

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, SEPTEMBER 19, 2018 ~ VOL. CCLXXII NO. 67

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DJIA 26246.96 ▲ 184.84 0.7% NASDAQ 7956.11 ▲ 0.8% STOXX 600 378.73 ▲ 0.1% 10-YR. TREAS. ▼ 13/32, yield 3.048% OIL \$69.85 ▲ \$0.94 GOLD \$1,196.80 ▲ \$2.90 EURO \$1.1670 YEN 112.36

What's News

Business & Finance

U.S. employers are boosting benefits at a faster pace than salaries, a move that gives them more flexibility to dial back that compensation if the economy sours. **A1**

◆ **Tesla** said the Justice Department has opened an investigation into the company following Musk's tweet about securing funding to possibly take the firm private. **B1**

◆ **Facebook** had been haggling with financial firms over its access to users' sensitive information for years, well before criticism of its handling of personal data. **B1**

◆ **One of the largest-ever** sales of speculative-grade debt was completed with ease on Tuesday. **B1**

◆ **General Mills** is struggling to revive sales in the U.S. as growth in its new pet-food business slows. **B1**

◆ **The EU** is investigating possible collusion among big German car makers over exhaust-systems technology. **B2**

◆ **Mastercard, Visa** and others agreed to a \$6.2 billion settlement of a lawsuit over the fees merchants pay. **B5**

◆ **U.S. stocks rose** as investors assessed trade developments. The Dow gained 184.84 points to 26246.96. **B15**

◆ **Billionaire Jack Ma** said China didn't push him to step down as head of Alibaba. **B4**

◆ **An SEC commissioner** is calling for beefed up oversight of U.S. stock exchanges. **B14**

World-Wide

◆ **China said it plans** to impose new tariffs on \$60 billion in U.S. exports, prompting Trump to reiterate a threat to hit Chinese goods worth more than four times that much. **A1, A10**

◆ **U.S. business groups** urged the Trump administration to keep Canada in an updated Nafta. **A6**

◆ **Attorneys for the woman** who accused Kavanaugh of sexual assault said she wants a full investigation of the allegations before she testifies on Capitol Hill. **A1**

◆ **North Korea agreed** to allow outside inspectors to visit its missile test site and said it would be willing to decommission its nuclear-enrichment facility. **A11**

◆ **Russia blamed Israel** for the loss of a reconnaissance plane downed accidentally by Syrian forces reacting to a raid by Israeli jet fighters. **A8**

◆ **The U.S. ordered** two leading Chinese state-run media organizations to register as foreign agents. **A6**

◆ **The U.N. said leaders** of Myanmar's military should be prosecuted for genocide of the Rohingya minority. **A11**

◆ **Four men** who said they were abused by a church worker as children will receive a total of \$27.5 million as part of a settlement with the Diocese of Brooklyn, N.Y. **A2**

◆ **The Senate passed** its second spending bill in five days as it seeks to avoid a shutdown before midterms. **A6**

JOURNAL REPORT

AI Is New Tool To Fight Hackers

Cybersecurity, R1-6

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Korean Leaders Reach Agreement at Pyongyang Summit



SIGNATURE PACT: South Korea's President Moon Jae-in, left, and North Korean leader Kim Jong Un announced an agreement Wednesday on steps aimed at breaking a diplomatic impasse over the North's nuclear program. Mr. Kim said he would visit South Korea. **A11**

Judge's Accuser Roils Hearing Plan

By Kristina Peterson,
Natalie Andrews
and Peter Nicholas

WASHINGTON—Attorneys for the woman who accused Brett Kavanaugh of sexual assault said she wants a full investigation of the allegations before she testifies on Capitol Hill, throwing into doubt a planned Monday hearing that would have pitted her word against that of the Supreme Court nominee.

In a letter Tuesday to Judiciary Committee Chairman Chuck Grassley, attorneys for California college professor Christine Blasey Ford asked for "a full investigation by law enforcement officials" to "ensure that the crucial facts and witnesses in this matter are assessed in a non-partisan

manner." But Mr. Grassley (R., Iowa) said Tuesday night that he wasn't prepared to wait for an FBI investigation.

On Sunday, Dr. Ford made public her accusations from when she and Judge Kavanaugh were teenagers at a high-school party. Dr. Ford, now 51 years old, alleged that Judge Kavanaugh, 53, and one of his friends had pulled her into a bedroom, where she said Judge Kavanaugh pinned her to a bed, groped her and attempted to remove her cloth-

ing before she escaped. Judge Kavanaugh has categorically denied the allegations, saying no such incident occurred.

After the allegations, Republicans had scheduled a hearing for next Monday to hear from both Dr. Ford and Judge Kavanaugh.

Republicans have criticized the late hour in which the allegations came forward and defended Judge Kavanaugh while working to avoid alienating female voters before the midterm election in November. Polls suggest many women voters have been energized by opposition to the Trump presidency and by the #MeToo movement.

While Dr. Ford's camp had previously indicated she would be willing to testify, her lawyers said Tuesday they feared she would be questioned by senators "who appear to have made up their minds that she is 'mistaken' and 'mixed up.'" They said she had faced threats to herself and her family.

"She has been the target of vicious harassment and even death threats," the lawyers wrote, noting she had been forced to move out of her home. An investigation would ensure the Judiciary Committee

Please turn to page A4

◆ Sen. Feinstein plays key role in accusation..... A4

After Storm, a Plague of Water



SUBMERGED: Flooding continued in the Carolinas in the wake of Hurricane Florence. North Carolina is facing a housing crunch. **A3**

Secret Hospital Deals Drive Rising Health Costs

BY ANNA WILDE MATHEWS

Last year, Cigna Corp. and the New York hospital system Northwell Health discussed developing an insurance plan that would offer low-cost coverage by excluding some other health-care providers, according to people with knowledge of the matter. It never happened.

The problem was a separate contract between Cigna and NewYork-Presbyterian, the powerful hospital operator that is a Northwell rival. Cigna couldn't find a way to work around restrictive language that blocked it from sell-

ing any plans that didn't include NewYork-Presbyterian, according to the people.

Dominant hospital systems use an array of secret contract terms to protect their turf and block efforts to curb health-care costs. As part of these deals, hospitals can demand insurers include them in every plan and discourage use of less-expensive rivals. Other terms allow hospitals to mask prices from consumers, limit audits of claims, add extra fees and block efforts to exclude health-care providers based on quality or cost.

Please turn to page A12

'Sweet!'
Gmail Replies
Get Perky

* * * * *
Auto responses are
rolling out widely
and can be a bit off

BY DAVID MARCELIS
AND DOUGLAS MACMILLAN

When Jess Klein emailed her mother to make plans, the response startled her.

"Cool, see you there."

Ms. Klein, a 38-year-old from Brooklyn, was suspicious. "Why is my mom talking like a Valley Girl?" she wondered.

She quickly found out her mother, a retired teacher, was using Gmail's Smart Reply feature, which Alphabet Inc.'s Google released widely this summer. It displays three little bubbles showing suggested responses at the end of some Gmail messages.

"Google told me to say this,

Please turn to page A12

Employers Choose Bonuses Over Raises

BY TE-PING CHEN
AND ERIC MORATH

U.S. employers are boosting benefits—including bonuses and vacation time—at a faster pace than salaries, a move that gives them more flexibility to dial back that compensation if the economy turns sour.

The cost of benefits for private-sector employers rose 3% in June from a year earlier, while the cost of wages and salaries advanced 2.7%, the Labor Department said Tuesday.

The benefit gain was driven by a nearly 12% increase in bonuses and other forms of supplemental pay. Paid leave, including vacation time, rose 4% in June from a year earlier.

The trend extends a long-running but slow shift in compensation toward benefits and away from baseline salaries.

"Bonuses and supplemental pay speak to labor market conditions, and workers are in a good spot to get a little more,"

said Ryan Sutton, a district

Change in compensation by type, June 2009-June 2018

Bonus and supplemental pay **59%**

Retirement benefits **42.1**

Paid leave **29.2**

Health and other insurance **27.7**

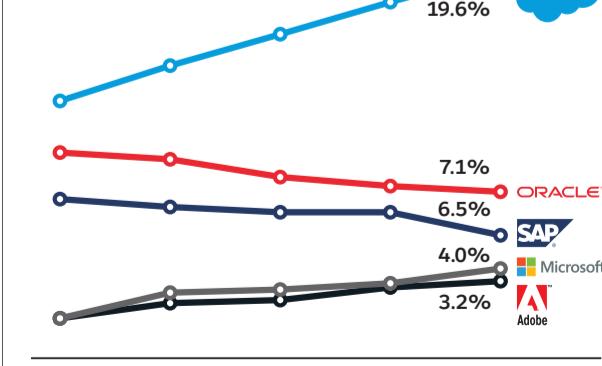
Wages and salaries **22.6**

Source: Labor Department

THE WALL STREET JOURNAL.

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

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U.S. NEWS

Brooklyn Diocese Reaches Accord On Child Abuse

By CORINNE RAMEY

Four men who said they were abused by a church worker as children will receive a total of \$27.5 million as part of a settlement with the Diocese of Brooklyn, in what the victims' lawyers say is among the largest U.S. awards paid to individual victims of Catholic Church-related abuse.

The men each will receive \$6,875 million, said lawyers Peter Saghir and Ben Rubinowitz, who represented the unidentified men. The money will be paid by the diocese and an unnamed after-school program, the lawyers said.

"The thing that is atrocious about this is the signs that were missed by his supervisors," Mr. Saghir said. "There were clear warning signs."

A spokeswoman for the diocese said it "highly contested"

The diocese includes 1.5 million Catholics in the boroughs of Brooklyn and Queens.

its role in the sexual abuse of four preadolescents." The spokeswoman noted the man implicated in the case was a volunteer, not clergy or an employee of the diocese or parish.

