.

If you don't have time to read Mr. Coates's lengthy article, just browse Ms. Hill's controversial tweets from last week, in which she insisted that the president is "a white supremacist" and that his "rise is a direct result of white supremacy. Period." Ms. Hill's argument is no different and no less sophisticated than Mr. Coates's.

The more plausible argument is that Mr. Trump beat Mrs. Clinton by winning the support of more than eight million swing voters—in places like Michigan, Pennsylvania and Wisconsin—who previously had voted

and she demonstrates a better economy of words.

Mr. Coates has distinguished himself as a racial polemicist, and his analysis of the 2016 presidential campaign is in the service of advancing his view that Mr. Trump's rise, first and foremost, is evidence of racial retrenchment in the U.S. Never mind the far likelier reality that the 63 million voters who went for Mr. Trump did so not out of some "commitment to whiteness," as Mr. Coates alleges, but because they wanted to stop Hillary Clinton from becoming president.

According to Gallup, Mr. Obama's approval rating was 57% on Election Day last year, and it was 59% 10 weeks later when he turned the White House keys over to his successor. A Wall Street Journal/NBC News poll released last week found that 51% of the country still had a positive view of the nation's twice-elected first black president, a finding that doesn't square with Mr. Coates's view that antiblack bias is ascendant. It's true that white turnout increased for Mr. Trump, but it's also true that the president won a smaller percentage of the white vote—and a larger percentage of the black and Hispanic vote—than Mitt Romney in 2012.

The more plausible argument is that Mr. Trump beat Mrs. Clinton by winning the support of more than eight million swing voters—in places like Michigan, Pennsylvania and Wisconsin—who previously had voted

for President Obama. Mr. Coates ignores these voters in his essay, much as Mrs. Clinton ignored them on the campaign trail. That's not analysis via Breitbart. It comes from, among other places, the number-crunchers at the New York Times. The "big driver" of Mr. Trump's gains "was

The polemicist attributes Trump's election to 'white supremacy,' and liberals can't get enough.

persuasion," the paper explained back in April. "He flipped millions of white working-class Obama supporters to his side. The voter file data make it impossible to ignore this conclusion."

But what's most striking about Mr. Coates's article, and the reason it recalled Miles Davis, is the borderline contempt he displays for his admirers and fellow travelers on the political left. The author's primary targets are the "white pundits and thought leaders" whom he deems insufficiently anti-Trump. Joe Biden and Bernie Sanders, along with journalists and academics who sport impeccable left-wing credentials, are taken to task for indulging alternative explanations for Mr. Trump's win. In Mr. Coates's telling, there is

no acceptable way to view the Trump phenomenon other than through a racial prism.

Not everyone is letting Mr. Coates get away with this bullying. One of his victims, George Packer, who writes for the New Yorker magazine and who will never be mistaken for George Will, pushed back (gently) in a reply that was published on the Atlantic's website. Mr. Packer was gobsmacked by the suggestion that he was playing down racism in a pre-election New Yorker essay about the economic anxieties of working-class whites. "I didn't excuse or extend comfort to anyone," Mr. Packer writes in his response. "Analysis isn't justification—unless you think, as Coates does, that the entire subject is illegitimate for scrutiny because it's an evasion of the truth about white supremacy."

Mr. Packer almost certainly gives Mr. Coates too much credit. Mr. Coates has little use for analytical reasoning and even less interest in changing anyone's mind on racial matters. He exaggerates black victimization and tells people who already agree with him exactly what they want hear. In the end, racial discourse is worse off. All this reckless use of "white supremacy" only serves to devalue the term in the same way that the word "racist" already has been devalued. Soon, we'll need a new term to refer to actual white supremacists.

Iran Remembers the Murderous Summer of 1988

By Shabnam Madadzadeh

When Iran's President Hassan Rouhani speaks to the United Nations Wednesday, I will be thinking about the events of 1988, which the regime has tried to erase from history. In school our lessons contained no reference to that summer of blood. But I heard one firsthand story in 2012 from Maryam Akbari Monfared while we were both

being held in Tehran's Evin Prison for our political activities.

"They brought my brother's belongings—a bag containing his clothes, bloodied and torn from torture," I recall Ms. Akbari saying. "I will never forget that moment. My parents had gone to visit him, returning instead with his effects. Neither of them could talk. As if they had no words to describe that horrible scene." By 1988 her brother had been a prisoner for eight years. She said he had been arrested at age 17 for distributing the opposition newspapers of the Mujahedin-e Khalq, or MEK.

The look on Ms. Akbari's face conveyed the whole scene: the grim mother and father, with no corpse to bury or grave to mourn over. "We will not let this be forgotten," she whispered.

I am an Iranian political activist. In 2009, as a 21-year-old university student, I was arrested on suspicion of being sympathetic to the opposition. For five years I languished in prison, three months in solitary confinement. Two years after being released in 2014, I was smuggled out of the country by the MEK.

Although the regime has tried to force Iranians to forget 1988, the crimes committed were so vast that this was impossible. An estimated 30,000 people, mainly MEK activists, were executed. Their "trials" usually lasted minutes.

How could their families possibly forget? Before my arrest I met a young woman whose uncle was executed that summer. "To this day," I remember her telling me, "my entire family stands up in respect whenever his name is mentioned. My uncle was the most human of humans."

The regime executed an estimated 30,000 people. Their 'trials' usually lasted minutes.

The mass burial sites of 1988 remain largely unknown, and the public is banned from visiting any that have been uncovered, like those in Tehran's Khavaran area. Nevertheless, mothers and fathers, sisters and brothers have been doing so for the past 29 years.

The massacre exemplified the ruthlessness of Iran's leaders, many of whom still hold power today. Mostafa Pourmohammadi, justice minister during President Rouhani's first term, was a member of the 1988 "death commission" in Tehran. The current justice minister, Alireza Avayi, was on the "death commission" in the southwestern province of Khuzestan.

Despite the regime's efforts, the

taboos on discussing the massacre are being weakened, little by little, by young people who had not even been born in 1988. In line with a call by Maryam Rajavi, the leader of the National Council of Resistance of Iran (an MEK-affiliated group), people across the country have been writing, talking and asking questions about the summer of blood. Families who had remained silent for fear of reprisals have begun discussing the victims and revealing the locations of secret graves.

This social movement picked up speed last year when an audio file surfaced of a 1988 meeting between Tehran's "death commission" and Hossein-Ali Montazeri, who was then the heir-apparent to Iran's supreme leader. Montazeri decried what he called the regime's worst crimes, telling the perpetrators that they would go down in history as murderers.

The Iranian people's demands are simple: Break the silence and stop refusing to admit the mullahs' atrocities. Talk of a new era in Tehran can be taken seriously only when the ayatollahs are held accountable. The first step is to establish an independent international investigation into the 1988 massacre to bring the perpetrators to justice.

Ms. Madadzadeh is a political activist and former political prisoner in Iran.

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Markets Uneasy Over Fed Action

Bonds slump as investors worry about how central bank will unwind balance sheet

Bond markets are bracing for a historic moment: the beginning of the end of easy Federal Reserve policy. What comes next is anyone's guess.

By Daniel Kruger,
Akane Otani
and Chelsey Dulaney

The Fed is expected Wednesday to announce it will start unwinding the easy-money policies that it has pursued since the financial crisis.

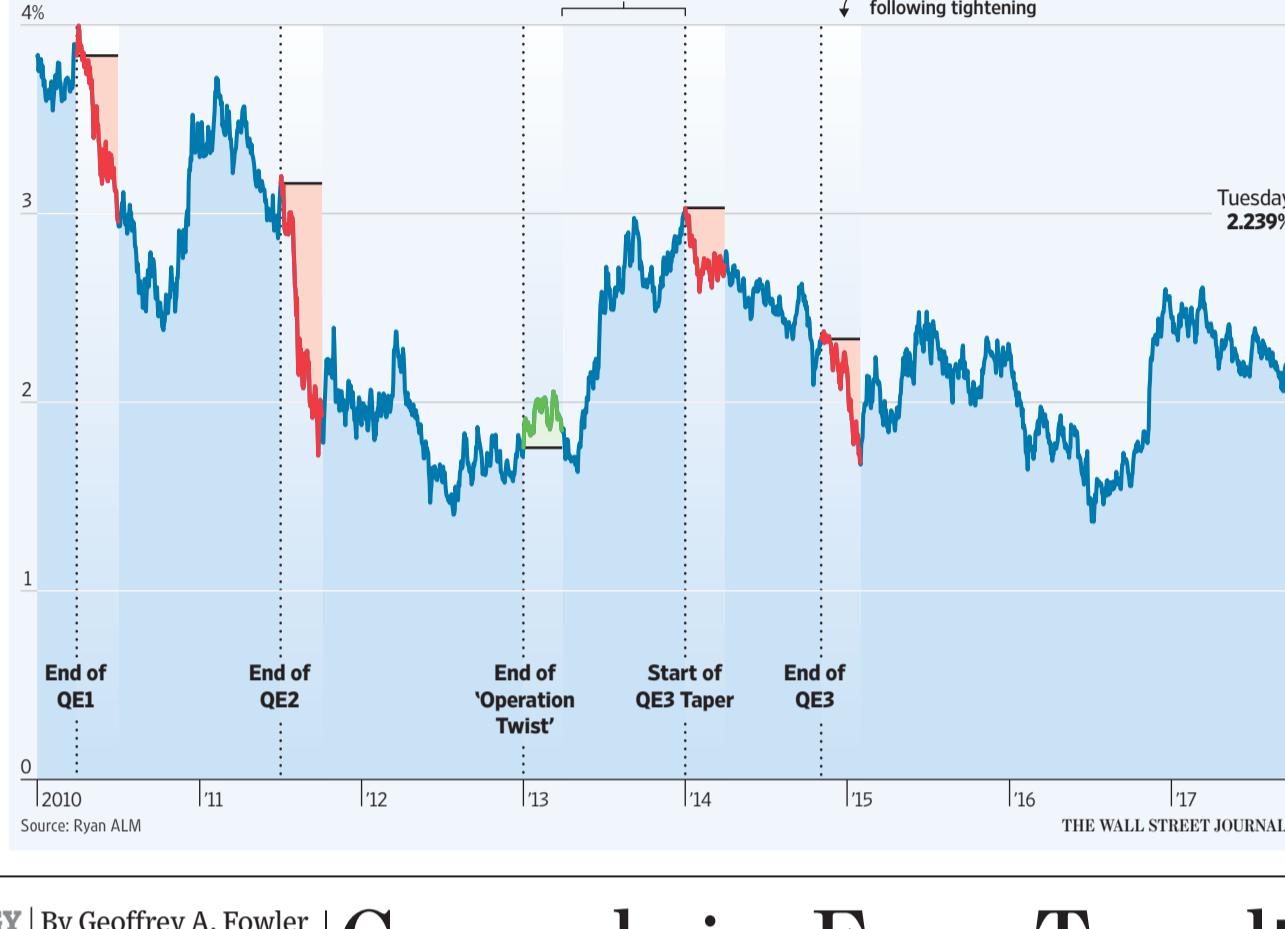
Many investors are taking the expected Fed action as a vote of confidence that the economy can grow without persistent support. They add that the Fed has signaled its intentions clearly enough that a disorderly debt-market decline similar to the 2013 "taper tantrum" appears unlikely.

Yet U.S. government-debt prices have fallen for seven straight days through Tuesday, pushing up the yield for the benchmark 10-year U.S. Treasury note to 2.239%. Bond yields rise as prices fall.

Please see FED page B2

Charted Territory

Many on Wall Street are banking that interest rates will rise later this year as the Federal Reserve begins the process of reversing the last vestige of its crisis-era stimulus. But rates have fallen following numerous previous retreats from expansive monetary policy.



PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

iPhone 8: Improvement Is Slight in an Upgrade

The iPhone 8 reminds me of the fifth "Transformers" movie—you know it's new, though you can't for the life of you figure out how it's different. On its face, the 8 looks like an iPhone from 2014.

And like another sequel, the best thing about the iPhone 8 is that it's entirely avoidable. Normally, iPhone owners have one decision to make: Is it an upgrade year or not? But this fall, you have real options. Apple's selling the \$700 iPhone 8, the jumbo \$800 iPhone 8 Plus and the totally redesigned \$1,000 iPhone X, not to mention five older (and cheaper) iPhones.

If you follow the Goldilocks Principle, an iPhone 8 might seem like a sensible choice. It has a new camera and processor, yet doesn't cost quite as much as the fancy-pants X.

But let's stop taking electronics advice from a girl who robs bears. Putting the iPhone 8 through its paces

for the past week, I learned Apple should have called it the iPhone 7s. (The company skipped the "s" model this year, calling it a "new generation.") The iPhone 8 is a good smartphone, but only a slight improvement, mostly in the camera department.

Let me propose a different iPhone purchasing strategy:

Because of Apple's staggered rollout, I haven't had opportunity to test the iPhone X. But for anyone considering buying an iPhone 8, here is how it measures against an iPhone 7.

Glass Back

From the front, it's harder to tell the difference between the 7 and 8 than to ID an Olsen twin. But look on the back, and you will see it's made of glass rather than metal.

The glass might remind you of the iPhone 4, one of the most iconic Apple

Please see FOWLER page B4

◆ Some hidden iOS tricks for the iPhone..... B4

Guggenheim Faces Tumult As SEC Scrutinizes Firm

Mark Walter helped turn **Guggenheim Partners** LLC into an investment powerhouse. Now he is considering giving up his chief executive

By Margot Patrick,
Justin Baer
and Gregory
Zuckerman

role as the firm contends with internal unrest and scrutiny from regulators.

Mr. Walter has told colleagues he is weighing ceding the CEO post while remaining chairman, according to people close to the situation. "Mr. Walter has no current plans to relinquish his position as CEO of Guggenheim," a Guggenheim spokesman said.

The leadership discussions are happening as Guggenheim deals with new regulatory scrutiny, employee departures in the firm's investment business and internal unrest surrounding the status of a key executive.

At least one person independently has shared information about Guggenheim with the SEC, according to the people.

The information request came from the SEC's examinations staff, the people said.

Exandra Court, is now negotiating her possible departure from the company, according to people close to the matter.

Earlier this year, the U.S. Securities and Exchange Commission began looking at Guggenheim's operations, certain investments and disclosures, according to people familiar with the situation. The regulator has since requested from

Mark Walter has told

colleagues he is

weighing ceding the

CEO post.

Guggenheim information on several deals, including one involving the firm's investment in an entity founded by former

Barclays PLC chief executive Bob Diamond, the people said.

At least one person independently has shared information about Guggenheim with the SEC, according to the people.

The information request came from the SEC's examinations staff, the people said.

Those officials have discussed the matter with enforcement staff, who will determine whether to proceed with an investigation, one person said. An SEC spokesman declined to comment.

Other high-ranking executives have left Guggenheim recently. Those departures, along with Ms. Court's uncertain status, have spurred questions from clients uncertain about the money manager's direction, people familiar with the matter said.

There also is frustration the firm doesn't manage more money given the fact that some of its funds' performance have topped competitors, according to two employees. Despite the upheaval, a senior executive said Guggenheim remains profitable.

"The characterization that our business is in turmoil is just plain wrong," Guggenheim Investments President Jerry Miller and Chief Investment Officer Scott Minerd said in a statement. "Quite to the contrary, we're experiencing extremely strong investment performance on behalf of our

Please see UNREST page B2

INSIDE

North Sea, Surprisingly, Is Oil Hot Spot Again

By SARAH KENT

LONDON—For more than a decade, the North Sea's once-booming oil sector was mired in decline. Against the odds, it has emerged as an unlikely bright spot in today's stormy global energy industry.