The diocese includes 1.5 million Catholics in the New York City boroughs of Brooklyn and Queens.

The settlement is the latest in multimillion-dollar payments Catholic dioceses across the country have made to victims in recent decades. In May, the Archdiocese of Saint Paul and Minneapolis announced a \$210 million settlement with 450 victims of clergy sexual abuse.

In the months since, the church has been hit by a series

of sex-abuse scandals, most notably a grand-jury report last month that detailed the abuse of more than 1,000 children by clergy in Pennsylvania over more than a half-century.

In the Brooklyn case, Angelo Serrano, who had been a worker at St. Lucy-St. Patrick parish in Brooklyn, was convicted in 2011 of sex crimes including charges that he engaged in multiple acts of sexual conduct with a child under 13.

Mr. Serrano, whose posts included director of religious education at the St. Lucy-St. Patrick parish, was sentenced to 15 years in prison and is at Fishkill Correctional Facility, in Dutchess County, N.Y.

The lawyers for the four men say church staff, including clergy, knew about Mr. Serrano's conduct and didn't take action.

From 2003 through 2009, the victims' lawyers say, Mr. Serrano abused the four boys, who at the time were between the ages of 8 and 12 years old. The boys attended St. Lucy-St. Patrick, the lawyers said.

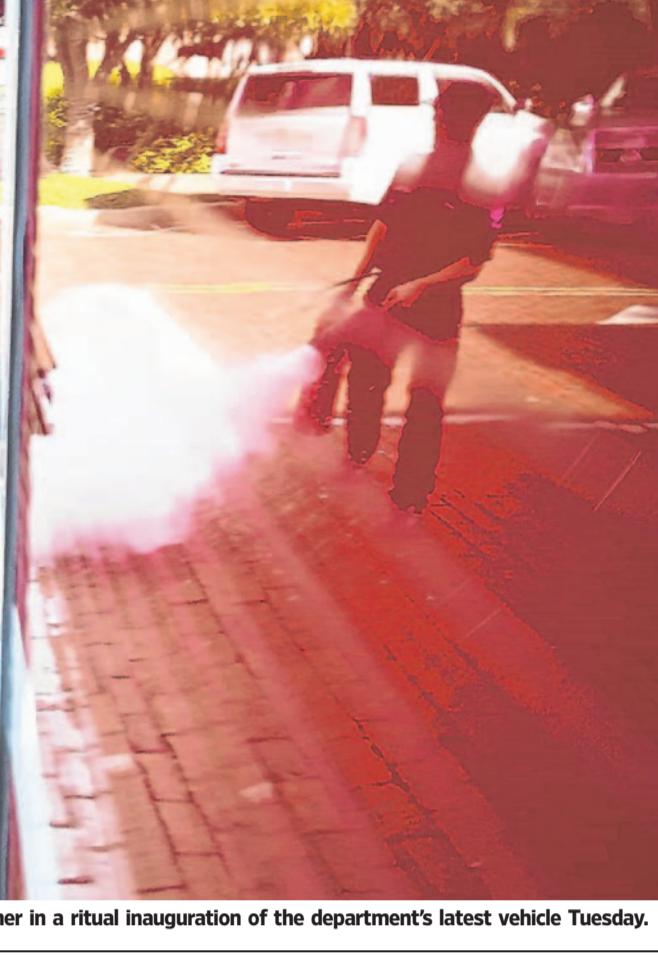
They said the abuse happened in the church, at Mr. Serrano's nearby apartment and at an after-school program.

In a ruling in one of the cases that was part of the settlement, Judge Loren Baily-Schiffman, of state Supreme Court in Brooklyn, wrote that church staff were required to have received training about signs of sexual abuse.

"The Church's attempt to minimize the fact that Serrano was caught in the Church office kissing an eight or nine year old unidentified boy as merely an 'inappropriate embrace and a peck on the lips' demonstrates a complete disregard of the training that [the pastor] was required to and did participate in," the judge said.

—Ian Lovett contributed to this article.

New Firetruck Doused and Ready to Roll in Texas



ALL WET: Nacogdoches Firefighter Cliff Berry used a fire extinguisher in a ritual inauguration of the department's latest vehicle Tuesday.

TIM MONZINGO/THE DAILY SENTINEL/ASSOCIATED PRESS

U.S. WATCH

SUPREME COURT

Dark-Money Ruling To Stand for Now

Dark-money groups will be required to disclose the identities of some anonymous donors after the U.S. Supreme Court refused to stop a lower court's ruling from taking effect.

Crossroads GPS, a nonprofit Republican group, asked the high court to put the decision on hold while the case is appealed, but the justices declined Tuesday.

The ruling applies to nonprofits that give money to super PACs for advertising that supports or opposes a specific federal candidate.

It is called an "independent expenditure." Now donors giving more than \$200 to nonprofits "for the purpose of furthering an independent expenditure" have to be disclosed to the Federal Election Commission.

—Associated Press

LOS ANGELES

City Moves Toward Ban on Fur Products

Los Angeles, one of the world's major fashion centers, is taking steps to ban the sale of new fur products, a move that would make it the largest city in the U.S. to do so.

A proposal to ban the sale of fur products advanced in the City Council on Tuesday. The council voted unanimously to direct the city attorney to draft an ordinance that will prohibit the manufacture and sale of new fur products. The ordinance must be presented to the council at a future date for final approval.

"This is something that is not just a good legislative win, it's a moral win," Councilman Bob Blumenfield said. "We feel like we're evolving as a city as people to stop this kind of unnecessary cruelty."

—Associated Press

SOUTH CAROLINA

Prosecutor Indicted Over Public Funds

The chief prosecutor for South Carolina's capital city of Columbia, was indicted Tuesday on more than two dozen charges related to the alleged misspending of public funds on trips to foreign locations including the Netherlands and the Galápagos Islands.

In documents released to news reporters, federal prosecutors outlined 26 charges against Solicitor Dan Johnson, including wire fraud, mail fraud and theft of government funds.

Gov. Henry McMaster's spokesman confirmed Tuesday the governor would move to suspend Mr. Johnson from office. Mr. Johnson, a Democrat first elected in 2010, has declined to answer specific questions about his travels but has said he didn't intend for public money to be used for personal expenses.

—Associated Press

U.S. APPEALS COURT

Bartenders, Waiters Win in Tip Fight

Restaurants must pay waiters and bartenders minimum wage when they are engaged in tasks such as cleaning toilets that are unrelated to their main jobs and don't offer tips, a divided U.S. appeals court ruled.

At issue in the decision by an 11-judge panel of the Ninth U.S. Circuit Court of Appeals in San Francisco was a federal law that allows an employer to pay workers who receive tips as little as \$2.13 an hour as long as their tips earn them minimum wage.

Employers can't use that tip credit when the workers are engaged in unrelated tasks that don't pay tips, the panel ruled 9-2. Judge Richard Paez said tips were intended as "a gift to the server, as opposed to a cost-saving benefit to the employer."

—Associated Press

Wages Are Outpaced By Benefits

Continued from Page One

sum payments that many large companies, including AT&T Inc. and Comcast Corp., gave employees after Congress approved a package of tax cuts late last year. After the tax cut, many employers, such as Southwest Airlines Co. and American Airlines Group Inc., offered bonuses but not wage increases.

Southwest said modifying wages would have required negotiating with its union. American didn't respond to a request for comment on its decision.

Bonuses are closely tied to corporate profits, and while the tax cuts improved bottom lines for many companies, profits have been growing at a strong clip for several years, compensation experts say.

Employers have added jobs for 95 straight months and the number of job openings has exceeded the number of jobless people looking for work.

In such a tight labor market—last month's 3.9% unemployment rate is just above an 18-year low—using bonuses to recruit and retain workers has become especially common in industries such as nursing and logistics, where workers can easily switch employers.

For instance, 90% of employers offered sign-on bonuses for some physician assistants and nurse practitioners last year, up from 34% five years prior, according to data from Sullivan, Cotter & Associates, a health-care consulting company. Union Pacific Corp., meanwhile, is dangling bonuses as high as \$25,000 for workers such as diesel electricians and train crew members.

The payments allow companies to be more strategic in their spending, said Oliver Cooke, executive director at financial-services recruiter Selby Jennings. "Rather than say we'll raise base salaries across

the entire business and have that fixed cost, you might be able to pick out 10, 50 or 100 people who are deemed strategically important," he said.

The shift toward one-time bonuses from sustained wage increases is less favorable for workers, said Fatih Guvenen, economics professor at the University of Minnesota.

"Bonuses are never guaranteed," he said.

All this has happened as workers' earnings have trended sharply downward. In 1968, for example, the average 25-year-old male employee was making \$35,000 a year, adjusted for inflation to 2013 dollars, Mr. Guvenen's research found. By contrast in 2011, that figure for 25-year-old male employees was closer to \$25,000 in 2013 dollars. "This has occurred even as the economy has been growing," he said.

Natalie Putnam, chief commercial officer at Verst Logistics, said the Kentucky-based warehouse, packaging and shipping company gave \$500 bonuses after the tax cut to about 450 employees, including drivers and administrators. It also

boosted wages for drivers by \$2 to \$4 an hour beginning in April for recruiting reasons, not due to tax-related savings, she said.

"There's just not enough drivers to go around; it's a crisis," she said.

Frank VanderSloot, CEO of wellness company Melaleuca Inc., estimated his company is saving a little less than \$2 mil-

lion a year as a result of the tax cut, and has since raised wages around 10% for 850 manufacturing workers in Tennessee and Idaho. The increases are necessary to hire new workers and retain existing ones, he said.

President Trump's economic advisers argued in a recent paper that growth in overall compensation is a better measure of how workers are faring than wages alone.

Some workers would rather see a lasting bump in pay. Brian Foor, a 34-year-old single father working for Lowe's Cos. in Lumberton, N.C., said he got a one-time bonus of about \$225 after the tax cut. Mr. Foor, who has worked at the store for four years and makes about \$12 an hour, said he appreciated the lift, but said that his pay hadn't noticeably changed.