Investors have sunk more than \$16 billion so far this year into European deals for assets mostly located in the North Sea, a flurry that far outstrips energy deal activity in all but American shale country and Canada's oil sands, according to Edinburgh-based energy-consulting firm Wood Mackenzie. The biggest deal came last month, with Total SA's \$5 billion purchase of A.P. Moeller-Maersk's North Sea-focused oil-and-gas business.

The deal was a sign major oil companies are still willing to invest significant amounts in the region, where confidence is reviving as oil prices stabilize and costs come down. Many are refocusing on relatively new areas. Meanwhile, private-equity funds are buying up aging assets and infrastructure, seeing opportunity



Investor confidence in North Sea oil is reviving as prices stabilize and costs are on the decline.

in operations that have become more marginal for some of the bigger players.

Royal Dutch Shell PLC is planning to spend \$600 million to \$1 billion a year in the North Sea in the coming years, while BP PLC expects to double its production there by 2020. Norway's Statoil ASA has greenlighted production from a new North Sea field that, at its peak, could pump more oil than the entire nation of Ecuador, a member of the Organization of the Petroleum

Exporting Countries.

"We see the North Sea turning things around," BP Chief Executive Bob Dudley recently told an oil conference in Aberdeen, Scotland, the center of the British oil industry.

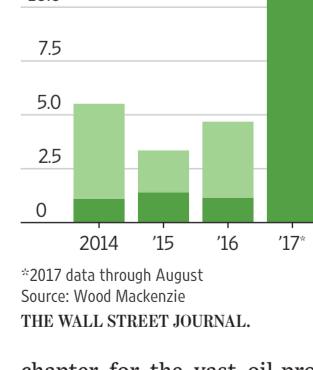
The activity opens a new

Rising Tide

A flurry of deals in the North Sea is stoking optimism about the region.

European energy M&A

\$17.5 billion



*2017 data through August

Source: Wood Mackenzie

THE WALL STREET JOURNAL.

chapter for the vast oil-producing region in the waters separating Britain from Northern Europe.

Last year, the U.K.'s North Sea energy industry was described as "at the edge of a

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FED

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The bond slump, the longest since March, reflects investors' growing unease about this week's Fed meeting. Investors remain wary that any mistake by the central bank, such as removing stimulus too quickly, could upend months of relative calm. Conversely, if the Fed falls behind and allows inflation to grow too quickly, that could also put the economic expansion at risk.

Bond yields tend to rise in periods when the economy is surging, reflecting investors' bets on continued growth. Yet in an economy dependent on consumer debt to finance purchases for everything from homes and cars to televisions,

rates shot higher in what investors called the "taper tantrum" and the 10-year yield almost doubled to 3% by year-end.

Twenty-one percent of investors say a policy misstep by the Fed or the European Central Bank represents the biggest tail risk to the markets, according to a Bank of America Merrill Lynch survey conducted Sept. 1 to Sept. 7 of 214 investors with \$629 billion in assets under management.

Gary Pollack, head of fixed-income trading at Deutsche Bank Private Wealth Management, has shifted Treasury portfolios into shorter-term securities. He attributed his move to "expectations longer term that yields are going to rise."

Others worry about the impact of the Fed's moves on a bull market in its ninth year. They warn the unwinding could gradually pressure stock valuations, which are often calculated relative to bond yields, as well as corporate-earnings growth—a key driver of stocks' gains this year. Utilities shares, often thought of as bondlike because of their relatively hefty dividends, are likely to underperform if yields rise, Goldman Sachs said.

Not all stocks would necessarily suffer. A rise in Treasury yields could benefit bank stocks by increasing the gap between what they pay on deposits and charge on loans, according to Goldman Sachs research.

The bond market's reaction to Fed pullbacks suggests how difficult the task is. In four of five occasions when the central bank has ended or begun reducing a stimulus program since 2010, the yield on the benchmark 10-year Treasury note was lower three months later as the economy struggled.

More recently, investors dumped global government bonds this summer after comments from the ECB, Bank of England and Bank of Canada fueled concerns that central banks were looking to move away from less-accommodative monetary policy.

The Fed meeting could also prompt repositioning around the globe. A tick-up in inflation last week sparked new bets the central bank will raise interest rates in December, which many saw as unlikely at the start of the month.

Yield on the 10-year U.S. Treasury note Tuesday

2.239%

Yield on the 10-year U.S. Treasury note Tuesday

any policy that increases borrowing costs poses the risk of curbing the expansion.

The market's ambivalence heading into the Fed's meeting highlights the stakes for the Fed and investors alike. The central bank has helped engineer a more successful rebound from the financial crisis than many analysts would have thought possible. But at a time of near-record stock indexes, bond yields far below Wall Street's expectations at the start of the year and a declining dollar that continues to vex investors, the prospect of a textbook unwinding of expansive monetary policy seems almost too good to believe.

"There's always some risk that unwinding the balance sheet is going to be negative for risk assets," said Vassili Serebriakov, a currency strategist at Crédit Agricole. "We know what the plan is, but it's possible it has a different impact than what the market expects."

In 2013, then-Fed chief Ben Bernanke indicated the central bank could soon end its quantitative-easing program. Treasury

BUSINESS & FINANCE



Barbie maker Mattel derives an estimated 11% of its sales from retailer Toys 'R' Us, which filed for chapter 11 on Monday.

Toy Makers to Make Do

By MICHELLE MA

The fallout from Toys "R" Us Inc.'s bankruptcy filing ends weeks of uncertainty for the toy industry while creating new challenges just ahead of the busy holiday season. But the fallout might be limited for the big toy makers, analysts said.

Toys "R" Us, which operates about 1,600 stores around the world, plans to continue operating most of its locations, the bankruptcy isn't expected to spark widespread liquidation sales, and manufacturers can shift sales to other retailers.

The Wayne, N.J.-based

company is "not as big a sales channel for toy companies as many think, though still material," said BMO Capital Markets analyst Gerrick Johnson in a research note Tuesday.

According to Mr. Johnson, the retailer accounts for 9% of Hasbro Inc.'s sales, 11% of Mattel Inc.'s, 12% for Jakks Pacific Inc. and 15% for Spin Master Corp.

Uncertainty surrounding the chain's future led suppliers to hold off on shipments, Mr. Johnson wrote, so the \$3 billion in bankruptcy financing the company has lined up now gives them confidence to resume them in time for the holiday shopping season.

"We will continue to support Toys 'R' Us as they restructure their business," said Spin Master Chief Operating Officer Ben Gadbois in an emailed statement, adding that Toys "R" Us is "an important part of the toy industry."

Jefferies, in a research note Tuesday, said that toy companies are already redirecting business to big-box stores and online retailers such as Amazon.com Inc., Wal-Mart Stores Inc., Target Corp. and Costco Wholesale Corp.

Mattel and Hasbro are among the retailer's biggest unsecured creditors, with Mattel owed more than \$135 million and Hasbro \$59 mil-

lion, according to court papers. Lego A/S was owed about \$32 million.

A Hasbro spokeswoman said the company was evaluating the Toys "R" Us filing.

Lego, which posted lower sales and announced layoffs earlier this month, said it was "aware of the situation facing Toys 'R' Us and will continue our dialogue with them during this period to ensure an optimal solution is reached."

Mattel, which replaced its chief executive earlier this year and has struggled with weak sales, couldn't be reached for comment.

—Saabira Chaudhuri contributed to this article.

UNREST

Continued from the prior page clients, record asset growth and are probably in the strongest position we have ever been. Our people and we are very excited about our future and expect this to be our best year yet."

Guggenheim Partners is connected to one of the oldest and best-known names in finance. At the end of World War I the Guggenheims controlled more than 80% of the world's silver, copper and lead, before expanding into other industries and backing the museum bearing one of their members' name on Manhattan's Fifth Avenue. A small organization managed the family's money for decades.

That organization embraced broader goals in 1999 when it merged with two firms. One was a broker-dealer and the other was a structured products firm founded by Mr. Walter, a native of Cedar Rapids, Iowa and graduate of Northwestern Law School. Mr. Walter became CEO of the combined company.

The new Guggenheim evolved into a sprawling, privately owned firm under the leadership of Mr. Walter, who made profitable investments that added to his wealth. Guggenheim's operations now include an adviser to insurance companies, an investment bank and a money manager.

Central to the firm's success has been an asset-management arm that oversaw just \$35 billion a decade ago. Driven in

part by stellar returns produced by Mr. Miner, that division now oversees about \$237 billion in assets.

Guggenheim has drawn the SEC's attention before. In 2015, the firm paid \$20 million to settle SEC claims that the firm failed to disclose a conflict of interest involving a loan that one of its executives took from a client.

The settlement required Guggenheim, which didn't admit or deny wrongdoing, to hire an independent compliance consultant to appraise its policies for dealing with conflicts of interest.

Earlier this year, the SEC began asking a new set of questions about the relationship between the firm and an entity set up by Mr. Diamond, according to people close to the company. Mr. Diamond declined to comment through a spokes-

man.

In December 2013, Guggenheim became one of the largest shareholders in Atlas Mara Ltd., an investment vehicle set up by Mr. Diamond to buy interests in African banks. Mr.

Miner, who worked for Mr. Diamond years earlier at Credit Suisse First Boston, bought the shares for several life insurers whose investments are directed by Guggenheim.

Guggenheim separately invested \$200 million in Mr. Diamond's private-equity firm, At-

las Merchant Capital, and provided it with working capital, according to filings and people familiar with the investment.

A representative for Atlas Merchant and Atlas Mara declined to comment.

It isn't known why this relationship attracted the attention of the SEC.

Separately, Guggenheim also is dealing with tumult surrounding a series of events that began in 2016 with the elevation of Ms. Court to global head of institutional distribution, a unit that serves pension funds, insurers and other institutional clients.

Around 17 months ago, she restructured the unit by laying off some employees and giving more control to her coverage team on client interaction.

Mr. Miner didn't support the changes, according to people close to the matter, because it meant he and his team couldn't pick up the phone to talk to clients about investments or help raise new assets.

Ms. Court also had a personal relationship with Mr. Walter, according to two people close to the matter. She took a sabbatical from the firm this summer and the plan was that she would return in September, according to people familiar with the matter. It isn't known why she took the sabbatical.

Now she is negotiating her next steps with the company, the people said.

The Financial Times previously reported the tensions between Ms. Court and Mr. Miner, as well as Ms. Court's sabbatical.

OIL

Continued from the prior page chasm" by trade association Oil & Gas UK as low oil prices hammered investment in a region full of aging, depleted fields. At its peak around 2000, the North Sea produced oil in amounts similar to Saudi Arabia, but output has fallen by around 34% since then, a trajectory that only recently began to reverse.

The region still faces significant challenges. Despite all the M&A activity, only a handful of new developments have been approved this year. And a record number of proposals to dismantle existing infrastructure were submitted in the first half of this year, according to Wood Mackenzie.

The region still faces significant challenges. Despite all the M&A activity, only a handful of new developments have been approved this year. And a record number of proposals to dismantle existing infrastructure were submitted in the first half of this year, according to Wood Mackenzie.

of private-equity money have helped create a sense of optimism across the North Sea industry not seen since prices crashed in 2014.

Private-equity funds have built up war chests totaling \$15 billion for North Sea acquisitions, Wood Mackenzie said. Companies backed by funds including EIG Global Energy Partners, Carlyle Group and CVC Capital Partners have already bought sizable asset packages in the region.

Among the largest, after Total, was the \$3.8 billion deal made in January by Chrysaor Holdings Ltd., the EIG-backed oil company, for a chunk of Shell's North Sea assets. Shell is now focused on maintaining its North Sea output at around 150,000 barrels a day into the late 2020s.

The North Sea is in a window of opportunity," Linda Cook, chairman of Chrysaor and chief executive of EIG's in-

vestment vehicle, Harbour Energy, said in an interview. "We intend for this to be the first of many acquisitions in the region."

BP has also approached potential buyers about its North Sea oil assets—although, like Shell, it says it remains committed to the region.

In fact

BUSINESS NEWS

Costs of Employer Health Plans Rising

The share of firms that offer coverage continued to decline in 2017, new poll says

By ANNA WILDE MATHEWS

The average cost of health coverage offered by employers pushed up toward \$19,000 for a family plan this year, as the share of firms providing insurance to U.S. workers continued to edge lower, according to a major survey.

Annual premiums rose 3% to \$18,764 for an employer plan in 2017 from \$18,142 last year, the same rate of increase as in 2016, according to an annual poll of employers performed by the nonprofit Kaiser Family Foundation along with the Health Research & Educational Trust, a nonprofit affiliated with the American Hospital Association.

The trend of relatively gradual premium increases has continued for several years, with the growth of premiums damped by a shift toward bigger out-of-pocket costs for employees in the form of high deductibles—a move that slowed this year, as

average deductibles were roughly flat compared with 2016.

Still, the rise of premiums over time has resulted in family health plans that can annually cost more than a new car, with the cost split between firms and employees. Employees paid on average \$5,714, or 31%, of the premiums, for a family plan in 2017, according to Kaiser.

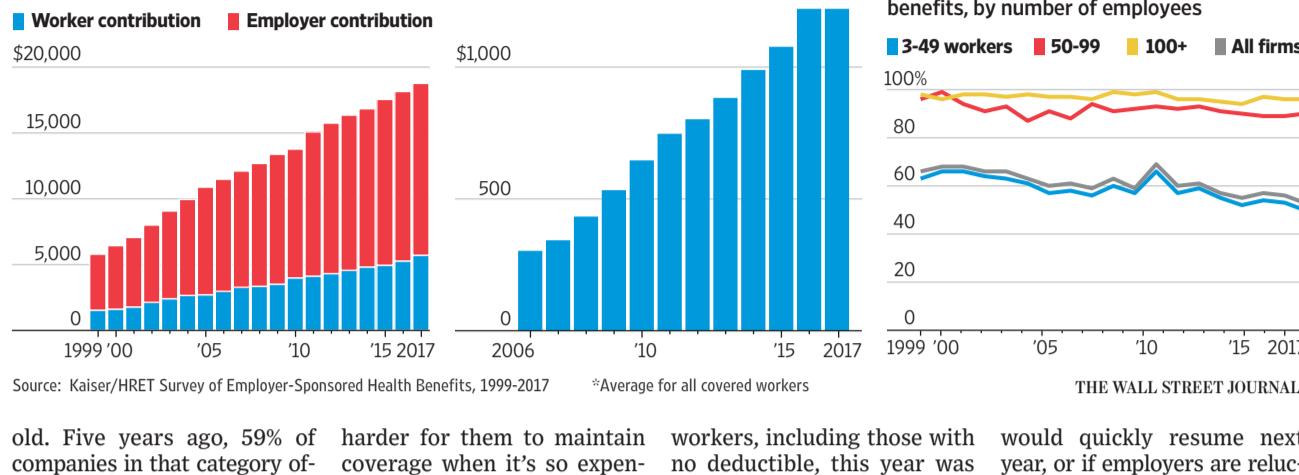
For an individual worker, the average annual cost of employer coverage was \$6,690 in the 2017 survey, or 4% higher than last year, with employees paying 18% of the total.

Another trend was also sustained in the 2017 survey: a decline in the share of employers offering health insurance despite a labor market that shows signs of tightening—at least in certain regions and sectors. The move has been driven by a drop-off among the smallest firms.

This year, 53% of employers in the survey offered health benefits, down from 56% last year and 61% in 2012. Just half of firms with three to 49 workers offered health insurance this year, the first time the share reached that thresh-

State of Health

Premiums for employer-sponsored health insurance grew at a steady pace in 2017, while deductibles were largely flat. Meanwhile, the share of firms offering coverage edged down.



old. Five years ago, 59% of companies in that category offered health benefits.

Gary Claxton, a vice president at the foundation, said that the overall cost of insurance appears to be driving small firms, particularly those with low-wage workers, to stop offering health benefits. Indeed, among small employers that didn't offer health insurance, 44% said the biggest reason for not providing the benefit was its cost. "It's

harder for them to maintain coverage when it's so expensive," Mr. Claxton said.

However, among small employers that didn't provide health coverage, 16% did give workers some money they could use toward purchasing a plan themselves.

Kaiser foundation officials said it wasn't clear why the growth in deductibles appeared to pause this year. The average general deductible for single coverage among all

workers, including those with no deductible, this year was \$1,221. That is the same as last year, but up sharply from \$802 in 2012. This year, 28% of covered workers were enrolled in high-deductible plans that can be paired with savings accounts that aren't taxed, compared with 29% last year and 19% five years ago.

Drew Altman, chief executive of the Kaiser foundation, said it was too soon to tell if the growth in deductibles

would quickly resume next year, or if employers are reluctant to keep pushing the tactic.

"We'll have to watch it," Mr. Altman said. "It's possible it's playing itself out or reaching some kind of natural limit."

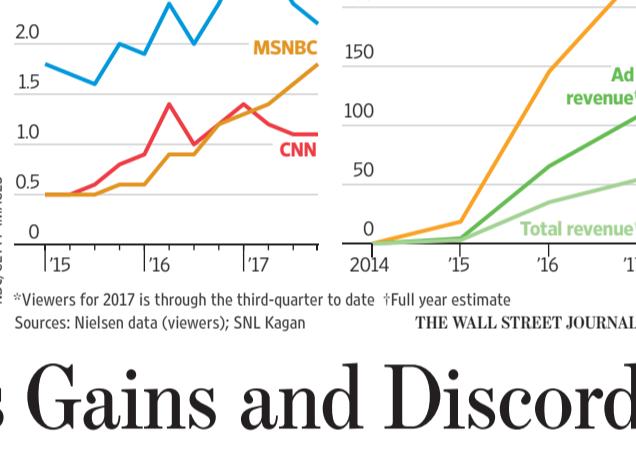
The Kaiser survey was conducted between January and June of this year and included 2,137 randomly selected employers that responded to the full telephone survey.



Rachel Maddow has emerged as a star for MSNBC's political coverage.

Politically Charged

MSNBC's prime-time ratings have risen steadily, surpassing CNN's and closing the gap with leader Fox News but revenue hasn't kept pace partly because of essentially flat cable fees.



FTC Says Walgreens Can Buy Stores

By BRENT KENDALL AND AUSTEN HUFFORD

Walgreens Boots Alliance Inc. received regulatory approval to acquire nearly 2,000 drugstores from Rite Aid Corp., but only after the number of stores to be purchased in the deal was again trimmed to allay antitrust concerns.

Walgreens will now buy 1,932 Rite Aid stores for \$4.38 billion, a far cry from the original \$9.4 billion deal for about 4,600 stores struck in 2015.

Rite Aid will continue as a stand-alone company, operating about 2,600 stores, six distribution centers and its pharmacy-benefit manager, EnvisionRx.

Its chief executive, John Standley, said on Tuesday the sale provides the company with a "more profitable store footprint" and stronger balance sheet as it engineers a turnaround.

The Federal Trade Commission spent roughly 18 months investigating the companies' broader plan to merge and harbored an array of concerns about the effect on competition. In the face of continued FTC objections, the two companies scrapped their merger plans in June, agreeing instead that Walgreens would settle for acquiring about 2,200 Rite Aid stores.

After further discussions with the FTC, the companies dropped about 250 more stores from the transaction, Rite Aid said Tuesday. Walgreens will gain stores located primarily in northeastern and southern U.S.

For NBC News Chief, Ratings Gains and Discord

By JOE FLINT

Andy Lack has checked a lot off his to-do list since returning as chairman of NBC News and MSNBC just over two years ago.

MSNBC's prime-time ratings have more than tripled and it is no longer a distant third behind cable news rivals Fox News and CNN, amid rising interest in political coverage and the emergence of Rachel Maddow as a star. At the NBC broadcast division, politics show "Meet the Press" is back at No. 1. "Nightly News" has put behind the crisis after Brian Williams was forced out of his anchor chair in disgrace, and the "Today Show" is back at the top in the key demographic of adults 25 to 54.

Despite those upbeat trends, a significant part of Mr. Lack's job is overseeing on-air personalities, and reviews of his stewardship on that count are mixed, with some staffers criticizing his management of talent and programming choices. Inside MSNBC, some staffers

lament the addition of conservative voices to the network. Some moves haven't panned out. Former Fox News anchor Greta van Susteren posted poor ratings before departing after only a few months.

At the NBC broadcast unit, Mr. Lack's biggest gamble is signing former Fox News host Megyn Kelly to a deal valued at more than \$15 million annually. Her first effort, a Sunday evening news magazine, was a critical and ratings disappointment. Her daytime show—a 9 a.m. hour titled "Megyn Kelly Today"—will start on Sept. 25.

None of this fazes Mr. Lack, an eternal optimist.

"There has never been in my lifetime a better time to be in the news business," Mr. Lack said. While ratings for the morning and evening NBC broadcast shows are trending down, "the dollars are still coming to them," he said, adding, "we've got all the resources to keep expanding."

A New York native, the 70-year-old Mr. Lack cut his teeth as a producer at CBS's "60

Minutes" and later as executive producer of the critically acclaimed news magazine "West 57th" before coming to NBC for the first time in 1993.

Mr. Lack left NBC in 2003 and was lured back in 2015. The crisis then was "Nightly News" anchor Brian Williams had been suspended after it was discovered that for years


'There has never been in my lifetime a better time to be in the news business,' says Andy Lack.

he had falsely claimed to have been in a helicopter struck by a rocket-propelled grenade while reporting from Iraq.

Mr. Lack made Lester Holt the permanent "Nightly" anchor and shipped Mr. Williams off to MSNBC, where he has a late-night news show. Both anchors have fared well.

"I think Andy brought in a

confidence and a swagger and almost instantly morale and enthusiasm changed for the better," said NBC Chief Executive Steve Burke.

Mr. Lack and MSNBC President Phil Griffin also defended their decision to add more conservative voices to the mix at MSNBC, including Nicole Wallace, a former George W. Bush staffer and an adviser for Sen. John McCain's 2008 presidential run, who has performed solidly since her 4 p.m. show made its debut in May.

"There has to be an element of surprise," Mr. Griffin said. "If you're doing something that I know where you're going in the next 10 minutes then you've failed."

All major cable networks have enjoyed big viewership jumps during the election season. MSNBC has benefited the most. Fox remains No. 1 in total viewers and the target 25- to 54-year-old demographic, while MSNBC has displaced CNN as No. 2. Several MSNBC insiders and talent agents say Mr. Lack hasn't embraced the

success of its left-leaning prime time lineup. They point to drawn-out contract negotiations with "Last Word" host Lawrence O'Donnell. Mr. O'Donnell didn't respond to requests for comment. Mr. Lack attributed the dragged-out renewal with Mr. O'Donnell simply to difficult negotiations.

The tension between long-time MSNBC staffers and Mr. Lack started early on when word circulated that he had talks with "Today" anchor Katie Couric about bringing her to the network. People close to both Mr. Lack and Ms. Couric said talks never evolved past the informal stage.

Mr. Lack seemed taken aback when asked about discord at MSNBC, said: "I think I've got the smartest prime-time lineup you can find, I'm very proud of the work they do," he said. Ms. Kelly's morning program will be a big test.

"Yes there is risk and it's unnerving and a little scary," Mr. Lack said. But, he added, Ms. Kelly, has a "unique talent" that viewers will discover.

Post to Buy Bob Evans Farms

By ANNIE GASPARRO AND JOANN S. LUBLIN

Post Holdings Inc. said it plans to buy breakfast-sausage maker Bob Evans Farms Inc., the latest in a series of acquisitions by the cereal maker aimed at getting shelf space in faster-growing areas of the grocery store.

Post, which makes Honey Bunches of Oats and Fruity Pebbles cereals, said it would combine the newly acquired business with Michael Foods, a company it bought three years ago that produces Simply Potatoes, Crystal Farms cheeses and liquid egg whites.

The deal, which is valued at \$1.5 billion and marks a 6% premium to Bob Evans's closing stock price Monday, didn't receive unanimous approval from Bob Evans's board, the company confirmed.

Bob Evans declined to comment on the specifics of the boardroom discussions, but it is unusual for a board member

to vote against a sale of the company. Chief Financial Officer Mark Hood said the directors researched the deal extensively to ensure it would provide the best value to shareholders, and "the majority rules."

Bob Evans would have to pay Post a \$50 million termination fee if it doesn't go through with the deal, according to a regulatory filing on Tuesday. The company would have to consider any unsolicited offers, however, Mr. Hood said.

Earlier this year, Bob Evans split its grocery businesses from its struggling restaurant chain following years of pressure from activist investor Thomas Sandell. The packaged-foods business remained publicly traded and retained the Bob Evans name. As of the most recent regulatory filings in June, Mr. Sandell and his firm Sandell Asset Management Corp. didn't have a stake in Bob Evans.

Ezequiel Minaya contributed to this article.



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TECHNOLOGY

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Nintendo Ready for China Jump

The deal with Tencent may be a precursor to bringing the Switch to huge game market

BY TAKASHI MOCHIZUKI
AND ALYSSA ABKOWITZ

For all its global popularity, Nintendo Co. has had relatively limited business in China. Now, a deal with **Tencent Holdings** Ltd. has investors excited at the prospect of the Japanese company's Switch console and smartphone games taking off in one of the world's biggest game markets.

Nintendo shares shot up 7.1% to a nine-year high Tuesday on word that one of China's most popular video-games—Tencent's "Honor of Kings"—will be available on the Switch this winter. The game is called "Arena of Valor" in Europe, where it was introduced in August; a U.S. launch under that name is set for later this year.

For the moment, the deal, disclosed last week in a Nintendo video posted online, doesn't directly involve users in China because the Switch isn't sold there. But it could be a precursor to arrangements allowing Nintendo to sell the Switch and its mobile games in China, said people familiar with the thinking of Nintendo and Tencent executives.

"This is very positive in the longer term in getting Chinese publishers supporting the



A contest involving Tencent's mobile games in Chengdu, China, in July.

Switch," said Macquarie Capital Securities analyst David Gibson. He expects Nintendo to introduce the Switch in China by March 2019.

China is the world's largest smartphone game market, and "Honor of Kings," first released two years ago, is one of its standout hits. Research firm App Annie said the game was the top-grossing app in China during the second quarter of this year, raking in some \$87 million a month on average on Apple Inc.'s iOS platform.

The game, a battle between five-player teams, has been so popular that this summer Ten-

cent imposed daily playing-time limits on players ages 18 and under and imposed a curfew for children 12 and under.

For 15 years starting in 2000, China blocked video-game console makers from its market, saying the consoles could hurt young people's education. After it opened up in 2015, Sony Corp. and Microsoft Corp. released their latest consoles. Nintendo held back, in part because consoles are a niche product in a country where consumers are used to playing on smartphones and personal computers. Nintendo has sold a version of its 3DS hand-held device in China, but

it gained less traction than in the U.S. or Japan.

People familiar with Nintendo's thinking said it has been looking for ways to expand in China and sees Tencent as a possible partner, although they cautioned that nothing is in place yet. They said Nintendo looked at selling its Wii U console in China but dropped the plan.

In addition to its Switch, which went on sale in March, Nintendo has moved into smartphone games globally since last year with titles such as "Super Mario Run." If the company makes a big push in China, it would likely look for

ways to make those games available to Chinese smartphone users, analysts said.

The Tencent-Nintendo deal has implications beyond China because it suggests that Tencent is getting more aggressive about reaching customers globally.

"Tencent's approach outside China has been to invest in gaming companies that augment its existing games and pipeline in China," said Daniel Ahmad, an analyst at Niko Partners who follows the Chinese game market. "Now we're seeing Tencent start to bring its own internal games to the West."

Meanwhile, the addition of the Tencent game to Nintendo's Switch lineup suggests rising third-party support for the console, a key factor for its long-term success, said Macquarie's Mr. Gibson.

Sony's PlayStation 4 has much wider distribution because it has been on the market for nearly four years, but Mr. Ahmad of Niko Partners said the Switch's smartphone-like aspects, such as portability and a built-in touch screen, are attractive to game makers such as Tencent that are used to smartphones.

Over Fence Co., a small game developer in Tokyo, said it found it easier to win attention when it introduced its puzzle game "Flip Wars" for the Switch because the field of software competitors isn't as crowded compared to smartphones. It said it was preparing several more Switch titles.

Try These Hidden iOS Tricks for The iPhone

BY JOANNA STERN



Get ready... Those incessant reminders to upgrade your iPhone or iPad operating system are about to begin.

On Tuesday, Apple released iOS 11 for devices going back to the iPhone 5s, fourth-gen iPad, iPad Mini 2 and sixth-gen iPod Touch. (Sorry, iPhone 5, you've been chopped.)

What does that mean for you? As I say every year, the question isn't if you should upgrade, it's when. If those reminders don't make you do it, some other app might demand you do.

If you own an iPad, you should upgrade straight away—it finally makes the tablet much more like a laptop, with new multitasking and productivity features. Even iPhone users will notice improvements, like Siri's more realistic voice, a redesigned Control Center and the App Store's new look.

But other helpful tricks are buried deep inside.

For instance, there's a new, one-handed keyboard mode. Just tap and hold on the emoji icon to shift the layout to one side.

Rather not talk to Siri out loud? You can now type commands by going to Settings > General > Accessibility > Siri > Type to Siri. Unfortunately, it will disable the voice feature.

Running low on space? Apple has made it easier to get rid of the chunky iMessage attachments. Go to Settings > General > Storage > Review Large Attachments, and swipe to the left to delete specific files.

There are more where those came from. Watch my video guide on your phone to uncover 11 hidden iOS 11 tricks.

In her weekly "You Got This" video series, Joanna offers quick mobile tips meant to be watched right on your phone.

Alibaba-Backed Best Cuts IPO

BY AUSTEN HUFFORD

Chinese logistics company **Best** Inc. on Tuesday slashed the size of its planned initial public offering.

The company, backed by **Alibaba Group Holding** Ltd. and **Foxconn Technology** Group, now expects to offer 45 million American depository receipts at a price of \$10 to \$11 each, down from earlier plans to sell 53.56 million shares at \$13 to \$15 apiece.

Best now estimates it will receive net proceeds of about \$447.3 million from the offering, down from \$713 million it expected previously.

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TECHNOLOGY

Internet Immunity at Risk In Sex-Trafficking Debate

BY JOHN D. MCKINNON
AND DOUGLAS MACMILLAN

WASHINGTON—A key Senate committee chairman on Tuesday urged internet companies to help forge legislation to combat online sex trafficking, pressuring the technology industry to get behind an effort it has largely opposed.

Commerce Committee Chairman John Thune (R., S.D.) stopped short of endorsing a bipartisan measure that has been gaining steam in the Senate. That legislation would roll back the sweeping legal immunity that websites enjoy under federal law, and enable victims and local prosecutors to take legal action against sites that knowingly facilitate trafficking.

Mr. Thune suggested Silicon Valley firms need to be involved in finding a compromise that both sides could accept. "I believe that these companies—like the rest of us—have an obligation to do more," Mr. Thune said in his opening statement at a congressional hearing Tuesday on the issue.