"I thought it would've helped a little bit more," he said. "I'm getting by paycheck to paycheck."

CORRECTIONS & AMPLIFICATIONS

The Trump administration Monday announced plans to impose new duties on \$200 billion in Chinese goods. In some editions Tuesday, a Page One article about the administration's plans incorrectly referred in one instance to \$200 billion in duties.

Artist Wendell Castle was born in Kansas. A Life & Arts article Monday about the arts outside of major markets incorrectly said he was a Missouri native.

About 10 million babies a year worldwide are born not breathing, and six million of those need to be resuscitated. A Journal Report article Monday about infant care didn't specify that those figures were worldwide.

A photo of Boston's South End neighborhood accompanied a Journal Report article Monday about the effects of sound. The photo caption incorrectly said it was the Jamaica Plain neighborhood.

Dexcom Inc.'s glucose monitor uses some skin prickling: a sensor inserted in the abdomen every 10 days. A Journal Report article Monday about wearable health monitors incorrectly said the monitor uses some finger prickling.

The median income in non-Hispanic white households in 2017 totaled \$68,145, according to the U.S. Census Bureau. A U.S. News article Thursday about Hispanic household income incorrectly said \$86,145.

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

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U.S. NEWS

Sun, Thanks Lift a Weary Rescue Team

BY ERIN AILWORTH

NEW BERN, N.C.—Army National Guard Sgt. Alex Park queued up some music as he and his crew prepared to roll out on their Monday mission in this hurricane-ravaged city.

As their canvas-covered transport truck began to move, a song by Five Finger Death Punch poured from a portable speaker: "If I could hold back the rain..."

"Really? How appropriate," Sgt. Nicholas Muhar said from the commander's seat.

They had arrived in New Bern on Sept. 12, two days before Hurricane Florence made landfall about 100 miles to the south and inundated the Carolinas as she inched along at 3 miles an hour across both states. In New Bern, the water ripped through houses, peeling away siding, breaking windows, lifting floorboards and tossing around furniture. Some homes collapsed.

As part of the National Guard's 30th Armored Brigade Combat Team, Sgts. Park and Muhar, and Spc. Craig Needham waded, sometimes chest deep, through floodwaters to rescue people stranded in their homes.

They had to evacuate their initial post, at the National Guard's armory in New Bern, when Florence blew the roof away.

"My pants weren't dry for like three to four days total,"

Sgt. Muhar said as he recalled one rescue effort, where he helped carry a young child from her family's flooding home in a housing development.

As the waters have receded, the team has knocked on doors, checking on vulnerable residents and warning them there was more rain and flooding predicted.

On Monday, they used their truck—a Light Medium Tactical Vehicle, or LMTV—to haul pallets of bottled water to Temple Baptist Church, where volunteers had set up a meal line. The cab of the truck was crammed with their gear.

"As you can see, we basically live out of this LMTV," Sgt. Park said as the team went to pick up their first cargo.

They have done it all with just four or five hours of sleep snatched here and there—often on the floor of the city's main fire station. At least one shift stretched 28 hours.

As Sgt. Park navigated the truck out of the church parking lot Monday, he noticed a mother pushing a stroller with four children trailing behind her. One of them, a girl—maybe 6 or 7 years old—caught his eye. No smile. Blank face.

"We've seen everything, been in the water pulling people out, but just that moment right there it hit me," he said, pausing. "You could just tell the sadness on their faces."



Sgt. Nicholas Muhar, left, and Spc. Craig Needham unload ready-to-eat meals for residents of hurricane-ravaged New Bern, N.C.

Flooding to Plague State for Days

While some parts of North Carolina saw blue skies on Tuesday, flooding will remain a problem in coming days as the rain dumped by Florence makes its way from the state's swollen tributaries and rivers to the Atlantic, the National

Weather Service warned.

FEMA Administrator Brock Long toured an emergency response center in Wilmington on Tuesday with North Carolina Gov. Roy Cooper. Mr. Long assured county commissioners and other local elected officials that FEMA was ready to come to their aid, after being unable to reach the city for several days because of rain and flooded roads.

Florence, which made landfall

on the North Carolina coast early Friday, has been blamed for at least 34 deaths in the region, including 27 in North Carolina.

By late Tuesday, about 288,000 power customers in North Carolina were still offline. More than 15,000 people in the state have sought refuge in shelters, and many more have been staying with family or in hotels, the governor said.

—Valerie Bauerlein

Muhar and Spc. Needham coming back up the street with the truck. The water was just below the vehicle's tailgate.

"No matter how hard-headed I am, they were not going to leave us," Mr. Thomas said.

On Monday, storm debris lay in piles around the cul-de-sac—broken boards, bent window screens, a television, couch cushions.

Back at the Thomas's house, the family was happy to see the National Guard team that rescued them.

"May God bless your life and your family, too," Mr. Thomas told Sgt. Park. "Thank you for your service."

Back at the truck, Sgt. Park and the others took a moment.

"It makes it all worth it," he said.

In North Carolina, Storm Creates a Housing Crunch

BY LAURA KUSISTO

Finding temporary housing for thousands of North Carolinians displaced by Hurricane Florence could prove more difficult than it was for those uprooted by other recent U.S. storms and hurricanes.

That is because Florence's path blew through some of the state's smaller cities, where much of the rental housing stock is owned by mom-and-pop landlords. Places like Wilmington and Fayetteville have fewer than 1,500 empty apartment units each, according to apartment research firm RealPage Inc.

The figure is less than half the number of vacant units in a larger center like Charleston, S.C. Houston, which was suffering from a rental glut before Hurricane Harvey hit last year, had some 70,000 avail-

able units just before the storm. Fewer available units in North Carolina could lead to a severe apartment crunch.

Making matters worse, much of the rental inventory in places like Wilmington and Fayetteville is in single-family homes, analysts say. This type of housing is more vulnerable to storm damage than higher-rise apartment complexes.

"A lot of the cities that were flooded are smaller and less dense," said Ric Campo, chairman and chief executive of Camden Property Trust, which owns 21 multifamily properties in Charlotte and Raleigh. "They just don't have the apartment inventory."

Cindy Clare, chief operating officer for Greensboro-based Bell Partners Inc., said it is difficult to assess the damage to the company's four properties in the Wilmington area. Hurricanes tend to be bad news for the for-sale housing market in the weeks after a big storm, leading to slower sales and more borrowers falling behind on their mortgages. But for landlords whose properties survive with little or no damage, disasters can be a boon.

After Harvey, Houston's vacancy rate fell to 5.8% in the fourth quarter from 7.3% in third. It inched back up to 6.2% in the second quarter of this year, according to RealPage.

The apartment vacancy rate in Wilmington is 6.6% with annual rent growth of 2.3%. That makes it slightly weaker than the national market, where the vacancy rate is 4.5% and annual rent growth is 2.5%, according to RealPage.

The storm is likely to push that vacancy rate down, as some units may be destroyed and others are likely to be filled by homeowners whose properties are destroyed.

John Pawlowski, an analyst at Green Street Advisors, said that by avoiding the major cities, Florence also largely spared the portfolios of institutional apartment and single-family rental owners.

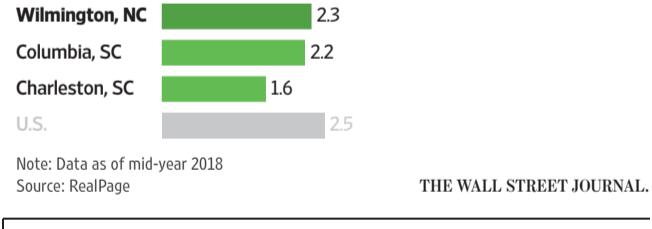
Room for Rent

Hurricane Florence could create a shortage of rental units in impacted markets, such as Fayetteville and Wilmington.

Vacancy rate



Annual rent growth



Note: Data as of mid-year 2018
Source: RealPage

THE WALL STREET JOURNAL.

FBI Pursues Better Grasp of Mass Killers

BY ZUSHIA ELINSON

The Federal Bureau of Investigation is embarking on an effort to better understand the psychology behind mass shooters, a sign of how pervasive the tragedies have become.

The FBI has conducted a limited number of interviews with perpetrators of mass killings in an effort to find commonalities in what motivated them to attack. Now the Bureau is considering expanding that into a broad-based study in which it would interview numerous mass

shooters and look for patterns.

"We're definitely missing a piece of the puzzle through the offenders' eyes," said Sarah Craun, research coordinator with the FBI's Behavioral Analysis Unit.

The potential mass-shooter study would be similar to prior research the FBI and Secret Service have conducted into serial killers, school shooters and assassins. It would likely take several years to complete.

The number of offenders interviewed for those studies ranged from 10 to 36. The FBI

declined to say how many mass shooters it hoped to interview.

Four of the five deadliest mass shootings in modern U.S. history have taken place since 2012, including last year's Oct. 1 massacre in Las Vegas that killed 58 concertgoers.

The 30 active-shooter incidents in 2017 and the 138 people killed were both the highest totals since the FBI began keeping track in 2000, though they make up a tiny fraction of the nation's total homicides.

The seeming randomness of the attacks often baffles the

police and the public. Understanding what makes these types of killers tick could remove some of the mystery and help identify potential attackers beforehand, law-enforcement and security officials say.

"People are hungry for anything that can prevent this or predict this or deal with it better," said Gregory Vecchi, an assistant professor of criminal justice at Missouri Western State University and former chief of the FBI unit now known as Behavioral Analysis.

While the FBI has never conducted a study based on interviews with mass shooters, this summer it released the findings from a review of the case files of 63 such perpetrators that focused on the characteristics of attackers.

Only one-quarter had been diagnosed with a mental illness, and just 5% had been convicted of a violent felony, according to the study. Shooters frequently nursed grievances, had suicidal thoughts, spent a week or more planning the attack and usually let someone know in person or on social media about their intent beforehand, according to the case-file review.

A study based on interviews with offenders could be particularly helpful in cases where the motive wasn't apparent in their observable behavior, said James Silver, a co-author of the report and an assistant professor of criminal justice at Worcester State University.

PANERAI

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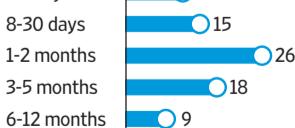
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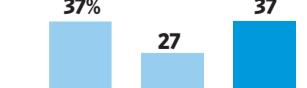
Criminal Minds

The FBI previously reviewed the case files of 63 mass shooters. These are some of their findings.

Time spent planning



Victims



Note: Figures may not add up to 100% due to rounding.

Source: FBI

Primary grievance

Interpersonal 33%



THE WALL STREET JOURNAL.

U.S. NEWS

Feinstein Plays Key Role in Accusation

Senator who first ran after the Hill-Thomas hearings is at center of a similar drama

BY NATALIE ANDREWS
AND SIOBHAN HUGHES

WASHINGTON—Sen. Dianne Feinstein's moves that led up to a public airing of allegations of sexual misconduct by Supreme Court nominee Brett Kavanaugh have drawn the ire of Republicans, who accuse the California Democrat of seeking to delay the nomination of a jurist she opposes, and the support of Democrats, who say she was trying to ensure a constituent's confidentiality on an issue that deserved scrutiny.

Mrs. Feinstein told reporters Tuesday that the accusation by Palo Alto University professor Christine Blasey Ford that Judge Kavanaugh sexually abused her when they were teenagers "ought to be looked at seriously, it ought to be investigated." She added: "This is an incident that can change a woman's life." Judge Kavanaugh has denied the allegations.

Senate Majority Leader Mitch McConnell (R., Ky.) said Tuesday that Mrs. Feinstein's withholding of information about the allegations until the end of the confirmation process was deliberate. "It's pretty obvious this is all about delaying the process," he said.

Mrs. Feinstein set in motion the ultimate disclosure of Dr. Ford's charges, leading to a planned hearing Monday and



Democratic Sen. Dianne Feinstein talked about sexual-abuse accusations against Supreme Court nominee Brett Kavanaugh on Tuesday.

with Democrats on the committee, Mrs. Feinstein decided to forward the letter to the FBI in hopes of prompting an investigation.

Dr. Ford then went public with her story, first telling it to the Washington Post.

Mrs. Feinstein said on Tuesday that she didn't regret forwarding the letter.

The public debate unfolds against the backdrop of the #MeToo movement that has exposed sexual abuse in many sectors, including the journalism and entertainment industries.

It also comes less than two months before a hotly contested midterm election and less than two weeks before the start of a new Supreme Court term.

Mrs. Feinstein herself is a heavy favorite to win a sixth Senate term and, at 85, remain the oldest sitting senator.

She has said that she can recall joining a crowd watching the Anita Hill hearings on a television in London's Heathrow airport as a committee of white men grilled an African-American woman about her allegation that she had been sexually harassed.

Mrs. Feinstein has said those hearings influenced her first Senate bid, and her candidacy was propelled by a backlash among women angered by the hostile treatment Ms. Hill received from the Senate Judiciary Committee in 1991 as she testified against then-Supreme Court nominee Clarence Thomas. Justice Thomas denied the harassment charges, and was narrowly confirmed.

complicating Judge Kavanaugh's nomination before senators vote.

What began in late July, according to Mrs. Feinstein, as an effort to protect a constituent's confidentiality has become a public spectacle, for which she has faced criticism from Republicans and the White House for what they see as an effort to delay and imperil the nomination of a talented jurist.

By Tuesday night, Dr. Ford's lawyers said that "an FBI in-

vestigation of the incident should be the first step in addressing her allegations," or before any hearing. The statement, in a letter to Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa), threw the Monday hearing into question. Judge Kavanaugh has been set to appear before the panel to defend himself from the charge and try to set his nomination back on course.

Mrs. Feinstein learned of Dr. Ford's allegations in a July

30 letter that also requested confidentiality, according to Rep. Anna Eshoo (D., Calif.).

Dr. Ford first contacted Ms. Eshoo, who encouraged her to reach out to Mrs. Feinstein. Ms. Eshoo also called the senator to discuss the matter, and Mrs. Feinstein asked that the allegations be described in a letter. The letter was sent to Ms. Eshoo's office and hand-delivered to Mrs. Feinstein's office.

Once they received it, Mrs. Feinstein's aides approached the Senate Ethics Committee

to inquire about whether the Judiciary panel could hire an independent, outside counsel to evaluate the allegations, according to Mrs. Feinstein's spokesman.

They were told the Rules Committee would have to approve such a request, and the Republican chairmen of that panel and the Judiciary panel would have to sign off on the request—an action that would have violated Dr. Ford's desire to remain anonymous.

On Sept. 12, after meeting

Hearing Plans Are Roiled

Continued from Page One

"is fully informed before conducting any hearing or making any decisions," attorneys for Dr. Ford wrote in the letter.

Mr. Grassley indicated the committee wasn't willing to wait for a full FBI investigation of Dr. Ford's allegations.

"Dr. Ford's testimony would reflect her personal knowledge and memory of events. Nothing the FBI or any other investigator does would have any bearing on what Dr. Ford tells the committee, so there is no reason for any further delay," Mr. Grassley said Tuesday night.

Dr. Ford's attorneys said she remained open to "reasonable steps" on cooperating with the committee, but her stance left uncertain whether Judge Kavanaugh would still testify as planned on Monday,



Republicans said they want to move forward with Brett Kavanaugh's nomination to the Supreme Court.

and whether the Judiciary Committee would hold a vote on his confirmation without hearing from Dr. Ford.

GOP lawmakers had said they viewed Monday's hearing as her opportunity to present her story and also offered to conduct a private hearing.

Sen. Bob Corker (R., Tenn.), who pushed for a delay for Dr. Ford to testify, said late Tuesday that the judiciary panel had taken steps to ensure Dr. Ford could be heard and the Senate should move forward.

"Republicans extended a hand in good faith. If we don't hear from both sides on Mon-

day, let's vote," he tweeted late Tuesday.

Utah Sen. Orrin Hatch, a Republican on the Judiciary Committee, tweeted after the letter became public that "we should proceed as planned" with confirming Judge Kavanaugh.

The White House was surprised by Dr. Ford's request for a full investigation, an official said Tuesday night.

At minimum, the request means the hearing set for Monday "is not going to look the way it was designed to look initially," the official said. With Dr. Ford now seeking an investigation before any testimony, she is "kind

of walking back on" the initial stance that she wanted to testify before the committee and tell senators her allegations directly, the White House official said.

President Trump tweeted about the Supreme Court late Tuesday without referring to Judge Kavanaugh or Dr. Ford.

"The Supreme Court is one of the main reasons I got elected President," Mr. Trump tweeted. "I hope Republican Voters, and others, are watching, and studying, the Democrats Playbook."

GOP leaders had earlier Tuesday dismissed the idea of launching an FBI investigation into the new allegations, saying

Judge Kavanaugh had already been thoroughly vetted.

"There have been multiple investigations. Judge Kavanaugh has been through six FBI investigations in the course of his lengthy public career," Senate Majority Mitch McConnell (R., Ky.) said. Mr. McConnell said the new allegations would be addressed if both Dr. Ford and Judge Kavanaugh testified next week.

The FBI conducts background checks of nominees. A spokesman for the Justice Department said it "does not make any judgment about the credibility or significance of any allegation" and instead provides information to senators.

Democrats, for their part, also had pushed back against the scheduled Monday hearing, saying that timetable was rushed. They also pressed for an FBI investigation, and for more witnesses to be heard, including the friend of Judge Kavanaugh, Mark Judge, who Dr. Ford alleged was in the room at the time. Republicans have resisted his inclusion. Mr. Judge's lawyer said Tuesday he didn't want to testify because

fore the committee.

Sen. Dianne Feinstein of California, the Judiciary Committee's top Democrat, who notified the FBI of the allegations last week, said a full investigation should be conducted.

"We should honor Dr. Blasey Ford's wishes and delay this hearing," Mrs. Feinstein said Tuesday night. "A proper investigation must be completed, witnesses interviewed, evidence reviewed and all sides spoken to. Only then should the chairman set a hearing."

After aides briefed Mr. Trump on Monday, he signed onto an approach of letting Judge Kavanaugh take the lead in denying the accusation, a White House official said. Mr. Trump has uncharacteristically held his fire in denouncing Dr. Ford, although on Tuesday he cast his sympathy toward his high-court nominee.

"I feel so badly for him," the president said of Judge Kavanaugh at a White House appearance. "This is not a man who deserves this."

—Byron Tau
and Sadie Gurman
contributed to this article.

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Democrat Leads in Arizona, Poll Shows

If Democrats can hold all 10 Senate seats in states that President Trump won in 2016—highly competitive races that many polls show to be close—they'll need to pick up at least two additional seats to win control of the chamber.

A new poll from CNN/SSRS shows Arizona could be one of them. Democratic Rep. Kyrsten Sinema leads Republican Rep. Martha McSally 50% to 43% among likely Arizona voters in the race to succeed Republican Sen. Jeff Flake, who is retiring. The poll had a margin of error of plus or minus 4.3 percentage points.

Democrats also hope to unseat Nevada Sen. Dean Heller, the only Senate Republican running in a state Hillary Clinton won in 2016. In Tennessee, former Democratic Gov. Phil Bredesen is hoping to best Republican Rep. Marsha Blackburn to win the seat Sen. Bob Corker, a Republican, is vacating.