At the end of the hearing, he said to an internet trade association representative who appeared as a witness: "I would encourage you and the companies that you represent...to figure out if there's a way" to agree on legislation. "We need to provide clarity," he added.

The legislation stems from concern that current federal law—adopted in the 1990s to help the fledgling internet grow—has led to an epidemic of online sex trafficking in recent years, mainly through classified-ad sites such as backpage.com. Escort ads on



Sen. John Thune wants Internet firms to help forge legislation.

such sites often have served as thinly disguised solicitations for prostitution, and sometimes involve underage victims, according to anti-trafficking advocates.

But Backpage has successfully shielded itself from legal action by victims as well as state prosecutors by citing the federal immunity law. The company declined to comment on Tuesday's hearing.

Legislation sponsored by Sens. Rob Portman (R., Ohio) and Richard Blumenthal (D., Conn.) has gained 30 co-sponsors since being introduced in early August. It would roll back the 1990s federal shield, at least for online companies that knowingly facilitate sex trafficking.

A number of big internet companies—including Alphabet Inc. unit Google—and their trade groups argue that the Portman-Blumenthal bill goes too far and could undermine a legal pillar of the internet.

BUSINESS WATCH



The package delivery giant cut its forecast for the rest of its fiscal year after a costly cyberattack.

FEDEX

Cyberattack Took Toll of \$300 Million

FedEx Corp. said Tuesday that a cyberattack earlier this year dented earnings in its latest quarter by roughly \$300 million, prompting the package delivery giant to cut its profit forecast for the rest of the fiscal year.

The company said the June 27 attack, which security experts dubbed Petya, reduced its quarterly earnings by a third, as its computer systems at its TNT Express business were disrupted for weeks.

"This was not an ordinary cyber attack," FedEx's finance chief, Alan Graf, said during a conference call with analysts. "We believe that this attack was the result of a nation state targeting Ukraine and companies that do business there."

For the fiscal first quarter ended Aug. 31, FedEx reported a profit of \$596 million, or \$2.19 a share, down from \$715 million, or \$2.65 a share, a year ago. It said the cyberattack reduced per-share earnings by 79 cents in the period. Revenue rose 4% to \$15.3 billion.

The company lowered its profit targets for the rest of the fiscal year. It now expects per-share earnings, excluding certain items, to be between \$12 and \$12.80, down from its previous estimate of between \$13.20 and \$14.

—Ezequiel Minaya and Michelle Ma

FIAT CHRYSLER

Recall Is Issued For Ram Trucks

Fiat Chrysler Automobiles

NV on Tuesday issued a recall for nearly a half-million Ram pickup and work trucks to fix faulty pumps that could cause overheating and engine fires, marking

the second major truck recall this year by the auto maker.

The action affects an estimated 494,417 Ram heavy-duty 2500 and 3500 pickup trucks and certain medium-duty chassis cabs, which are used for such commercial vehicles as dump trucks, a company spokesman said. The chassis cabs are the 3500, 4500 and 5500 models.

FCA said defective water pumps in 2013-2017 model years of these vehicles equipped with 6.7-liter engines may "overheat and potentially cause an engine fire." The company said it is unaware of any accidents or injuries caused by the flaw.

The FCA said no estimates of the likely cost of the recall or number of faulty pumps is available.

—Chester Dawson

TEN NETWORK HOLDINGS

Creditors Accept Offer From CBS

Creditors of Australia's Ten Network Holdings Ltd. accepted

an increased offer for the insolvent broadcaster from CBS Corp., rejecting a rival proposal from media moguls Bruce Gordon and Lachlan Murdoch, and handing CBS a victory as it seeks to expand its international reach.

CBS sweetened its bid by offering more money to unsecured creditors, lifting the overall value of the deal to around 209.7 million Australian dollars (US\$167.9 million), according to Ten Network's administrator, insolvency specialists KordaMentha.

"CBS is pleased by the overwhelming support from the creditors and employees this morning. We look forward to completing this transaction and working with the terrific team at Ten to build and expand upon the great legacy of the Network in Australia," a

CBS representative said.

The revised CBS bid for Ten Network came after Messrs. Gordon and Murdoch, who made a fresh offer for the network last week, lost a court challenge to the proposed deal Monday. Representatives of Mr. Murdoch's company, **Ilyria Nominees Television** Pty. Ltd., and Mr. Gordon's investment company, **Birketu** Pty. Ltd., declined to comment.

The offer derailed a joint bid from Mr. Murdoch—**21st Century Fox** Inc.'s executive chairman and co-chairman of **News Corp.**, which publishes The Wall Street Journal—and his business partner Mr. Gordon, who controls a company that owns regional broadcasting licenses across Australia.

—Rob Taylor

BOEING

New Jets Unlikely To Meet Target

Boeing Co. is unlikely to meet its target of delivering the first of a new fleet of aerial refueling tanker jets by the end of the year, according to a person familiar with the military program.

A further delay to the tanker program would dent Boeing's recent turnaround in executing new programs on time though only have a modest impact on its closely watched cash flow.

The KC-46A Pegasus tanker is a heavily modified version of the Boeing 767 passenger jet that has been hit by design and production problems, triggering more than \$15 billion in charges.

The U.S. Air Force had previously said it didn't expect Boeing to provide a combat-ready KC-46A tanker to refuel jet fighters and transport planes until next year, even though company executives continued to target a delivery this year.

—Doug Cameron

Robert J. Newhouse Jr.

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DOW JONES

THE PROPERTY REPORT

Open-Air Centers Fight the Chill

Shopping areas add skating rinks, fire pits and entertainment to prop up foot traffic

By ESTHER FUNG

Landlords of open-air shopping centers and mixed-use property developments are trying to take the chill out of the air by adding outdoor entertainment programs, in hopes of attracting more shoppers in an era of declining foot traffic.

Come autumn, ice-skating rinks, fire pits and programmed entertainment such as tree-lightings will begin popping up in open-air centers across the northern and central U.S., landlords say.

Federal Realty Investment Trust, a Rockville, Md.-based retail center landlord, plans to install a 6,600-square-foot outdoor ice-skating rink at its open-air center in Baltimore next month that is scheduled to open in mid-November.

The rink at The Avenue at White Marsh will be its third. Federal Realty, which owns mixed-use shopping center and apartment complexes in the suburban Washington, D.C., market, already has two ice-skating rinks that offer lessons and can be rented out for birthday parties and corporate events through February.

While shopping centers typically attract shoppers focused on transactions during the fall and holiday seasons, more landlords want to create destinations for the community that might not be entirely focused on buying something.

"You can still have a vibrant place even in the winter time," said Don Briggs, executive vice president of development at Federal Realty. "Planning, design and then the right programming is key," he said, adding that outdoor dining areas could be enclosed in the winter time and installing gas heaters



A rendering of the ice rink at the Wharf in Washington, D.C. The site will also include parks and host free concerts and fireworks.

helps extend the time customers spend in its premises.

Brookfield Place New York, a luxury shopping center in lower Manhattan, will install an ice-skating rink on the waterfront plaza this winter with programs run by former U.S. Olympic skaters.

The center has attracted New Yorkers and visitors with "high-caliber, year-round activations and events," said David Cheikin, executive vice president at **Brookfield Properties**.

The rink at Brookfield Place has been a "particularly fun and popular draw during the winter months for the past four seasons, further enlivening the complex and attracting people of all ages seven days a week," he said.

The moves come as bigger shopping center landlords are

investing more to cater to changing consumer lifestyles as shoppers handle more of their transactions online.

The strategies don't have to be limited to retail real estate. Publicly listed open-air center developers such as Federal Realty, **Regency Centers** Corp. and Kimco Realty Corp. have been focusing development efforts on high-growth markets with transit links and are including some residential property development in the out-parcels as well.

With online shopping on the rise and apparel companies closing stores, landlords are bringing in more restaurants, entertainment and other types of tenants that are focused on recreation that would draw communities.

The downside for owners is less space to draw rental reve-

nue. The areas can also be expensive, especially when there are sizable fountains or rinks to build and operate.

"You're giving up that land you can build on to get rent," said Stephen Coslik, chairman of **Woodmont** Co., a Fort Worth, Texas-based retail property services, brokerage and asset management firm. "It's all about the experience, whether they're fire pits, music venues, play areas for kids. The view is: It will bring people to the center."

While many centers already have grocery stores to draw shoppers daily, property owners have become more aware of the need to ensure their centers remain thriving.

Real-estate investment management and operating company **Madison Marquette** Inc. is opening the first phase

of a \$2 billion mixed-used waterfront development in Washington, D.C., in October that includes residences, hotel, office and 335,000 square feet of restaurant and retail space.

Located adjacent to the National Mall, the project, known as the Wharf, will have 10 acres of parks, open spaces and civic areas, as well as a fire pit and a temporary ice-skating rink on two of its three piers. Madison Marquette will also organize free concerts and fireworks at its expense.

"Over time, we're actually interested in working with our tenants so that they become part of the programming," said Amer Hammour, chairman of Madison Marquette. The events could eventually become profitable for the people who stage them, he said.

PLOTS & PLOYS

PLAZA HOTEL

Potential Investors Get Ready to Bid

About 50 private-equity firms, foreign governments and other investors have expressed interest in New York's Plaza Hotel since majority owner **Sahara Group** put it on the block last month, according to the broker handling the sales process.

Jeffrey Davis, international director at JLL Hotels and Hospitality Group, said formal bids for the property are due by the end of the third week of October.

Gilda Perez-Alvarado, JLL's head of the global hotels desk, said controls in China meant to keep capital from leaving the country had muted Chinese interest in the Plaza, outside of Hong Kong.

"We've been focusing on the Middle East," she said, adding that she would be visiting investors in Saudi Arabia, Qatar and the United Arab Emirates over the next few days.

—Craig Karmin

HOME BUILDERS

Report: Hurricanes Likely to Hurt Margins

The two major hurricanes that walloped a swath of the U.S. could start to affect national home builders' bottom lines, according to a report.

Not only could hurricanes Harvey and Irma hurt builders by flooding construction sites and sapping power in Texas and Florida, but the storms also could result in delays getting homes recertified for insurance purposes and prompt potential home buyers to rethink pur-

chases, according to the report released Tuesday by Haendel St. Juste, an analyst at Mizuho Securities.

Mr. St. Juste said he expects builders margins could suffer as labor and material costs rise.

Miami-based Lennar Corp. was hit especially hard by the nasty weather. Some 40% of the company's revenue comes from areas affected by the storms.

Mr. St. Juste said he expected other national home builders to be affected as well, including **Toll Brothers** Inc., **KB Home**, **DR Horton** Inc. and **PulteGroup** Inc.

—Laura Kusisto

PITTSBURGH

City Draws Big Bet On Urban Revival

A New York investment firm has put \$127.5 million of new debt on a Pittsburgh office complex that has roots dating back to a misguided urban renewal project of the 1960s.

Faros Properties LLC borrowed the money, backing it primarily with Nova Place, which was converted from a failing 1.2 million-square-foot urban mall into office space in the early 1990s. The lender of the five-year, floating rate loan was

Wells Fargo & Co., according to **Holiday Fenoglio Fowler** LP, which placed the debt for Faros.

The deal shows that lenders still have a healthy appetite for debt backed by properties with high occupancy, strong ownership and values that are higher than the loan amounts.

The new loan replaces about \$65 million of Wells Fargo debt that had been on the property.

—Peter Grant



Sentury Tire is looking for a developer to build a 1.7 million-square-foot facility in LaGrange, Ga.

Chinese Tire Maker Pushes Ahead With Factory in U.S.

BY PETER GRANT

Despite an overall decline in Chinese investment in the U.S., one of China's largest tire manufacturers is moving forward with plans to develop a \$530 million plant in LaGrange, Ga.

Sentury Tire has hired real estate services firm JLL to help it find a developer for the 1.7 million-square-foot building on a 430-acre site, which would be its first North American plant. The factory would employ up to 1,000 workers and use state-of-the art technology such as fully automatic tire-building machines and retrieval and storage systems.

"The cool thing is that we have been able to build plants from scratch [in other locations]," said Rami Helminen, chief executive of Century Tire North America. "This kind of plant has not yet been built in the U.S."

The plant will be developed using a process known as "build-to-suit." Century, which announced its plans to build the LaGrange plant last year, is looking for a developer that will put up the capital to construct a \$200 million building following Century's specifications. That developer will own the property, and Century plans to sign a lease for roughly 25 years.

The Chinese company,

which was founded in 2007, also will spend more than \$300 million in equipping the plant that is expected to be able to produce roughly 30,000 tires a day.

Mr. Helminen said Century is following this facilities strategy because it wants to concentrate its investment in equipment and technology instead of the physical building. "Our primary assets are the processing equipment that require constant upgrade," he said.

Sentury is moving ahead with its plans as Chinese investment in the U.S. is declining, partly because of new restrictions in that country on foreign investment. In August, the value of completed Chinese foreign direct investment deals in the U.S. dropped to \$212 million, the lowest monthly total since May 2015, according to Rhodium Group, a research firm.

"The impact of tighter Chinese outbound investment controls is hitting...the U.S.," Rhodium said in a report last month.

Investment from mainland China in U.S. commercial real estate had been increasing steadily until recent months. In July and August, it totaled \$11.4 billion, compared with \$12.9 billion in the same period last year, according to Real Capital Analytics.

Sentury and JLL are searching for a developer as construction activity is surging in many parts of the country thanks to the improving economy.

Industrial build-to-suit projects under way in the U.S. at midyear 2017 totaled 50.5 million square feet, compared with 41.2 million square feet at the same time last year, according to JLL.

"There are projects of all varieties going on in all major markets," said Todd Torok, managing director of JLL.

Mr. Torok predicted that interest in the Century project will be keen because of its size and prominence.

"This is going to be a high priority for any developer even if they have to drop another assignment to take this one," Mr. Torok said.

Mr. Torok said the project was on a fast track and that Century hopes to select a developer in the fourth quarter of this year. Construction is expected to begin next year and take about one year.

Sentury produces brands like Landsail, Groundspeed and Delinte. About 30% of its sales are in North America.

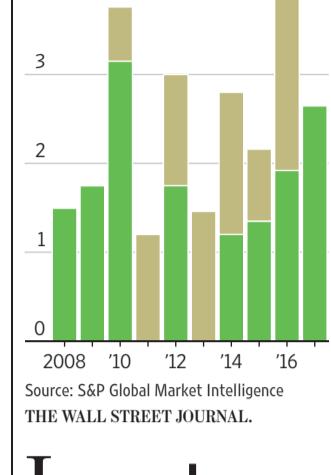
Sentury will likely continue building tires in LaGrange for decades, he said. "This is fairly heavy industry," Mr. Helminen said. "Once the plant is there, it's there for good."

Open for Business

Mall operators are selling debt at a rapid clip.

Mall REITs senior debt capital raised

Jan. to Aug. Sept. to Dec.



\$4 billion

Source: S&P Global Market Intelligence

THE WALL STREET JOURNAL.

Investors Load Up On Debt Of Malls

By ESTHER FUNG

Stock investors aren't crazy about retail real estate these days, but the sector is getting plenty of love from lenders.

Shares of real-estate investment trusts specializing in malls have plunged roughly 39% since August 2016, as an increase in store closures and the growth of online shopping have fueled uncertainty about their earnings strength and asset values.

But publicly listed landlords are having little problem taking on fresh debt. Banks are still issuing loans, and bond investors continue to scarf down debt issued by retail-based real-estate investment trusts, including the ones that own weaker malls.

In all, mall REITs raised \$2.65 billion in senior debt capital in the first eight months this year, compared with \$1.92 billion and \$1.35 billion raised during the same periods in 2016 and 2015, respectively, according to data from S&P Global Market Intelligence.