But in Texas, GOP Sen. Ted Cruz looks tough to beat. A new Quinnipiac University poll shows him leading Democratic Rep. Beto O'Rourke 54% to 45% among likely voters. The poll has a margin of error of plus or minus 4.1 percentage points. Mr. O'Rourke's campaign has gained national attention, but a Democrat hasn't held statewide office in Texas since 1998.

—Andrew Duehren

Companies Offer Cybersecurity Tools

With election-security measures stalled in Congress, free services are emerging from companies offering to help political candidates and campaigns protect themselves from cyber-crimes.

Microsoft, Cloudflare and the Synack have offered their services to states or campaigns in recent months, and now Symantec joins the fray with a free tool that will help candidates and campaigns discover fraudulent versions of their websites.

Illegitimate versions of campaign websites can be used to harvest information about voters and spread disinformation about the campaign.

—Andrew Duehren

In Brief ...

◆ National political groups are ramping up spending as the election enters the home-stretch. Priorities USA Action and House Majority PAC, two Democratic super PACs, said that they plan to spend more than \$10 million on digital advertising in 40 congressional districts. The Congressional Leadership Fund, a Republican super PAC associated with House Speaker Paul Ryan, is investing \$3 million to staff field operations in 15 House races.

Some VA Hospitals Show Improvement

BY BEN KESLING

Improvements at the nation's veterans hospitals over the past year are allowing officials to remove a handful of the poorest-performing centers from a list of high-risk facilities, according to an assessment to be released this week by the Department of Veterans Affairs.

Those five hospitals had been part of a program that floods poorly performing facilities with expertise and resources, and the improvements are seen by VA officials and physicians as a measure of success. Ten other high-risk hospitals continue to languish among the lowest-ranked facilities and will remain the target of improvement efforts, officials said.

Of 146 VA medical centers nationwide, 103 recorded improvements in service quality and seven suffered declines. Quality is measured according to death rates, complications, patient satisfaction, overall efficiency and physician capacity under a system called Strategic Analytics for Improvement and Learning, or SAIL.

While VA officials consider the improvements a step in the right direction, they said the assessments don't always foreshadow quality improvements or declines.

You can look around the system and you can find fail-

ures that weren't necessarily predicted by SAIL," said Richard Stone, the top VA health-care official.

Hospital ratings have been showing steady improvement since the first public release of the data in 2015.

Dr. Stone said greater transparency had fueled improvements around the VA, the nation's largest medical system. "When you make these things public, you get pressure, you get scrutiny, you get oversight," he said.

VA medical centers are rated on a scale of one to five stars. Of the 146 medical centers, 19 had five-star ratings and 15 were given one-star ratings. Earlier this year, VA officials began transferring personnel and resources from some of the healthier centers to the high-risk centers.

As a result, five of the 15 high-risk centers—in Dublin, Ga.; Harlingen, Texas; Nashville, Tenn.; Roseburg, Ore.; and Denver—improved, officials said, rising out of the high-risk category. The latest star ratings have yet to be released.

Centers in Hampton, Va.; Washington, D.C.; Big Spring, Texas; El Paso, Texas; Jackson, Miss.; Loma Linda, Calif.; Memphis, Tenn.; Murfreesboro, Tenn.; Phoenix; and Walla Walla, Wash., remained in the high-risk category.

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U.S. NEWS

Companies Press to Keep Canada in Nafta

U.S. business interests want to ensure Ottawa stays in a new trade pact under discussion

BY WILLIAM MAULDIN
AND PAUL VIEIRA

U.S. business groups urged the Trump administration to keep Canada in an updated North American Free Trade Agreement alongside Mexico.

"It would be unacceptable to sideline Canada, our largest export market in the world," wrote the heads of the U.S. Chamber of Commerce, the Business Roundtable and the National Association of Manufacturers in a letter to U.S. Trade Representative Robert Lighthizer.

The business groups also called Tuesday for negotiators to build in strong enforcement provisions to hold all three countries to account; avoid sunset clauses that could lead to the termination of the agreement; and exclude language allowing for new tariffs on the auto industry or other sectors.

The letter comes as U.S. and Mexican officials seek to pressure Canada to make concessions and join in a three-way agreement—or be left out of a new two-nation pact.

The Trump administration notified Congress last month that it had struck a deal with Mexico and would formally sign a new version of Nafta as early as late November. Canada would join the pact "if it is willing, in a timely manner," President Trump



A milk deliveryman in Montreal. U.S. negotiators are seeking to boost American farmers' access to the Canadian market in Nafta talks.

Trudeau over Twitter after the Group of Seven summit in Quebec. The two leaders may have the chance to address trade concerns including Nafta next week at the United Nations General Assembly. So far a meeting hasn't been scheduled, officials said.

Some lawmakers back Mr. Trump's no-holds-barred approach to dealing with Canada and other trading partners. "Mexico negotiated in good faith and in a timely manner, and if Canada does not cooperate in the negotiations, Congress will have no choice but to consider options about how best to move forward," Rep. Steve Scalise (R., La.) said.

In any revised version of Nafta, Mr. Trudeau has insisted on keeping a system contained in the original Nafta that allows member countries to appeal to arbitration boards to overturn tariffs imposed on allegedly dumped or subsidized goods. Mr. Lighthizer has proposed abolishing it.

For his part, Mr. Trump has criticized Canada for a system that protects its dairy farmers. U.S. negotiators are seeking to boost American farmers' access to the Canadian market to at least the level agreed upon in 2015 for the Trans-Pacific Partnership, the sprawling trade agreement that Mr. Trump abandoned before it got a vote in Congress.

"They cannot continue to charge us 300% for dairy products," Mr. Trump said Tuesday.

told congressional leaders.

Any Nafta overhaul would require a majority vote in support of the accord in the House and Senate. Republican lawmakers usually take into account the views of business groups on trade issues, while many Democrats often take their cues from labor groups.

In recent weeks, U.S. labor groups have aligned with business groups in expressing a strong preference for including Canada.

"On this one, we happen to agree," said Celeste Drake, a trade expert at the AFL-CIO union federation with affiliates in Canada. "We want the rules rewritten, but that doesn't mean to exclude anyone."

The upshot is that Canadian officials see limitations in the Trump administration's latest pressure tactic of proceeding with Mexico alone, since any deal without Canada would face strong domestic opposition in the U.S.

Canadian Foreign Minister Chrystia Freeland was set to arrive in Washington late Tuesday and meet with Mr. Lighthizer on Wednesday, officials said. On Monday, Ms. Freeland said she had been in touch with Mr. Lighthizer, although some conversations "are better to have face to face."

Ms. Freeland and other officials have repeatedly skirted questions about meeting an end-of-September deadline,

adding that their focus is about reaching a deal that is acceptable to Canadians.

Canadian Prime Minister Justin Trudeau said Monday night that the U.S. and Canada "are not there yet" on an agreement. "We might be days or weeks away now. It might not be," Mr. Trudeau said in a broadcast interview with Maclean's magazine.

U.S. tensions with Canada were magnified in June, when Mr. Trump attacked Mr.

U.S. Orders Chinese Outlets To Join Foreign-Agents List

BY KATE O'KEEFFE
AND ARUNA VISWANATHA

The Justice Department ordered two leading Chinese state-run media organizations to register as foreign agents, according to people familiar with the matter, as U.S. officials ramp up efforts to combat foreign influence operations and toughen their stance on a variety of China policies.

The DOJ in recent weeks told Xinhua News Agency and China Global Television Network—known as CGTN now and earlier as CCTV—to register under a previously obscure foreign lobbying law that gained prominence when it was used in the past year against associates of President Trump, including Mr. Trump's former campaign manager, Paul Manafort, the people said.

The DOJ order comes as Washington and Beijing are involved in an escalating trade conflict, with China announcing on Tuesday it would retaliate for the U.S. tariffs unveiled Monday on \$200 billion in Chinese goods.

Xinhua, CGTN and the Chinese Embassy in Washington didn't respond to a request to comment.

Prosecutors have recently scrutinized the U.S. activity of a number of foreign media groups, after U.S. intelligence described two Russian government-backed outlets as participants in the Kremlin's efforts to interfere in the 2016 U.S. presidential election. Chinese state

Act. Both denied acting as agents of a foreign government and said they registered only because of a Justice Department directive.

Such forced registrations are more than symbolic. After its registration, RT lost congressional press credentials, which limited its access to lawmakers and other U.S. officials as members of the media. Xinhua and CGTN also have such credentials, according to a recent congressional list.

The scrutiny of foreign media firms highlights tension between First Amendment free-speech activists, who say the Justice Department moves are based on an inappropriate distinction between propaganda and journalism, and national security officials, who are concerned about foreign state-funded media being used to influence U.S. public opinion.

The issue has caught the attention of Congress. In a January letter, Sens. Marco Rubio (R., Fla.), Patrick Leahy (D., Vt.) and others asked Attorney General Jeff Sessions to examine registration requirements for Xinhua and CGTN.

Xinhua and CGTN must register as part of U.S. moves to get tougher on Beijing.

media hasn't so far been accused of such activity; generally, the outlets exalt China while criticizing the U.S. and others.

In the past year, U.S. affiliates of two Russian outlets, RT, a television network, and Sputnik, which produces radio shows and online articles, registered in the U.S. under the Foreign Agents Registration

not all state-controlled media would necessarily be required to register as foreign agents, such as those that run news bureaus in the U.S. to report on events for an audience in their home countries.

"Unless there is an effort by the state-controlled media organization to use its reporting in the United States to target an audience here for purposes of perception management or to influence U.S. policy, there would probably be no obligation for it to register under FARA," a DOJ official wrote in a letter dated Feb. 20 that was reviewed by The Wall Street Journal.

The Justice Department told the senators it couldn't comment on any potential investigations and wrote that



China's state-run CGTN, formerly CCTV, was launched as a global network in Beijing in 2016.

XINHUA/ZUMA PRESS

The senators cited a December National Endowment for Democracy report that said China and Russia have been exploiting a "glaring asymmetry" by raising "barriers to external political and cultural influence at home while simultaneously taking advantage of the openness of democratic systems abroad." As such, the senators wrote, "A sensible step for the United States government to take is appropriately enforcing existing laws, such as FARA, designed to protect against just such concerns."

The Justice Department told the senators it couldn't comment on any potential investigations and wrote that

broadly, targeting Mr. Manafort's Washington work on behalf of Ukrainian politicians between 2006 through 2015, and work on behalf of Turkey by Mr. Trump's former national security adviser, Michael Flynn. Both men admitted to filing false FARA statements as part of plea deals they reached with special counsel Robert Mueller.

The FARA law, passed in 1938 to expose covert Nazi-influence campaigns in the U.S., requires anyone doing lobbying or public-relations work for a foreign entity to register and file periodic updates with the Justice Department.

Prosecutors have recently begun wielding FARA more

broadly, targeting Mr. Manafort's Washington work on behalf of Ukrainian politicians between 2006 through 2015, and work on behalf of Turkey by Mr. Trump's former national security adviser, Michael Flynn. Both men admitted to filing false FARA statements as part of plea deals they reached with special counsel Robert Mueller.

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—Yang Jie contributed to this article.

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Senate Passes Spending Measure

BY NATALIE ANDREWS

WASHINGTON—The Senate passed its second appropriations bill in five days on Tuesday, boosting spending for the next fiscal year for the Defense Department, medical research and the opioid crisis, and funding other departments through Dec. 7 to avoid a government shutdown before the midterm elections.

In a 93-7 vote, the Senate approved the package of bills known as a "minibus," in contrast to Congress's usual use of "omnibus" spending legislation. The House is expected to take it up next week, according to a Republican aide. Lawmakers from both chambers worked jointly on the bill and announced it last week.

The bill funds the departments of Defense, Education, Labor, Health and Human Services and related agencies and makes up much of discretionary spending that Congress appropriates. It is the first time in 22 years that the bills are on track to make it to the president's desk by the end of the year.

"These milestones may sound like inside baseball, but what they signify is a Senate that is getting its appropriations process back on track,"

said Senate Majority Leader Mitch McConnell (R., Ky.) on the chamber's floor as he encouraged lawmakers to support the bill.

Last week, Congress passed an initial package of bills that includes funding for the Energy Department, Veterans Affairs and the legislative branch of government.

Funding for departments that haven't yet been funded through the appropriations process, such as the Department of Homeland Security, was extended through a so-called continuing resolution until Dec. 7, effectively pushing back fights that Republicans want to avoid before the midterms, such as President Trump's demand for funding for a Mexico border wall.

Lawmakers also are still negotiating agreements on a third spending bill, to fund the departments of Interior, Treasury, Agriculture, Transportation, and Housing and Urban Development. Sen. Patrick Leahy (D., Vt.) said lawmakers remained hung up on policy differences.

"We are very close to an agreement," he said. "We should not delay this package over unrelated policy matters that have no place on must-pass spending bills."

The bill gives \$674.4 billion to the Defense Department, up \$19.8 billion from this year, and awards U.S. service members a 2.6% pay raise.

The bill defies Mr. Trump's call to cut various health, education and labor programs. Instead, it increases funds for the National Institutes of Health for medical research. It includes an increase of \$100, or 1.6%, in the 2018-19 academic year maximum for Pell grants, which are federal financial aid earmarked for the neediest college students.

It also includes \$725 million for community block grants, which is \$10 million more than the amount for fiscal 2018 and which Mr. Trump's budget proposed eliminating. The program has long been used by Congress to help state and local governments recover from major disasters, such as hurricanes.

To combat the opioid epidemic, the bill appropriates \$3.8 billion, an increase of \$2.7 billion over 2017. Of that, \$1.5 billion will go to states for grants. The Senate on Monday passed broad, bipartisan legislation aimed at combating the opioid epidemic through new research, treatment and help for families affected by addiction.

The bill gives \$674.4 billion to the Defense Department, up \$19.8 billion from this year, and awards U.S. service members a 2.6% pay raise.

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This approach includes supporting patient access to multi-modal pharmacologic and non-pharmacologic treatment options; ensuring opioids are only used when alternative treatment options are inadequate; and adopting public policies aimed at reducing addiction, abuse, diversion, and overdose related to opioids.

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To help reduce prescription drug abuse and diversion, we advocate that prescribers and pharmacists consult state Prescription Drug Monitoring Program (PDMP) databases before writing or dispensing any opioid prescription. Studies suggest that PDMPs can help reduce the number of prescriptions written for opioids and that PDMP use is associated with a reduction in pain medications received for nonmedical use from multiple doctors.^{1,2}

To support communities that have been affected by the crisis, we've provided funding to the National Sheriffs' Association to help law enforcement distribute the overdose rescue drug naloxone. In addition, we're helping to bring prescription abuse prevention education to high school students across the country.

America's opioid crisis is the result of multiple factors. We believe that all stakeholders — healthcare leaders, drug manufacturers, policymakers, and public health officials — need to come together to drive meaningful solutions forward. While no single intervention alone will solve this crisis, partnerships, determination, and innovative approaches are steps in the right direction.



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¹Bao Y, Pan Y, Taylor A. Prescription drug monitoring programs are associated with sustained reductions in opioid prescribing by physicians. *Health Affairs* [Project Hope]. 35(2016)1045–1051. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5336205/>.

²Ali MM, Dowd W, Classen T. Prescription drug monitoring programs, nonmedical use of prescription drugs, and heroin use: evidence from the National Survey of Drug Use and Health. *Addictive Behaviors*. 69(2017)65–77.

WORLD NEWS

Syria Downs Plane; Russia Blames Israel

While reacting to Israeli raid, air defense systems shoot Russian reconnaissance craft

By THOMAS GROVE
AND FELICIA SCHWARTZ

MOSCOW—Russia blamed Israel for the loss of a reconnaissance plane downed accidentally by Syrian forces reacting to a raid by Israeli jet fighters, but leaders of the two countries quickly worked on Tuesday to defuse further tensions, underscoring the desire of regional powers to prevent escalation.

Moscow said that the Israelis had given too little warning of a strike by four F-16s over Syrian airspace that aimed to destroy Iranian targets there. As a result, a Russian Il-20 aircraft was downed overnight by Syria's semi-automated air defense systems, killing 15 Russian service members on board.

Israeli Prime Minister Benjamin Netanyahu, in a telephone call with Russian President Vladimir Putin, blamed Syrian President Bashar al-Assad for the downed plane, but expressed regret for the loss of life, a statement from the prime minister's office said.

"Prime Minister Netanyahu noted the importance of the



Israeli deputy ambassador Keren Cohen-Gat, right, after meeting with Russian officials on Tuesday.

continued security coordination between Israel and Russia that has managed to prevent many casualties on both sides in the last three years," Mr. Netanyahu's office said.

Mr. Netanyahu offered to send Israel's Air Force Commander to Moscow to deliver information about the Israeli military operation above Syria, both countries said.

The quick efforts by Russian and Israeli leaders to regain diplomatic footing despite the military incident illustrates the relationship between Messrs. Putin and Netanyahu, which

has grown stronger during the Syrian conflict. The two leaders have held regular meetings over Syria, and Mr. Putin has gained Mr. Netanyahu's trust by acknowledging Israel's concerns over the presence of Iranian troops and its proxy militias there.

In Washington, Secretary of State Mike Pompeo expressed "sorrow" on behalf of the U.S. for the deaths of the crew members. "Yesterday's unfortunate incident reminds us of the need to find permanent, peaceful, and political resolutions to the many overlapping

conflicts in the region and the danger of tragic miscalculation in Syria's crowded theater of operations," he said.

President Trump addressed the incident, calling the deaths "a very sad thing, but that's what happens."

The multifaceted conflict between Mr. Assad and the rebels arrayed against him has drawn in Russia, Israel, Iran, the U.S. and others to opposing sides, creating a tinderbox of competing interests.

The downing of the Russian reconnaissance plane looked to create a fresh geopolitical

crisis for Mr. Putin to navigate. Russia's plane was shot down just hours after Moscow struck an agreement with Turkey to create a demilitarized zone in northwest Syria in an effort to prevent clashes between those two countries, which are now on opposite sides of the conflict.

Statements by Moscow officials followed an often-used playbook that includes early verbal escalation by lower officials that give Mr. Putin extra room for diplomatic maneuvering. Early in the day, Russia cast blame on Israel and Russian Defense Minister Sergei Shoigu threatened to take measures in response to the incident.

Speaking during a live televised news conference Tuesday, Mr. Putin struck a conciliatory tone, saying he believed Israel was responsible but attributed the loss of the plane to "a string of tragic coincidences."

Russian Defense Ministry spokesman Gen. Igor Konashenkov said Israel had informed Moscow of the incoming strike less than a minute beforehand, making it impossible for Russian command to pull its planes out of potentially dangerous areas.

"As a result of the Israeli military's irresponsible actions, 15 Russian servicemen died," Gen. Konashenkov said.

Israel said it targeted a Syrian armed forces facility in Latakia where systems to manufacture lethal weapons were about to be transferred to Hezbollah, a political and militia group in Lebanon, on Iran's behalf. It said the weapons posed an "intolerable threat" to Israel.

Syrian government officials weren't available to comment.

Syria tried to retaliate against the strike when the jets were already back in Israeli airspace, according to an initial probe by Israel's military. The investigation also said Syria's anti-air batteries fired indiscriminately and its military appeared not to check whether Russian planes were in the air.

Israel said Russia's plane wasn't flying nearby Israeli jets during its operation, and that it was "extensive and inaccurate Syrian antiaircraft fire" that took down the Russian plane.

Israel's confirmation of its strike marked a rare public acknowledgment of its activities in Syria. Analysts said Russia has unofficially given the green light to Israel for limited strikes against Iranian targets in Syria as Syrian government troops push farther southwest, closer to the border with Israel.