In August, **CBL & Associates Properties** Inc. raised \$225 million through a senior debt offering at a yield of 5.95% that matures in 2026, while **Washington Prime Group** issued a \$750 million bond at a 5.95% coupon that will mature in 2024. Both companies hold a mix of thriving and slumping properties.

"They are not as scared as the equity folks are," said Farzana Khaleel, CBL's executive vice president and chief financial officer, of bond investors. "They've seen us through many, many cycles, so I don't think this cycle scares them because there were other cycles that should have scared them," Ms. Khaleel said during a presentation at a recent **Bank of America** Merrill Lynch real-estate conference.

Debt investors are typically more focused on cash flow and borrowers' ability to pay interest on their bonds, analysts said.

Part of their confidence stems from the fact that bond investors have more of a claim on the company's assets than stock investors. That allows them to be more patient.

"Long-term holders of mall debt are focused on what the management is doing for the longer term and not as focused on one quarter's worth of funds from operations or occupancy levels," said John Guarnera, a credit analyst at **BlueBay Asset Management** LLP, which is an investor in CBL's earlier bonds. "Bond investors have found a way to be a lot more optimistic about the second-tier mall story than what the equity market is telling you."

Ratings firms have noted that mall REITs have reduced their debt levels and have been unloading underperforming assets from their portfolios. Some firms have negative outlooks on second-tier mall operators that are seeing slower growth.

In June, **Moody's Investors Service** maintained the lowest investment grade rating, Baa 3, on CBL and Washington Prime but revised their outlooks to "negative" from "stable," which makes new debt costlier to issue.

MANAGEMENT

WORKAROUNDS

Common Traits
Of Top Team Leaders

Many managers say they want to foster a collaborative spirit among their teams, but doing so while keeping employees focused and productive is difficult.

The Institute for Corporate Productivity asked managers and workers about the collaborative practices of more than 1,000 organizations, including government and academic institutions.

The research revealed four common traits of leaders who are able to get the best collaborative efforts from their teams.

The majority of respondents at high-performing companies said successful collaboration comes down to a few key behaviors: modeling collaborative action, building strong networks among employees, encouraging collaboration across departments and structuring work effectively.

"These are key things companies can do that are not expensive and easily implemented," said Kevin Martin, the institute's chief research officer and co-author of the report.

As many companies move away from hierarchical structures to more team-based work, the most effective managers make sure workers have a clear purpose and the ability to form trusting relationships with their teams, Mr. Martin said.

Managers, for instance, reported that their teams worked together best when members felt comfortable reporting their own work overload, the research found.

Managers of the best-performing teams, the survey found, help members understand their roles and clearly designate the person who has the final say on decisions.

"Confusion can cause problems or infighting," Mr. Martin said.

—Francesca Fontana

New in Boardrooms: Buddy System

Mentors can help newcomers figure out cultural norms, power brokers—and even the right place to sit

By JOANN S. LUBLIN

Amy Chang got unusually frank feedback when the new director of **Cisco Systems Inc.** walked out of her first board meeting last December.

Longtime board member Carol Bartz chided the then-39-year-old tech executive for apologizing when she posed questions during the meeting.

"You have the right to ask questions," said Ms. Bartz, a Cisco director since 1996. Ms. Chang says the guidance helped her understand how things worked on the networking giant's board, though she had been a corporate director elsewhere.

More boards are pairing new members like Ms. Chang with seasoned mentors like Ms. Bartz as they scramble to improve their oversight of management in the face of intensified investor scrutiny. Board buddies can help newcomers figure out the boardroom's cultural norms, power brokers—and even the right place to sit.

Mentors make sure "you don't come in as a bull in a china shop," observes Steven R. Walker, managing director of the board-services group at the National Association of Corporate Directors.

A 2016 survey conducted by the association found that 33 of 296 U.S. companies with orientation programs for directors choose an experienced board member to guide their latest member. The boardroom buddy system was virtually unheard of five years ago, governance specialists say.

Businesses with formal mentoring efforts include Foot Locker Inc., Applied Materials Inc. and Nasdaq Inc.

Boards that integrate new members sooner should "make



Amy Chang, left, and mentor Carol Bartz at Cisco Systems' headquarters, in San Jose, Calif.

better decisions and produce better results for shareholders," said Rusty O'Kelly, head of the board consulting and effectiveness practice at recruiters Russell Reynolds Associates Inc.

But the concept is so new that there is little concrete evidence that they actually accelerate the impact of newcomers.

Ms. Bartz, Cisco's independent lead director, became its first mentor when Ms. Chang joined the board last October. Ms. Bartz says "the biggest benefit is having an effective board member faster."

The best mentors counsel new directors before and after board meetings for at least six months, governance experts say.

Without such hand-holding,

new directors typically take about nine months to assimilate.

"It's a really efficient and practical way to assure that the new directors get the most out of the early meetings," says Dick Johnson, chief executive of Foot Locker. The sports retailer began a board mentorship program when its two newest members arrived in 2016.

Cisco directors endorsed the idea partly because some prior board recruits "weren't a good culture fit," says Cassandra Frangos, vice president of global executive talent at the San Jose, Calif., company.

Ms. Chang, a former Google Inc. executive who runs privately held tech firm Accom-

pany Inc., spoke with Ms. Bartz for several hours before her inaugural Cisco board meeting. They met three times in the glass-roofed conservatory of Ms. Bartz's suburban San Francisco mansion.

"She really took the time to walk me through things," Ms. Chang says. Ms. Bartz described the context for several board colleagues' beliefs, the complex global risks facing Cisco and the importance of observing board committees for months before Ms. Chang took a committee seat.

Ms. Bartz, former chief executive of Yahoo Inc. and Autodesk Inc., also recommended where the newcomer should sit in the boardroom "so I literally wouldn't be tak-

ing anyone's seat at the table," Ms. Chang says. "That's the tiniest thing, but it is important."

Brent Saunders, a Cisco director since March, says he especially appreciates being mentored by industry veteran Michael Capellas. Like Ms. Bartz, Mr. Capellas has led big tech businesses.

"I come into Cisco certainly having very strong experience running public companies [though] not with a tremendous grasp of technology," says Mr. Saunders, CEO of drugmaker Allergan PLC. "They have a different vernacular."

Mr. Capellas briefed Mr. Saunders about why Cisco developed a new security service just before the board discussed the service's imminent launch. The mentor also talked about Cisco products, such as its switches—a technical term for networking hardware that puzzled Mr. Saunders. He told Mr. Capellas he had seen the word in board briefing materials, but "didn't know what it was."

That mentoring session persuaded Mr. Saunders to propose a formal board buddy program for Allergan.

Board mentoring relationships sometimes take time to develop, especially when programs aren't highly structured. That proved true for Judy Bruner, a former finance chief who joined the board of semiconductor-equipment maker Applied Materials in 2016. Its mentorship effort is fairly informal, she says.

Ms. Bruner and her mentor, Dennis Powell, say they have forged a relationship, mainly through casual chats after board and committee meetings. This summer, she arranged a mentoring lunch with him.

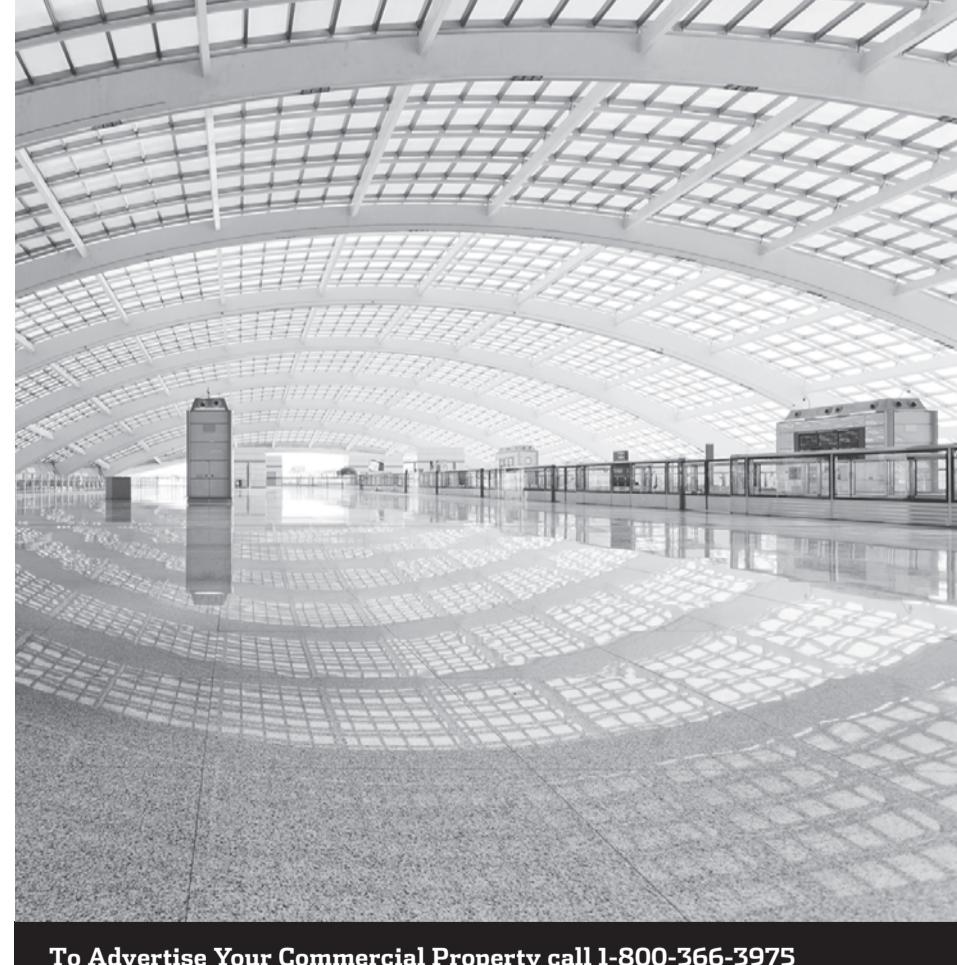
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DOW JONES

BUSINESS NEWS

Ford Idles 5 Plants Amid Slowing Sales

BY CHRISTINA ROGERS

DETROIT—Ford Motor Co. said Tuesday it will temporarily idle production lines at five North American plants, including three in the U.S., the latest in a series of moves by U.S. auto makers to cope with slowing vehicle sales and rising industry capacity.

Ford said it is scheduling downtime at the factories to whittle down unsold-car inventory on dealer lots. Collectively, these five assembly plants, two of which are in Mexico, employ more than 12,000 workers, who will be put on temporarily layoff during the down weeks. The production hiatus ranges from one to three weeks, depending on the factory.

The move mostly affects factories building Ford's passenger cars, including the sub-compact Fiesta and bread-and-butter Fusion sedan, whose sales have been hit hard by the shift in consumer demand to larger crossovers and SUVs.

Ford is also taking down a line at its Kansas City Assembly plant, where it builds the Transit van, to fix a recall disclosed in June.

Ford executives have signaled throughout the year that production cuts may be needed to counter slowing U.S. sales. While it has largely resisted permanent layoffs, opt-

ing instead to schedule downtime when needed, the company's inventory levels have crept up in recent months.

General Motors Co., meanwhile, has cut thousands of jobs this year at several passenger-car plants in the U.S. in response to a pullback in consumer demand for small cars and family sedans.

"We are continuing to match production with consumer demand, as we always do," Ford said.

Ford has made other cuts this year, temporarily laying off 130 workers at its assembly plant in Avon Lake, Ohio. At the time, the company said the layoffs were expected to last until a newer version of its heavy-duty commercial trucks launched in September.

The cutback is the latest sign that U.S.-based auto makers are struggling to keep supplies in check as U.S. auto sales continue to weaken this year, following seven years of uninterrupted growth.

Last month, U.S. light-vehicle sales fell 1.9% from a year earlier, according to Autodata Corp., and the industry's annualized selling pace, a measure of how sales are tracking for the full year, came in at a lower-than-expected 16.14 million vehicles in August.

—Chester Dawson contributed to this article.

Massachusetts Sues Equifax

BY ANNAMARIA ANDRIOTIS

Massachusetts Attorney General Maura Healey filed a lawsuit against Equifax Inc. on Tuesday over the company's failure to protect consumers' personal information, the first official enforcement action brought against the hacked credit-reporting company.

The complaint, filed in Suffolk Superior Court, alleges Equifax violated Massachusetts consumer-protection and data-privacy laws due to the massive breach that exposed vital personal information of potentially 143 million Americans. The attorney general alleges that nearly three million Massachusetts residents' personal information was potentially compromised by the hack.

The Massachusetts action is just the first part of what is expected to be a legal wave that will eventually hit the company. Dozens of attorneys general from other states, including Pennsylvania, New York, Illinois and Connecticut, have asked Equifax for information about the hack and its response. The Federal Trade Commission and Federal Bureau of Investigation are investigating as well.

More than 300 consumer lawsuits have been filed against the company since Sept. 7, the day the company disclosed the hack that compromised consumers' names, addresses, dates of birth and



BRIAN SNYDER/REUTERS

Massachusetts Attorney General Maura Healey

Social Security numbers. Many of those suits allege that Equifax was a negligent custodian of personal data that millions rely on to establish their identity and creditworthiness.

Many are bringing their claims under the Fair Credit Reporting Act, a 1970 federal law that imposes data-security requirements on consumer-reporting firms.

An Equifax spokesman said the company doesn't comment on pending litigation.

The Massachusetts action states that between "at least" March 7 through July, Equifax left consumers' private information exposed to hackers. It says the company knew or should have known that a certain open-source code was vul-

nerable to exploitation, should have taken measures to fix it and that it failed to make the recommended fixes after a U.S. government agency warned of the vulnerability.

"We allege that Equifax knew about the vulnerabilities in its system for months, but utterly failed to keep the personal information of nearly three million Massachusetts residents safe from hackers," the attorney general's office said in a release announcing the action.

One source of the Equifax breach is believed to be a flaw in Apache Struts software the company used for an online portal where consumers could dispute errors on their credit reports. The company last Fri-

day acknowledged that the vulnerability was identified and disclosed in early March by the U.S. Computer Emergency Readiness Team. Equifax said it "took efforts to identify and to patch any vulnerable systems" at that time.

The Massachusetts lawsuit also alleges the company violated a state law by not providing timely notice to the attorney general's office and to affected consumers in Massachusetts.

An Equifax spokesman said the company contacted state and federal regulators "at the time of the public announcement to inform them of the breach and to establish open lines of communication." He said that the company since then has been in regular communication and cooperating with federal agencies, regulators and state attorneys general. The company has also agreed to provide testimony to Congress and "will continue to work with all these parties to resolve the issues."

Meanwhile, Equifax's Canadian division said Tuesday that the hack potentially affected about 100,000 consumers in that country. The company as part of its Sept. 7 disclosure of the massive breach said it had identified unauthorized access to "limited personal information" for some Canadian and U.K. residents.

—Jacob Gershman contributed to this article.

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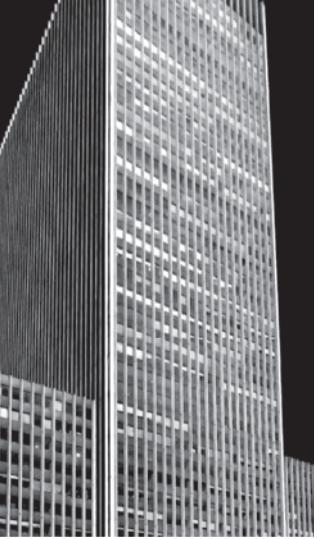
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before it was published, and that he made similar statements in television interviews.