*—Nazih Osseiran
and Courtney McBride
contributed to this article.*

Russian Activist Likely Poisoned

BY ANDREA THOMAS

BERLIN—A member of Pussy Riot, a Russian punk group that has drawn the spotlight for its flamboyant anti-Kremlin protests, was likely poisoned with an unknown substance, German doctors said, the latest in a string of similar cases involving critics of the Kremlin.

Pyotr Verzilov fell ill after attending a court hearing on a traffic violation last week in Moscow. Several hours later, his eyesight began deteriorating, followed by difficulties in speaking and walking, fellow activist Veronika Nikulshina said. On Saturday, Mr. Verzilov, who has Russian and Canadian passports, was brought to Germany for treatment by a German humanitarian group.

His symptoms make it "highly plausible that a poisoning has taken place," Kai-Uwe Eckardt, a senior physician at Berlin's Charité hospital, said Tuesday. The doctors haven't been able to identify the toxic substance, he added.



Anti-Kremlin activist Pyotr Verzilov, victim of a suspected poisoning, was transported to Berlin for medical treatment on Saturday.

such as throwing live cats at McDonald's Corp. employees and painting a large phallus under a drawbridge that, when raised, faced the Federal Security Service building.

Mr. Verzilov and Ms. Nikulshina gained notoriety this year after running onto the field during the soccer World

Cup final, together with two other members of Pussy Riot, dressed as police, in a protest they said was meant to draw attention to police brutality in Russia.

Mr. Verzilov was involved in the group when three members of Pussy Riot broke into Moscow's Christ the Saviour

Cathedral in 2012 and sang "Holy Mary, drive Putin out." He and two other members of the group later appeared in an episode of Netflix Inc.'s political drama "House of Cards."

In addition to his role in Pussy Riot, Mr. Verzilov also publishes the independent Russian-language news site

MediaZona.

"Nobody who is taking part in political activity right now in Russia can really be safe," said fellow Pussy Riot member Nadezhda Tolokonnikova in Berlin.

She said that while it would be dangerous for Mr. Verzilov to go back to Russia, she expected him to nonetheless return.

Resurgent ISIS Imperils Libyan Oil Flow

BY JARED MALSIN
AND BENOIT FAUCON

Islamic State is staging a resurgence in chaotic Libya, claiming more than a dozen attacks in the North African country this year and threatening to disrupt the flow of oil from one of the world's most significant suppliers.

The group's re-emergence comes two years after Libyan forces backed by U.S. air power dislodged the extremist group from its stronghold in the coastal city of Sirte, and it erodes one of the signature victories in the yearslong U.S.-led military campaign against the militants.

The latest attack came last week when gunmen wearing explosive vests and carrying assault rifles stormed Libya's state oil company, one of the country's most important and heavily guarded institutions. Explosions shook the building and two employees died in the assault.

One official said he shut himself in his office and began praying. "I saw my own coffin," the official said.

U.S. forces have kept up a steady barrage of strikes targeting Islamic State fighters in the country, including a drone strike in late August that killed a group member in Bani Walid, southeast of the capital, Tripoli, according to the U.S. Africa Command, which oversees American military operations in

the country. Islamic State currently has between 400 and 750 members in Libya, an African spokesman said recently.

But Libya's widening security vacuum and worsening internece violence have given the group room to maneuver. Libya, home to the largest oil reserves in Africa, is splintered among two rival governments and a complex mosaic of armed groups, and lacks a fully functioning state.

The worst clashes among militias in over a year have gripped Tripoli in the past few weeks. A rocket attack by a militia struck the city's only functioning airport on Sept. 11.

In this vortex of violence, Islamic State's Libyan branch has claimed responsibility for more than a dozen attacks since early this year, including raids on rival militias and se-

curity forces and a bombing in May at the headquarters of the Libyan election commission that killed a dozen people.

"They use these attacks to show they're back in business, to rebrand themselves, to draw recruits," said Frederic Wehrey, a Libya expert with the Carnegie Endowment for International Peace. "The best recruiter for the Islamic State in Libya is political turmoil, political infighting. When Libya is divided, that gives room for the Islamic State to grow."

The attack on the national oil company came amid concerns that problems in Libya could add to supply disruptions surfacing in countries such as Iran and Venezuela.

It also raised questions about whether Libya's oil facilities are adequately protected. Attacks on Libya's oil industry—

including an attack on the oil ports by a militia in June and a previous attack by Islamic State on an oil field in February—have imperiled a modest recovery in the Libyan oil sector.

Oil production has climbed back to close to one million barrels a day since the state oil company persuaded armed groups to reopen facilities they had previously blocked. Last week's attack had no impact on supply but briefly pushed up world oil prices.

In a communiqué claiming responsibility for the attack on the state oil company, Islamic State said: "We stress that the oil fields supporting the Crusaders and their projects in Libya are legitimate targets for the mujahideen."

The U.S. launched nearly 500 airstrikes in 2016 in support of a ground campaign by Libyan forces that expelled Islamic State from Sirte, denying the group its most important foothold outside its core in Iraq and Syria. A separate U.S.-backed operation drove the group out of strongholds in Iraq and Syria last year.

Many of the group's fighters fled to remote desert areas in Libya's center and south, where they have established hideouts, according to Western officials.

Libya's escalating civil war means that security forces haven't been able to turn their attention to eliminating the group there.

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The group claimed a Sept. 10 attack on Libya's National Oil Corp.

HANI AMARA/REUTERS

WORLD NEWS

German Spy Chief Is Out Over Remarks

BY ANDREA THOMAS

BERLIN—The German government is replacing a top intelligence official less than two weeks after he made comments that appeared to play down far-right violence at the margins of recent anti-immigration protests.

Hans-Georg Maassen will leave his post as head of the Federal Office for the Protection of the Constitution, the government said on Tuesday, in a shuffle aimed at defusing the latest outbreak of tension in the country's fractious ruling alliance.

The decision, hammered out in a meeting of the leaders of Angela Merkel's left-right coalition, ends a tug of war between the center-left Social Democratic Party, junior partner in the coalition, which had been calling for Mr. Maassen's ouster, and Horst Seehofer, interior minister and head of Bavaria's conservative Christian Social Union, who had backed the intelligence chief.

As a compromise, Mr. Maassen is to be made deputy interior minister under Mr. Seehofer—a formal promotion that cushions his exit as intelligence chief—but won't oversee his former agency, the government said. The government hasn't yet named Mr.

Maassen's successor as head of the agency.

Following anti-immigration protests in the eastern German city of Chemnitz in late August, Mr. Maassen told the tabloid Bild daily on Sept. 7 that a video posted online by antifascist militants that purported to depict far-right extremists hunting down foreigners in the city's streets showed no such thing.

The footage, which the government and Ms. Merkel herself had referred to days earlier in denouncing attempts at mob justice by extremists in Chemnitz, might even have been "false information," Mr. Maassen told the newspaper. He later clarified his comments, saying he hadn't meant to suggest that the video was fabricated but that it was being overinterpreted. The riots in Chemnitz were sparked by the killing of a 35-year-old German man, which prosecutors allege was committed by recent refugees.

Mr. Maassen's comments drew sharp criticism both from some opposition parties and from SPD politicians, who accused him of turning a blind eye to extremism. Tension in the government rose further after Mr. Seehofer publicly backed Mr. Maassen, who has been in office since 2012.



Hans-Georg Maassen disputed a video alleging far-right violence.

Berlin Debates Pick for ECB

BY TOM FAIRLESS

FRANKFURT—The race to succeed Mario Draghi as European Central Bank president presents Germany with a stark choice: Back the country's own candidate, a foe of Mr. Draghi's €2.5-trillion bond-buying program, or concede that once-unorthodox monetary tools are here to stay.

Germany's central bank, long a powerful voice in the global fight against inflation, has grown out of sync in the postfinancial crisis era of stagnant prices and wages, with its greatly expanded role for central banks and outside-the-box policies.

"Perhaps the sands have shifted," said Stefan Gerlach, former deputy governor of Ireland's central bank. "Having been on the wrong side of history, at least as it appears now, has not helped the Germans."

Now, with the jockeying among European capitals already under way, Berlin must decide in the coming months whether to endorse Jens Weidmann, president of Germany's central bank, who has likened printing money to the devil and testified against Mr. Draghi's crisis-era bond program in a German court.

Backing Mr. Weidmann—even if it provokes a veto from countries like France and Italy, where he is already a controversial figure—would show that Germany stands by the philosophy that central banks' primary responsibility should be to keep inflation low and avoid printing money to buy government debt.

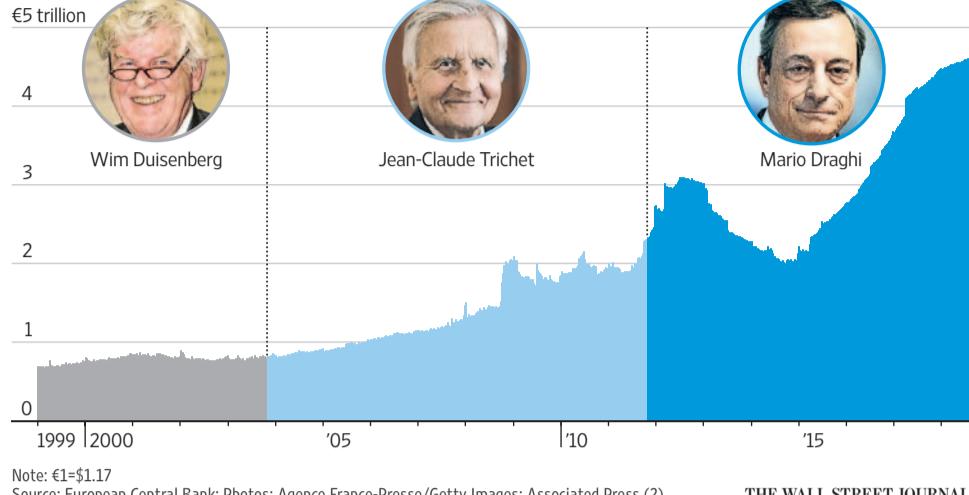
"The political price for Jens Weidmann is high...because he has shown open criticism to some ECB policies," said Isabel Schnabel, a member of the German Council of Economic Experts.