Fox claims that Mr. Wheeler said in an on-air interview with a local TV station that he had sources saying there was information that could link Mr. Rich to WikiLeaks. Mr. Wheeler said in that interview that information about DNC interference in the murder investigation would "come out tomorrow," allegedly referring to the impending Fox News story, according to the court documents.

Regarding the Fox News article, the company's lawyers also said in the motion to dismiss that they had evidence Mr. Wheeler "confirmed in writing that he was reviewing a draft containing those quotes before he provided additional quotes for the story."

Fox retracted the article after a backlash over its veracity, saying the piece didn't receive proper "editorial scrutiny." Mr. Rich was killed last July in Washington in what police believe may have been a botched robbery.

Mr. Wheeler had claimed that White House officials were kept apprised of the story as it was developing earlier this year and that President Donald Trump saw a version of it before publication on the Fox News website. Mr. Wheeler argued that the article was designed to advance a political agenda for the Trump administration by providing an alternative narrative for those disputing that Russia hacked the DNC and interfered with the election.

Mr. Wheeler's complaint said he had received messages from Fox News contributor Ed Butowsky—who had connected the former detective to the Rich family—saying that the president had read the piece and "wants the article out immediately."

White House press secretary Sarah Huckabee Sanders has previously said Mr. Trump wasn't aware of the article and that the White House had no involvement.

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NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG: Daily percentage change from the previous trading session.

Tuesday, September 19, 2017

| NYSE highs - 164 | | | | NYSE lows - 18 | | | | | | | | | | | |
|------------------|-------|-------------------|---------------|----------------|-------------------|--------------------|-----------|-----------------------|---------------------|-----------------------|---------------------|---------------------|--------------------|-------------------------|-------------|
| Stock | Sym | 52-Wk % Hi/Lo Chg | Stock | Sym | 52-Wk % Hi/Lo Chg | Stock | Sym | 52-Wk % Hi/Lo Chg | Stock | Sym | 52-Wk % Hi/Lo Chg | Stock | Sym | 52-Wk % Hi/Lo Chg | |
| BerkHathway B | BRK/B | 183.01 0.8 | GlobeDivPfd A | FTV | 70.53 -0.3 | Yrendai | YRD | 49.91 1.0 | ColumbianInds SCIN | 21.30 0.9 | GlaxoGurulndex GURU | HEWJ | 30.49 0.7 | iShRussellGrowth IWP | 112.42 -0.1 |
| Bitauto | BITA | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | ColumbiaSustn ESGN | 29.95 0.2 | GlaxoLithium&Batt LIT | 39.41 1.3 | iShUSBasicMateri IYML | 96.32 0.6 | HancockDevInvt JHMD | 29.54 0.7 | | |
| BilkRktntGrnco | BGY | 6.55 0.6 | GlobeDivPfd A | GGZ | 13.05 0.2 | MedFast | MED | 58.64 -0.8 | StandexIntl STX | 103.25 0.4 | iShUSGSMonMort DMW | 50.85 1.4 | HancockMtn INTM | 32.69 -0.2 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Merritt | MTR | 26.09 0.9 | StanleyBlackDck SWK | 151.38 1.0 | iShErgoBetaEq GSIE | 29.04 0.3 | HancockTech JHMT | 38.22 0.2 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | MessabiTrust | MSC | 17.88 1.2 | Stotaff | STO | 19.65 -0.4 | iShErgoBetaEq GSJV | 28.83 0.3 | JPMDivReturnEurope JPEU | 60.78 0.6 |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | MicroFocus | MFGP | 33.19 0.6 | Stellacap75N22 SCA | 25.35 0.1 | iShErgoBetaEq GVW | 51.14 0.4 | JPM Div US Sc JPEU | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | MicroFocus | MFGP | 33.19 0.6 | TMT Part TSU | 19.01 1.7 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Modis | MS | 19.62 1.0 | MS EmMktDf MSF | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Moody's | MCO | 11.90 2.0 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Nordstrom | NDM | 11.90 2.0 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | NorthropGrumman | NOI | 27.99 0.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | NTT | NTT | 17.88 1.2 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | OfficeMax | OFF | 17.88 1.2 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Oracle | OCA | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Orbital | ORI | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Outlook | OUT | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | PapaJohns | PJC | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Paycom | PAYC | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | PepsiCo | PCL | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Philips | PHG | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Prudential | PRU | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | RBCard | RBC | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Redpoint | RDPT | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | RegalEntertainment | REGN | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | ReserveBank | REBN | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Roku | ROK | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | SAIC | SAIC | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | SAP | SAP | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | SaskTel | SAT | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Sprint | SPTN | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | StateFarm | SF | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Stamps | STMP | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Starbucks | SBUX | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Statewide | SWD | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Stihl | STHL | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Stihl | STHL | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
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| Birchtree | BIR | 47.70 0.6 | GlobeDivPfd A | GDPA | 27.49 ... | Stihl | STHL | 14.44 2.9 | MS India MOG | 17.50 0.6 | iShErgoMSMgmt INTF | 29.00 0.1 | JPM Div RefEq JPEQ | 59.67 0.3 | |
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| Birchtree | B | | | | | | | | | | | | | | |

BIGGEST 1,000 STOCKS

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 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. the previous day.

Tuesday, September 19, 2017

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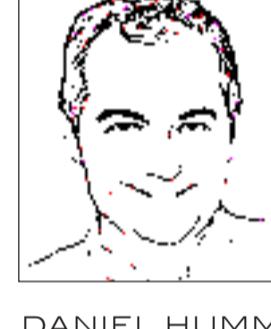
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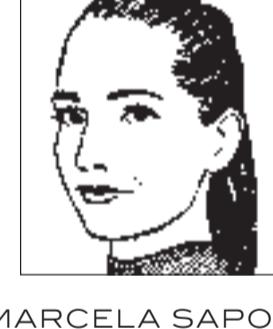
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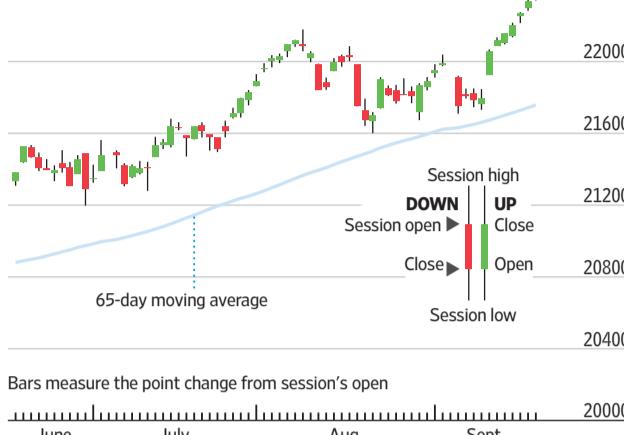


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

22370.80 ▲ 39.45, or 0.18%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

June July Aug. Sept. 20000
Current divisor 0.14523396877348

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2506.65 ▲ 2.78, or 0.11%
High, low, open and close for each trading day of the past three months.



June July Aug. Sept. 2350
20000

Nasdaq Composite Index

6461.32 ▲ 6.68, or 0.10%
High, low, open and close for each trading day of the past three months.



June July Aug. Sept. 5900
20000

Major U.S. Stock-Market Indexes

| | Dow Jones | | Latest | | 52-Week | | YTD | | % chg | |
|--------------------|-----------|----------|-----------------|---------|--|----------|----------|-------------|------------|------------|
| | High | Low | Close | Net chg | % chg | High | Low | % chg | 3-yr. ann. | |
| Industrial Average | 22386.01 | 22340.71 | 22370.80 | 39.45 | ▲ 0.18% | 22370.80 | 17888.28 | 23.4 | 13.2 | 9.0 |
| Transportation Avg | 9549.18 | 9486.86 | 9507.08 | -7.56 | -0.08 | 9742.76 | 7793.23 | 22.0 | 5.1 | 3.3 |
| Utility Average | 739.88 | 735.40 | 736.69 | -2.02 | -0.27 | 754.80 | 625.44 | 8.6 | 11.7 | 9.8 |
| Total Stock Market | 25954.64 | 25910.72 | 25942.72 | 20.70 | ▲ 0.08 | 25942.72 | 21514.15 | 17.1 | 11.5 | 7.4 |
| Barron's 400 | 658.48 | 657.01 | 658.03 | 0.68 | ▲ 0.10 | 661.93 | 521.59 | 21.1 | 9.4 | 7.4 |

Nasdaq Stock Market

| | Nasdaq Composite | Nasdaq 100 |
|--|------------------|------------|
| | 6467.79 | 6446.75 |

Standard & Poor's

| | 500 Index | MidCap 400 | SmallCap 600 |
|--|-----------|------------|--|
| | 2507.84 | 2503.19 | 2506.65 |
| | 2.78 | -0.70 | -0.04 |

Other Indexes

| | Russell 2000 | NYSE Composite | Value Line | NYSE Arca Biotech | NYSE Arca Pharma | KBW Bank | PHLX® Gold/Silver | PHLX® Oil Service | PHLX® Semiconductor | CBOE Volatility |
|--|--------------|----------------|-----------------|-------------------|---|----------|-------------------|-------------------|---------------------|-----------------|
| | 1442.58 | 1438.29 | 1440.40 | -0.68 | -0.05 | 1450.39 | 1156.89 | 17.3 | 6.1 | 7.9 |
| | 12137.60 | 12116.63 | 12131.74 | 20.29 | ▲ 0.17 | 12131.74 | 10289.35 | 14.9 | 9.7 | 3.4 |
| | 528.67 | 527.31 | 527.80 | -0.41 | -0.08 | 533.62 | 455.65 | 11.5 | 4.3 | 2.2 |
| | 4186.08 | 4135.37 | 4140.37 | -38.34 | -0.92 | 4232.90 | 2834.14 | 21.4 | 34.6 | 10.0 |
| | 547.86 | 544.52 | 545.62 | -0.25 | -0.05 | 549.20 | 463.78 | 5.0 | 13.3 | 0.4 |
| | 96.15 | 94.91 | 95.86 | 0.84 | ▲ 0.88 | 99.33 | 69.71 | 35.4 | 4.4 | 9.2 |
| | 87.42 | 86.53 | 87.22 | 0.39 | ▲ 0.45 | 99.20 | 73.03 | -5.6 | 10.6 | 0.1 |
| | 135.33 | 133.12 | 134.01 | -0.86 | -0.64 | 192.66 | 117.79 | -9.7 | -27.1 | -21.5 |
| | 1169.01 | 1157.32 | 1164.98 | 4.08 | ▲ 0.35 | 1164.98 | 796.64 | 45.8 | 28.5 | 21.5 |
| | 10.30 | 9.85 | 10.18 | 0.03 | ▲ 0.30 | 22.51 | 9.36 | -36.1 | -27.5 | -5.6 |

\$Philadelphia Stock Exchange

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 | % chg | After Hours | High | Low |
|--------------------------|--------|--------------|--------|---------|---|-------------|--------|-----|
| Finl Select Sector SPDR | XLF | 9,613.5 | 25.25 | ... | unch. | 25.27 | 25.04 | |
| SPDR S&P 500 | SPY | 8,910.8 | 249.78 | -0.19 | -0.08 | 249.98 | 249.66 | |
| iShares MSCI Emg Markets | EEM | 3,782.1 | 45.80 | -0.05 | -0.11 | 45.86 | 45.67 | |
| Bank of America | BAC | 3,759.6 | 24.87 | 0.01 | ▲ 0.04 | 24.92 | 24.73 | |
| PwrShrs QQQ Tr Series 1 | QQQ | 2,850.8 | 145.71 | -0.09 | -0.06 | 145.86 | 145.47 | |
| Intel | INTC | 2,807.2 | 37.19 | -0.04 | -0.11 | 37.23 | 37.13 | |
| AT&T | T | 2,701.4 | 38.18 | -0.03 | -0.08 | 38.24 | 37.41 | |
| Bed Bath Beyond | BBBY | 2,445.6 | 23.68 | -3.35 | -12.39 | 27.50 | 21.50 | |

Percentage gainers...

| | | | | | | | |
|-----------------------|------|-------|-------|------|--------------|-------|-------|
| Gemphire Therapeutics | GEMP | 29.1 | 10.89 | 1.24 | 12.85 | 12.00 | 10.05 |
| Copart | CPRT | 42.3 | 33.54 | 1.00 | 3.07 | 33.64 | 32.47 |
| Halozyme Therapeutics | HALO | 65.3 | 16.83 | 0.41 | 2.50 | 16.83 | 16.35 |
| Acacia Research | ACTG | 18.8 | 4.55 | 0.10 | 2.25 | 4.65 | 4.45 |
| CBL Assocs Properties | CBL | 794.9 | 8.40 | 0.17 | 2.07 | 8.40 | 8.23 |

...And losers

| | | | | | | | |
|-------------------------|------|---------|--------|-------|---|-------|-------|
| Bed Bath Beyond | BBBY | 2,445.6 | 23.68 | -3.35 | -12.39 | 27.50 | 21.50 |
| Iovance Biotherapeutics | IOVA | 46.1 | 8.10 | -0.45 | -5.26 | 8.55 | 7.35 |
| Adobe Systems | ADBE | 514.5 | 151.55 | -5.05 | -3.22 | 159. | |

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | Open | High | Low | Settle | Chg | Open interest |
|------------------------------|----------------------------------|----------|----------|----------|----------|---------|---------------|
| Copper-High (CMX) | -25,000 lbs.; \$ per lb. | 2,940.5 | 2,940.5 | 2,949.5 | 0.0005 | 2,112 | |
| Sept | 2,947.0 | 2,954.5 | 2,940.5 | 2,949.5 | 0.0005 | 2,112 | |
| Dec | 2,970.5 | 2,984.5 | 2,958.5 | 2,969.5 | 0.0005 | 192,097 | |
| Gold (CMX) | -100 troy oz.; \$ per troy oz. | 1,307.90 | 1,310.30 | 1,305.10 | 1,306.20 | -0.10 | 718 |
| Oct | 1,307.60 | 1,311.30 | 1,304.90 | 1,306.70 | -0.20 | 35,413 | |
| Dec | 1,310.50 | 1,315.30 | 1,308.70 | 1,310.60 | -0.20 | 448,496 | |
| Feb'18 | 1,315.90 | 1,319.40 | 1,313.00 | 1,314.80 | -0.20 | 39,207 | |
| Jun | 1,323.30 | 1,326.40 | 1,321.00 | 1,322.50 | -0.20 | 9,932 | |
| Dec | 1,336.10 | 1,337.20 | 1,329.00 | 1,334.10 | -0.20 | 10,607 | |
| Palladium (NYM) | -50 troy oz.; \$ per troy oz. | 909.90 | 913.00 | 902.50 | 905.70 | -29.25 | 12 |
| Sept | 909.90 | 913.00 | 902.50 | 905.70 | -29.25 | 12 | |
| Dec | 932.30 | 935.00 | 902.45 | 904.30 | -26.15 | 31,431 | |
| March'18 | 914.00 | 914.00 | 899.00 | 898.85 | -26.20 | 1,048 | |
| Platinum (NYM) | -50 troy oz.; \$ per troy oz. | 991.20 | 991.20 | 990.20 | 950.40 | -9.90 | 6 |
| Oct | 962.60 | 965.00 | 947.20 | 951.20 | -9.90 | 52,485 | |
| Silver (CMX) | -5,000 troy oz.; \$ per troy oz. | 17.135 | 17.240 | 17.115 | 17.195 | 0.124 | 486 |
| Dec | 17.245 | 17.375 | 17.160 | 17.279 | 0.123 | 166,584 | |
| Crude Oil, Light Sweet (NYM) | -1,000 bbls.; \$ per bbl. | 49.91 | 50.42 | 49.33 | 49.48 | -0.43 | 84,082 |
| Nov | 50.38 | 50.82 | 49.73 | 49.90 | -0.45 | 561,995 | |
| Dec | 50.57 | 51.10 | 50.08 | 50.24 | -0.42 | 351,078 | |
| Jan'18 | 50.92 | 51.29 | 50.33 | 50.50 | -0.40 | 214,524 | |
| Jun | 51.19 | 51.54 | 50.73 | 50.95 | -0.28 | 174,293 | |
| Dec | 51.14 | 51.42 | 50.62 | 50.87 | -0.25 | 229,845 | |
| NY Harbor Usld (NYM) | -42,000 gal.; \$ per gal. | 1,779.6 | 1,7924 | 1,759.3 | 1,7726 | -0.07 | 68,163 |
| Oct | 1,774.2 | 1,785.4 | 1,753.4 | 1,765.5 | -0.068 | 110,057 | |
| Gasoline-NY RBOB (NYM) | -42,000 gal.; \$ per gal. | 1,670.4 | 1,676.7 | 1,642.4 | 1,655.0 | -0.136 | 63,962 |
| Oct | 1,670.4 | 1,676.7 | 1,656.2 | 1,660.9 | -0.017 | 145,364 | |
| Natural Gas (NYM) | -10,000 MMBtu; \$ per MMBtu. | 3.151 | 3.166 | 3.112 | 3.122 | -0.024 | 119,418 |
| Oct | 3.196 | 3.214 | 3.168 | 3.175 | -0.020 | 264,833 | |
| Dec | 3.342 | 3.353 | 3.311 | 3.319 | -0.018 | 113,520 | |
| Jan'18 | 3.440 | 3.450 | 3.410 | 3.419 | -0.017 | 145,036 | |
| March | 3.379 | 3.391 | 3.359 | 3.370 | -0.011 | 107,105 | |

Cash Prices | WSJ.com/commodities

Tuesday, September 19, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday

BANKING & FINANCE

Hedge-Fund Firm Conatus to Shut

David Stemerman, its founder, plans to close \$1.6 billion company to pursue role in politics

BY JULIET CHUNG

Hedge-fund manager David Stemerman is shutting down his \$1.6 billion firm at the end of the year to run for governor of Connecticut, he wrote to investors Tuesday.

Mr. Stemerman's Greenwich, Conn., hedge fund, **Conatus Capital Management LP**, has gained 18% after fees so far this year betting on and against stocks through August. That outstrips the 8.3% return for the period by stock hedge funds on average as well as the 12% total return by the S&P 500, according to research firm HFR Inc.

But Mr. Stemerman, a Republican, has told people he feels a calling to serve Connecticut, which is the only state in the country that has yet to pass a budget for the current fiscal year. Its business-friendly reputation has



BRENDAN McDERMID/REUTERS

Mr. Stemerman plans to run for governor of Connecticut.

come under pressure, with General Electric Co. moving out of the state in 2016 and Aetna Inc. planning to move its corporate headquarters out of Connecticut. Last week, Moody's Investors Service downgraded the debt of Hartford two notches deeper into junk status.

"Connecticut—home to my family and business—is in crisis," Mr. Stemerman wrote in

the letter. "I am deeply concerned that a small number of people in our state are thriving while many are struggling to make ends meet."

"I believe that I can bring a different approach to finding solutions and that a new approach is necessary to lead Connecticut to a better future," the letter said.

Mr. Stemerman worked as a portfolio manager at Lone Pine

Capital LLC before founding Conatus in 2007.

The firm looks to bet on companies in the U.S. and abroad that are growing quickly but aren't trading at pricey valuations.

Its assets under management have nearly halved from its \$3 billion peak in early 2014, when its main fund lost money that year and some clients pulled their investments, and there has also been turnover among executives and investment staff.

But the firm's main fund has posted a cumulative 66% return after fees since its inception, said a person familiar with the firm, better than the MSCI All-Country World Index for the period.

Conatus expects to return 95% of clients' money by Dec. 22 and the rest after audits are completed, the letter said. Mr. Stemerman also said he planned to take most of the money he had invested in Conatus and put it in a new hedge fund being started by Amir Mokari, who headed Conatus's consumer investments.

Mr. Stemerman will have a

passive ownership stake in that firm, expected to start in January.

Hedge-fund executives including Robert Mercer of Renaissance Technologies, Marc Lasry of Avenue Capital Group and Paul Singer of Elliott Management have become a major source of donations for political candidates or individual causes. But few have tried to make the leap into office themselves.

The website of the nonpartisan Center for Responsive Politics shows Mr. Stemerman has donated over the years to the GOP and to Republican candidates for local and national office.

In 2012, he donated to GOP presidential candidate Mitt Romney and gave \$100,000 to American Crossroads, the Karl Rove-backed Republican super PAC that took blame that year when the party failed to defeat President Barack Obama or capture the Senate. His most recent donation, according to OpenSecrets.org, was a \$10,000 donation in 2014 to the Connecticut Republican Campaign Committee.

Brevan Howard To 'Seed' New Fund

BY LAURENCE FLETCHER

Brevan Howard Asset Management LLP, one of the world's biggest hedge-fund firms, plans to inject \$300 million to \$400 million into a new fund run by one of its star traders, according to two people familiar with the matter, as it battles to revive its fortunes.

Brevan's assets under management have tumbled from about \$40 billion to

3.8%

Loss in Brevan's main fund through August this year

\$11.6 billion in recent years amid weak returns from its flagship fund. It is injecting the cash as "seed" money that will help the new fund, run by trader Alfredo Saitta, get up and running.

The investment is a significant one at a time when new hedge-fund launches often struggle to attract investors' interest.

Once, a new fund by a star trader could attract \$1 billion or more.

Now, a fund that raises a few hundred million dollars is considered successful, with many failing to get off the ground or folding quickly after starting.

Brevan's billionaire co-founder Alan Howard, who recently moved back to London from Geneva, is personally investing in the fund, one of the people said.

The new fund for Mr. Saitta, a former trader at **J.P. Morgan Chase & Co.** and **Citigroup Inc.**, is set to be launched in coming months and will trade short-dated interest rates, as well as currencies and stocks, said one of the people.

Like many macro funds—which trade bonds, currencies and other assets—Brevan's main fund has struggled in recent years. Many managers have found it hard to predict asset prices because of stimulus measures from central banks.

Brevan's main fund lost money in two of the past three calendar years and is down 3.8% this year through August, according to a letter to investors reviewed by The Wall Street Journal.

Hedge funds overall are up 4.1% this year on average through Sept. 14, according to research firm HFR Inc.

Mr. Saitta has been running part of Brevan's main fund and has made annual returns in the double-digit percentages, said a person familiar with the matter.

Net Doubles At Jefferies

BY CARA LOMBARDI

Jefferies Group LLC reported sizable increases in revenue and profit as its investment-banking business had its best quarter yet.

The New York-based company more than doubled its profit in the quarter ended Aug. 31, posting earnings of \$83.8 million, compared with \$41.2 million a year earlier.

Net revenue, which factors out interest expenses, increased 22% to \$801 million.

Expenses also rose, with interest and noninterest expenses both ticking up 18%.

The investment-banking unit of **Leucadia National Corp.**, has been working to recruit talent and expand its reach; last week it opened an office in Amsterdam.

Chief Executive Rich Handler said the company posted a record \$476 million in investment-banking revenue, up 61% from a year earlier.

Commission fees and asset-management fees, which account for a much smaller portion of the company's revenue, slid from last year.

Progressive Is Hard Hit as Hurricane Triples Losses From Catastrophes



Progressive Corp. swung to a loss in August, the company reported Tuesday, with Hurricane Harvey more than tripling the insurer's catastrophe losses in the period compared with last year.

Progressive said more than 90% of total catastrophe losses in August were linked to Harvey, the first substantial hurricane to

hit Texas since Hurricane Ike struck the Gulf Coast in 2008.

Last month, the company sustained \$254 million in catastrophe losses, up from about \$75 million during August 2016. A vast majority of the losses were tied to Progressive's vehicle business, with only \$26 million involving the property segment.

For the month, the company swung to a loss of \$16.8 million from a profit of \$49.3 million last year. Net premiums written during the month, meanwhile, rose 15.8% to \$2.21 billion.

Hurricane Harvey pounded Texas last month with torrential rain, high winds and widespread flooding. The last Category 4

storm to hit Texas was Hurricane Carla in 1961, according to the National Weather Service.

While the insurance industry is strong overall, insurers with large Texas operations are vulnerable.

Insurers have braced for hundreds of thousands of claims from homeowners, car owners

and businesses.

The top homeowners' insurers in Texas are State Farm, Allstate Corp. and Farmers Insurance, according to ratings agency A.M. Best. State Farm, Berkshire Hathaway Inc.'s Geico and Allstate are the top personal auto insurers in Texas.

—Ezequiel Minaya

Merger of Clariant and Huntsman Is in Jeopardy

BY BRIAN BLACKSTONE

ZURICH—A group of U.S. activist investors threatened to vote against the proposed merger between Swiss chemicals company **Clariant AG** and U.S.-based **Huntsman Corp.** unless alternatives are explored, jeopardizing a deal that would create a \$15 billion chemicals giant.

"We remain convinced, and increasingly so, that the proposed merger is detrimental to Clariant shareholders," said the controlling investors in **White Tale**—which owns 15.1% of Clariant, making it the largest shareholder—in an open letter to the Swiss company's board.

Clariant later rejected White Tale's calls to shelf the deal, saying it "does not agree" with statements made in the open letter. The Clariant board "reconfirms its decision that the planned merger is the best value creating option for all stakeholders" and will, therefore, not deviate from the binding agreement, the company said in a statement.

White Tale comprises investment funds **40 North Latitude Master Fund Ltd.**, con-

trolled by U.S. investors David Winter and David Millstone, and **Corvex Master Fund Ltd.**, controlled by well-known activist investor Keith Meister—all of whom signed the letter.

Clariant CEO Harolf Kottmann, left, and Huntsman President and CEO Peter Huntsman in May

Tuesday's move injects further uncertainty into the proposed trans-Atlantic tie-up between Huntsman and Clariant, which was announced in May amid a period of consolidation in the chemicals industry as companies seek to cut costs by eliminating overlapping operations and products.

Clariant has said it expects the deal to close around the end of the year. However, the share prices of the two companies appear to signal some doubts among investors about whether the deal will ultimately go through. Clariant shares fell 0.5% in European trading Tuesday. Huntsman shares fell 1.2% in U.S. trading.

The combined entity would offer chemicals such as polyurethanes, pigments, automotive fluids, additives and resins that are used across industries from aerospace to agriculture to household cleaning.

White Tale also took aim at claims by Clariant and Hunts-

man that the merger would generate about \$400 million in cost savings. It said that around three-quarters of that target "could be achieved by Clariant alone through a robust cost optimization plan without giving away nearly half of that value to Huntsman shareholders."

It urged Clariant to hire an investment bank to evaluate alternatives to the deal. The investors wrote that they were

willing to serve on Clariant's board of directors.

In its statement late Tuesday, Clariant said White Tale's open letter "does not contain any additions to claims previously made; in particular no tangible alternative of superior value creation is presented." It also said that the "the vast majority" of Clariant shareholders have expressed support of the deal.

MARKETS

Nikkei Surges on Japan Election Chatter

BY SURYATAPA BHATTACHARYA

TOKYO—The Nikkei Stock Average rose above 20000 on Tuesday and closed at its highest level in more than two years, spurred by talk of a parliamentary election that could reassure investors about Japan's growth prospects.

Prime Minister Shinzo Abe, whose approval ratings have climbed in recent weeks after falling as low as 30%, hinted Monday that he would call for an election of the lower house of Parliament. Local media said it would likely take place Oct. 22.

The Nikkei rose 389.88 points, or 2%, its best day in more than four months, to close at 20299.38, its best finish since Aug. 18, 2015. Early Wednesday in Tokyo, the Nikkei was down less than 0.1%.

"Historically, Japanese equity tends to do well around a general election," said Shusuke Yamada, a currency strategist with Bank of America Merrill Lynch in Tokyo. The election could be Mr. Abe's chance to "restore political capital and



Japan's stock market still is at only a little more than half its peak level in 1989.

stability" at a time when the economy is on a healthy footing after growing for six consecutive quarters, Mr. Yamada said.

Japan's markets aren't expected to soar as they did in the election years of 2012—which brought Mr. Abe's party back to power—and 2014, when the last lower-house election was held and a coalition led by

Mr. Abe's Liberal Democratic Party won more than two-thirds of the seats.

Japan no longer has much scope for monetary-policy expansion, so "I think it's different from those years, even though the bias could be upside," Mr. Yamada said.

Analysts say the Liberal Democratic Party-led govern-

ment is likely to stay in power, and overseas investors have already started to adjust positions to price in an Abe win.

"Optimism is back in terms of government continuity," said Kyoko Okazawa, head of global markets for Asia-Pacific with BNP Paribas, although he said profit-taking could kick in soon. Mr. Abe's grip on power ap-

ally.

The wrangling raised the prospect of political disarray, or even a change of government that could upset Mr. Abe's stock-market-friendly policies such as loose monetary policy and pursuit of shareholder-driven corporate governance. But recently the scandals have died down.

Japan's markets were closed Monday for a national holiday when the yen started to weaken against the dollar.

That added to the strength in stocks when the Nikkei opened Tuesday. The yen was trading at about ¥110.50 to the dollar when Japan stock trading ended last week, and the greenback was as high as ¥111.88 on Tuesday in Tokyo trading.

A weaker yen is often good for Japanese stocks because it raises the value in yen terms of the dollars earned by Japanese exporters overseas.

The Nikkei has done well this year even without help from currencies. While the dollar has weakened against the yen by about 4.5% so far this year, the Nikkei is up 6.2%.

Election Hopes

The Nikkei Stock Average marked its highest closing level since August 2015.



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

Treasury Prices Fall Again

BY DANIEL KRUGER

U.S. government-bond prices fell for a seventh day, the longest decline since March, as the Federal Reserve began its latest meeting.

The yield on the benchmark

10-year U.S. Treasury note rose to 2.239% from 2.230% Monday. Yields

were as bond prices fall.

Yields inched higher as investors anticipated the Federal Reserve will announce a plan to trim its balance sheet as part of its effort to return monetary policy to a noncrisis footing.

Traders also were analyzing reports that the European

Central Bank is unsure of when to begin shrinking its monthly bond purchases of €60 billion (\$71.7 billion) and that the Bank of Canada is concerned it may risk boosting its currency too much, threatening its own recovery.

Investors have focused on the impact that the Fed's expected decision may have on the prices of stocks and other financial assets.

One of the Fed's objectives in pumping money into the economy through bond purchases was to boost spending and inflation by lifting securities prices. With that policy about to unwind, traders are anticipating the stock market could lose some of its momentum.

Central bankers "are very sensitive to pulling back the accommodation," said Thomas Tucci, head of Treasury trading at CIBC World Markets Corp. "They don't know what's on the other side."

The Fed currently holds \$4.2 trillion of bonds on its balance sheet.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

| FOUR-WEEK BILLS | |
|---------------------------------|--------------------|
| Applications | \$111,204,194,400 |
| Accepted bids | \$35,000,314,400 |
| "noncompetitively | \$492,381,900 |
| "foreign noncompetitively | \$0 |
| Auction price (rate) | 99.925333 (0.960%) |
| Coupon equivalent | 0.974% |
| Bids at clearing yield accepted | 12.08% |
| Cusip number | 912796LY3 |

The bills, dated Sept. 21, 2017, mature on Oct. 19, 2017.



The telecommunications sector was among the biggest gainers in the S&P 500. A Sprint store.

Stocks Keep Inching Upward

BY MICHAEL WURSTHORN

Major U.S. indexes hit a trifecta of records despite relatively muted trading as investors braced for the Federal Reserve's policy decision.

Steady global growth has encouraged investors to keep

TUESDAY'S MARKETS b o o s t i n g stocks in recent sessions, with Tuesday's gains fueled by telecommunications and financial companies.

Still, the subdued trading Tuesday saw the S&P 500 notch one of its smallest intraday ranges since May.

Investors appeared to be holding off on making new bets ahead of the Fed's coming policy announcement. Many expect the central bank to announce Wednesday that it will keep rates unchanged and that it will start unwinding its \$4.5 trillion balance sheet.

"It's a really quiet market. People are in a wait-and-see mode ahead of the Fed meeting," said Bret Chesney, a senior portfolio manager at Alpine Global Management.

"With the things I'm trading today, just nodding at the stock moves prices."

The Dow Jones Industrial Average gained 39.45 points, or 0.2%, to 22370.80—the blue-chip index's eighth consecutive session of gains. The S&P 500 added 2.78, or 0.1% to 2506.65, and the Nasdaq Composite rose 6.68, or 0.1%, to 6461.32. Each of the major indexes closed at a record.

The S&P 500 telecom sector climbed 2.3%, among the big-

gest gainers in the broad index, after CNBC reported that **T-Mobile** and **Sprint** were in active talks about a merger.

Sprint rose 52 cents, or 6.8%, to \$8.20, while T-Mobile gained 3.62, or 5.9%, to 65.42.

Financial companies rose along with bond yields. Higher yields tend to boost lenders' profits. **Comerica** gained 1.16, or 1.6%, to 71.84, while **U.S. Bancorp** added 78 cents, or 1.5%, to 53.16.

The yield on the benchmark

10-year Treasury note rose to 2.239%, from 2.230% Monday. Yields rise as bond prices fall.

Many investors have been skeptical the Fed will raise rates again this year, citing subdued inflation readings and concerns around the economic toll of major hurricanes.

"The data that has been coming out from the U.S. has been a bit of a mixed bag...so I think it is maybe time for the Fed to take a break," said Trip Miller, managing partner at Gullane Capital Partners.

However, data last week showing a bigger-than-expected jump in U.S. consumer prices gave a fresh boost to investor expectations for one more rate rise in 2017.

"The recent growth in economic fundamentals have been very supportive of a rate hike" this year, said Anwiti Bahuguna, a senior portfolio manager at Columbia Threadneedle Investments. "But it's still a coin toss."

Markets in Asia closed mixed, with Japan's Nikkei Stock Average jumping 2% to its highest close since August 2015 and Hong Kong's Hang Seng Index falling 0.4%.

—Marina Force contributed to this article.

SUFFERING WITH ARTHRITIS?

There are safer pain management options before taking painkillers: choose chiropractic first.

Chronic juvenile rheumatoid arthritis definitely has its ups and downs. But chiropractic care helps sufferer Kathryn Sundquist to have more "ups."

Thanks to regular chiropractic adjustments, Kathryn lives her life to the fullest.

A 16-year old dancer, student and 2017 National Walk To Cure Arthritis Young Adult Honoree who was diagnosed with JA at seven-years old, she incorporates drug-free strategies into her life -- and is able to be the healthiest, most active version of herself.

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Dollar Slips as Fed Meeting Starts

BY CHELSEY DULANEY

The dollar edged lower Tuesday as the Federal Reserve began its latest policy meeting.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, was down 0.1% to 85.27.

The euro gained 0.3% against the greenback to \$1.1994, while the British pound rose 0.1% to \$1.3511.

The Fed is expected to keep interest rates unchanged but announce it will begin unwinding its \$4.5 trillion balance sheet when it concludes its meeting on Wednesday. Investors' focus will be on any changes to the Fed's projections for future interest-rate increases, known as the "dot plot."

The Fed is still forecasting rates will rise one more time this year.

Markets are pricing in a 63% probability of that happening, according to CME Group data.

"The biggest issue for the U.S. dollar this week might well be how, if at all, Fed thinking on the policy outlook has changed with regard to December rate-hike expectations," said analysts at Scotiabank. "The [dollar] could come under pressure if rate hike prospects appear dimmer."

MARKETS

Tech Stocks Fuel Emerging-Markets Rally

Investors mirror strategies in other countries; some say surge is overdone

By JULIE WERNAU

A small group of technology shares are pushing major stock indexes to new highs. That has been true for a while with the S&P 500. Now it is playing out the same way in emerging markets.

Tech companies have powered this year's rally in the developing world, helping the MSCI Emerging Markets Index's performance rise 29% as of Monday, the highest in six years.

Top performers include South Korea's **Samsung Electronics Co.**, Taiwan Semiconductor Manufacturing Co. and fast-growing Chinese e-commerce companies **Alibaba Group Holding Ltd.** and **Tencent Holdings Ltd.**

The emerging-markets tech sector's return, at 54%, is nearly double the overall index for the year through Monday, according to MSCI.

The rise of technology companies represents a major reversal from earlier years, when banks, utilities and commodities producers dominated stock trading in the developing world. In 1995, when global investing in emerging-markets stocks started to take off, tech shares accounted for only 2% of the index, according to MSCI.

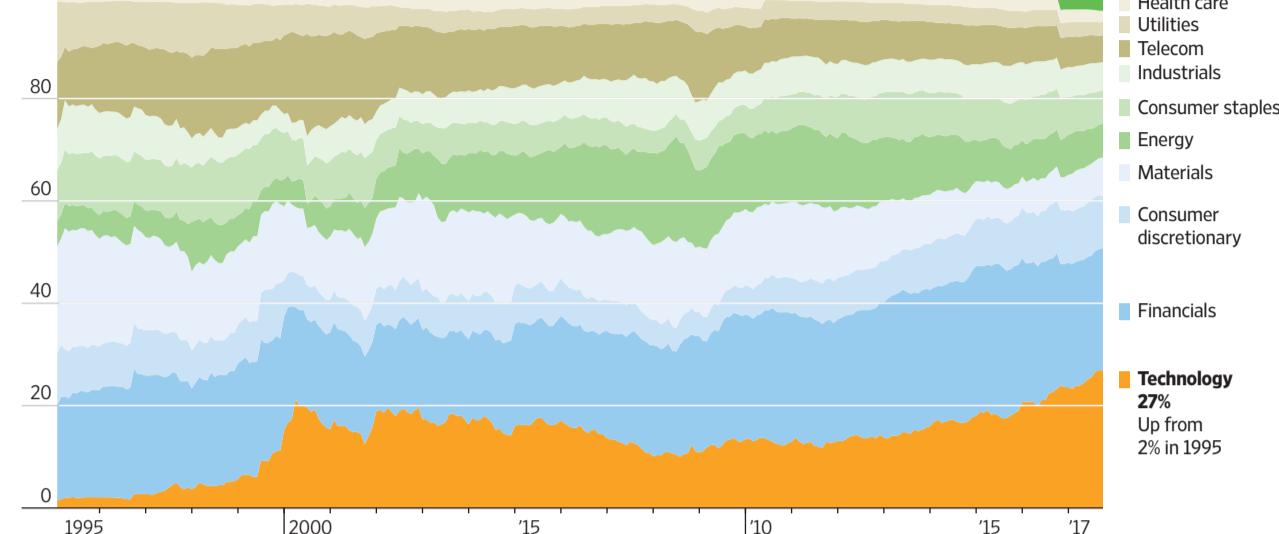
Now, tech companies make up about 27% of the emerging-markets index, according to the latest figures. That is slightly more than U.S. tech stocks' share of the S&P 500's market value, which was nearly 24% at the end of August.

"Emerging markets are past that first stage of growth where you're just industrializing and building roads," said Nicholas Field, an emerging-markets portfolio manager at

Sign of the Times

A frenetic emerging-markets stock rally this year is being driven by technology shares in developing Asia, a shift from past gains that were often fueled in large part by industries such as commodities.

Sector weightings in the MSCI Emerging Markets Index



Share-price performance, year to date



Sources: MSCI (sectors, index); FactSet (stocks)

Schroders.

As emerging-markets investing looks more like investing in the developed world, these stocks are increasingly subject to the same global consumer trends as those in the U.S.

For some investors, this makes these companies a less expensive way to buy into a global technology rally. Emerging-markets tech shares are trading at roughly 20.4 times their past 12 months of earnings, compared with 24.5 times for tech stocks in the

U.S., according to MSCI.

"What's driving the stock-price growth really is earnings growth," said John Vail, chief global strategist at Nikko Asset Management Americas Inc., whose firm has been buying Asian tech stocks. "It comes from the domestic economy, which is adopting the internet in general and even more rapidly than the Western world."

Michael Lippert, portfolio manager of Baron Opportunity Fund, is also bullish on internet-related companies glob-

ally, with investments in Alphabet Inc., Amazon.com Inc., Alibaba and Tencent.

"Data's the new oil," said Mr. Lippert. "The tech leaders of yesterday sold you a product—software or hardware—and then they disappeared. They didn't have a connection to you. They couldn't personalize their service."

But some money managers say the tech rally in developing countries looks overdone. The \$65 million **ICON Emerging Markets Fund** has lightened

up on holdings such as Alibaba and Tencent, "which have reached a euphoric type of position in the minds of many investors," said Rob Young, a manager of the fund. These stocks are highly sensitive to earnings growth, and if there is any slight deceleration, the stocks get hammered, he said.

Ben Laidler, a global equity strategist at HSBC, said investing in emerging markets hasn't changed all that much, even if the type of companies is different.

He is overweight emerging-markets technology because he thinks it is still a bet on growth in the developing world. In China, the biggest equity market in emerging markets, 71% of tech-sector revenue is from within the country, Mr. Laidler noted.

"Acceleration of growth in China has been a big part of the tech sector," he said. "Tech is increasingly developed by China."

—Carolyn Cui contributed to this article.

MSCI Emerging Markets Index



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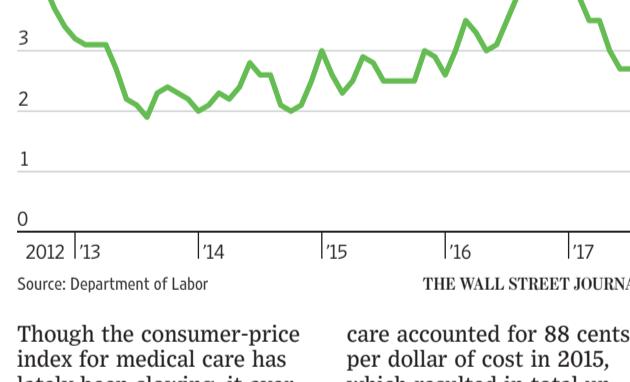
FINANCIAL ANALYSIS & COMMENTARY

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Hidden Detail May Cost Hospitals

Costly Care

Change from a year earlier in consumer prices for medical care



Though the consumer-price index for medical care has lately been slowing, it averaged growth of 2.9% over the past five years. Any protracted period of costs rising faster than reimbursement would worsen the gap between revenue and cost in dollar terms over time.

According to the American Hospital Association, Medicare reimbursement already doesn't match providers' costs. Payments from Medi-

care accounted for 88 cents per dollar of cost in 2015,

which resulted in total underpayments of \$41.6 billion. Researchers at the CBO found that, in an unfavorable reimbursement environment, the share of U.S. hospitals that don't turn a profit could surge as high as 60% by 2025, up from about 25% before the ACA became law.

Granted, the gloomiest projection in that analysis doesn't contemplate any increase in indirect effects of cost pressure might be significant and wide-ranging.

—Charley Grant

OVERHEARD

In a bull market for stocks, being bearish means practically having to say you're sorry.

Analysts at Jefferies initiated coverage of **Tesla** on Tuesday with a rating of underperform and a price target of \$280, about 25% below the stock's closing price. But the analysts explained that they assigned their cautious rating with "a bit of a heavy heart." The auto upstart's achievements to date are "phenomenal," they wrote, but the challenges of scaling up the business are bigger than most analysts realize.

The Jefferies analysts expect Tesla to continue showing a net loss on their books through 2019, while the analyst consensus profit for 2019 is a profit of \$5.33 a share on an adjusted basis, according to FactSet.

Then again, perhaps the Jefferies analysts aren't such a gloomy bunch. After all, their price target still values the common equity at more than \$600,000 per car sold in 2016.

Nvidia Gains Are Real, Not Virtual

Virtual money got real enough for **Nvidia** of late. But investors are right to focus on the chip maker's more tangible opportunities.

Nvidia's graphics processor chips, already widely used in gaming PCs, have also proved popular for "mining" cryptocurrencies such as Ethereum. Surging prices for Ethereum and Bitcoin over the summer led to a jump in orders for graphic chip cards that gave a \$150 million boost to Nvidia's reported revenue for the quarter ended July 30—amounting to nearly 7% of total sales for the period.

But cryptocurrency is highly volatile. And recent actions by the Chinese government to outlaw the purchase and sale of those currencies have hurt the market.

That would appear to pose at least some risk for Nvidia, particularly after the stock's record gains in the past two years and its 80% rally since early May. Nvidia now trades at more than 52 times forward earnings—one of the highest multiples in semiconductors.

But most of that run-up can be credited to the company's success in artificial intelligence. Graphics chips play a vital role in this technology and are enjoying a boom in demand driven by data centers and self-driving cars. Nvidia's data-center business has nearly tripled in size over the past year. Vivek Arya of Bank of America Merrill Lynch projects this segment will total nearly \$4 billion in revenue by fiscal 2020—more than double its size now. When it comes to Nvidia, real money always beats the virtual kind.

—Dan Gallagher

Unfinished Business: Why U.S. Oil Output Could Surprise

DUC Soup

Drilled but uncompleted wells in the Permian Basin



The former view comes from the analysts at Kayrros, which uses satellite data and machine learning to study individual oil wells. The research firm tallied the same drilling rigs tracked by the

widely watched Baker Hughes North America Rig Count. Typically oil production follows changes in rig counts some months later. Between the end of July 2016 and the end of July 2017, the U.S. rig count mushroomed by 107%, though it has since retreated slightly.

But the crucial step between drilling wells and producing oil—completion—has lagged behind. That means that the backlog of drilled but uncompleted wells, or DUCs, has risen and oil production may be lower than expected in the coming months. In the prolific Permian Basin alone, the number

of DUCs was 2,330 in July, according to the EIA—an all-time high and an increase of 94% compared with a year earlier. Since that figure is now nearly two months old, the number might have continued moving higher even as the rig count declined.

The official estimates of production cuts has helped push up U.S. benchmark crude prices by about 8% to just under \$50 over the past two months, with Brent rising even more.

Restraint by shale drillers unable to generate decent cash returns is a bullish sign for oil prices.

Yet the buildup of DUCs is also bearish since it creates

latent supply. Because the incremental cash cost to start pumping crude is low for a DUC, the payback period for an oil company is only a year or so.

Even for wells not drilled, analysts at Citigroup estimate the break-even cost to drill and complete a well is just \$29 a barrel on a production-weighted basis for the drillers they cover once the costs of acreage and sunk capital costs are excluded for the companies they cover.

Higher prices could get some of these wells pumping. Oil-price bulls need to get their DUCs in a row.

—Spencer Jakab



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Source: NTI Average Audience Estimates, Most Current: 16/17 Season through 9/10/17 (as of 9/18/17) and L7 for prior seasons, Regularly-Scheduled telecasts, Originals and Repeats. Subject to qualifications upon request.

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