Mr. Draghi steps down as head of the ECB next autumn, but the race to succeed him is unofficially under way. A handful of officials have publicly flirted with the idea, although no candidate has openly de-

Piled High

Assets held by the European Central Bank have surged since Mr. Draghi took office, owing to bond purchases and cheap loans to banks.

ECB's balance sheet under its three presidents



THE WALL STREET JOURNAL.

Note: €1=\$1.17

Source: European Central Bank; Photos: Agence France-Presse/Getty Images; Associated Press (2)

clared an interest.

As the biggest economy in Europe, Germany should have outsize influence in deciding the central-bank chief for the next eight-year term.

But the selection will be part a grand bargain among EU members over top European Union jobs, including the head of the European Commission, a fact that is complicating Chancellor Angela Merkel's equation. German officials say the government hasn't decided whether to support Mr. Weidmann or focus on another top EU post.

Installing Mr. Weidmann could bring dividends domestically. Conservatives in Ms. Merkel's Christian Democratic Union say they badly need a German ECB president to boost their credentials among voters worried about low rates, inflation and a central bank they think is bankrolling profligate governments in Southern Europe.

Mr. Weidmann, a former economic adviser to Ms. Merkel, has sparred with Mr. Draghi over the best way to address Europe's economic woes. He has attacked the Italian policy of large-scale bond

purchases, and resisted Mr. Draghi's effort to tilt the ECB away from the Bundesbank principles it was modeled on, to be more like the U.S. Federal Reserve, which bought vast sums of U.S. debt after the financial crisis.

German central bank chief who likened printing money to the devil is a candidate.

Mr. Weidmann has compared central-bank bond buying to a drug. In 2012, he used the devil from German literary classic, Goethe's "Faust," to rail against printing money, just weeks after Mr. Draghi's now-famous pledge to do "whatever it takes" to save the euro. He has, however, backed many other ECB policies, including negative interest rates.

Many economists say Mr. Draghi's policies supported growth and helped create millions of jobs. The bond-purchase program, known as quantitative easing, lowered bond yields in Italy and other struggling euro members. The bloc's growth outpaced the U.S. over the past two years, and while inflation has risen, it remains around the ECB's 2% target.

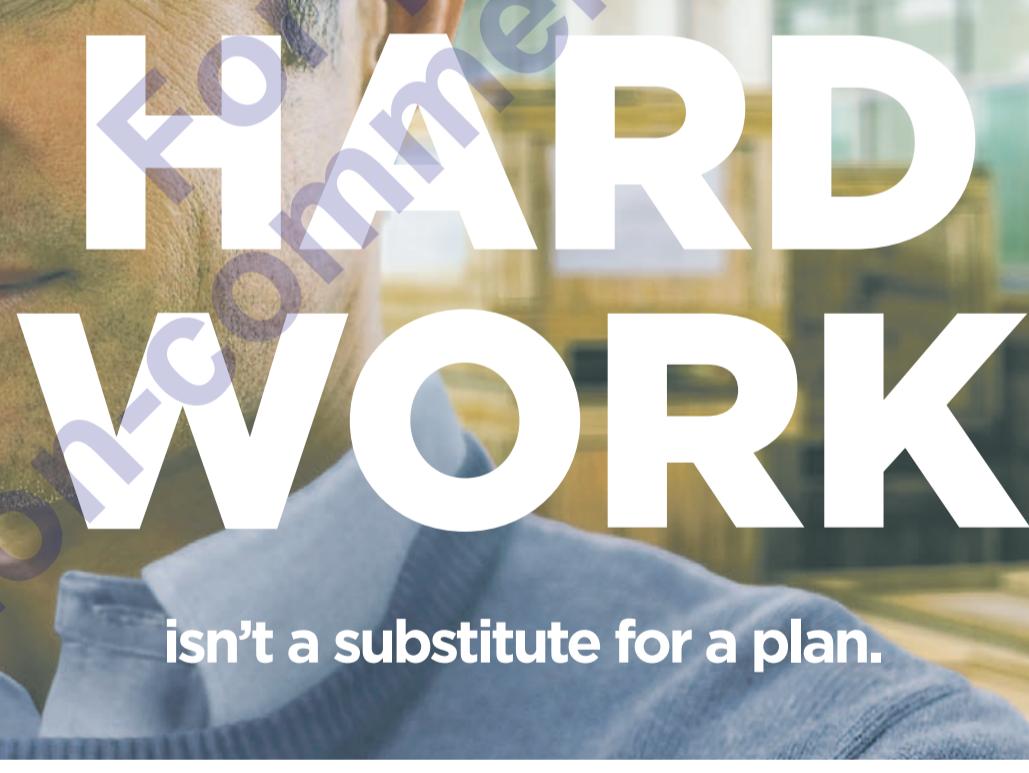
Critics like Mr. Weidmann charge that the polices took pressure off members to reform their economies.

And some of the German central banker's concerns about bond-buying being addictive have some backing in the numbers. The ECB initially said it would purchase €1.1 trillion of debt and end its bond-buying program two years ago. But the ECB has now bought €2.5 trillion (\$2.9 trillion) of bonds, and won't end the program until December at the earliest.

Unwinding that program, and phasing other ECB stimulus measures at a time when the region's economy appears to be softening, will be the biggest task facing the next ECB president.

Mr. Draghi insists that buying government bonds will remain "part of the toolbox."

"It's a new instrument of monetary policy that will be used for contingencies that we don't see now," he said in June.



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WORLD NEWS

Retailers Maneuver To Beat New Tariffs

Holiday period unlikely to be hit by duties, but chains are bracing for higher costs in '19

BY SARAH NASSAUER AND JOSH ZUMBRUN

Big retailers are hustling to speed some shipments through ports and bracing for higher costs next year from the U.S. decision to impose tariffs on Chinese bicycles, handbags and thousands of other consumer goods, though the cost increase won't hit most holiday items.

President Trump said Monday he would slap the new tariffs on about \$200 billion in Chinese imports, including typical holiday purchases such as Christmas lights and wrapping paper. The 10% duty will take effect Sept. 24 and will rise to 25% at the end of the year, according to administration officials.

The timing means most holiday goods for 2018 aren't likely to be subject to big price increases, said industry consultants and executives, because many leading chains like Walmart Inc. and J.C. Penney Co. already have imported most of their winter items, and the strong U.S. economy will allow retailers and their suppliers to absorb much of the initial costs.

"Ten percent seems like a wash with the appreciation of the U.S. dollar," said Murali Gokki, managing director at consultancy AlixPartners. But, he said, over the holidays the tariffs could affect smaller retailers shipping seasonal items late or retailers importing hot items at the last minute.

"Most large retailers already have landed most of their holiday goods by the first of October," said Chris Sultemeier, former executive vice president of logistics for Walmart, who left the world's largest retailer last year. He said the tariffs will have a greater impact on goods that will arrive at U.S. ports in November, December and be-

yond. Retailers probably will try to accelerate spring products through customs before the potential 25% tariff takes effect, he said.

Much of the apparel, electronics and consumer goods sold in the U.S. has been manufactured abroad for years, creating global supply chains that tap into lower-cost labor and factories. The Trump administration has publicly promised to spur U.S. manufacturing and close a trade gap with China. Many U.S. companies are walking a tightrope—telling the government the new duties will result in higher prices for American households, but at the same time seeking to avoid spooking shoppers with big price jumps.

The initial tariffs imple-

Pasierb, president of the Toy Association Inc., a trade group whose members include Mattel Inc. and Hasbro Inc.

The latest tariffs list will hit many consumer and household goods, including knit hats and plastic raincoats, handbags and wallets, toaster ovens and power tools. Other items, including Apple Inc. smartwatches and Nike Inc. sneakers, aren't included.

Many retailers said Tuesday they were still evaluating the list of products subject to tariffs and talking with suppliers, saying it was too soon to change course. They had warned ahead of the decision they cannot easily shift suppliers and that for certain items there aren't factories outside China ready to produce them.

"This year's holiday orders have already been placed, and orders for next Spring are well in process," lawyers for J.C. Penney wrote earlier this month to the administration. They noted the department store makes purchasing decisions up to a year in advance and that it can take more than two years to find and audit new suppliers.

As tariffs are implemented, retailers are likely to try to minimize price increases for consumers, asking suppliers to bear some of the cost, reducing their own margins slightly and passing some of the cost along to consumers. "Retailers are sensitive to who is going to be the first mover," and will work to cut costs to limit price increases, said Mr. Gokki at AlixPartners.

Customs brokers have been focused on working out which of their customers will be subject to the new duties and whether their shipments will beat the Sept. 24 deadline. The phone "hasn't stopped ringing for weeks," said Mike Lahar, corporate compliance manager at customs broker A.N. Deringer Inc. "If you're shipping ocean you're probably going to be out of luck if it's not already on the water."

—Paul Ziobro and Erica E. Phillips contributed to this article.

11

percentage of all U.S. imports that are now subject to tariffs

mented by the U.S. earlier this year have had mostly limited macroeconomic impacts because the goods affected—including washing machines and solar panels—were a small part of the economy. The latest tariffs against China raise the stakes, with tariffs now hitting about 11% of total U.S. imports and around half of all trade with China.

An analysis from Moody's estimated the planned trade restrictions would exact their greatest toll next year, reducing the U.S. economy's growth rate by 0.25 percentage point in 2019. Moody's estimates the economy will grow 2.3% in 2019, a sharp step down from the 4.2% annualized rate reached in the second quarter of this year.

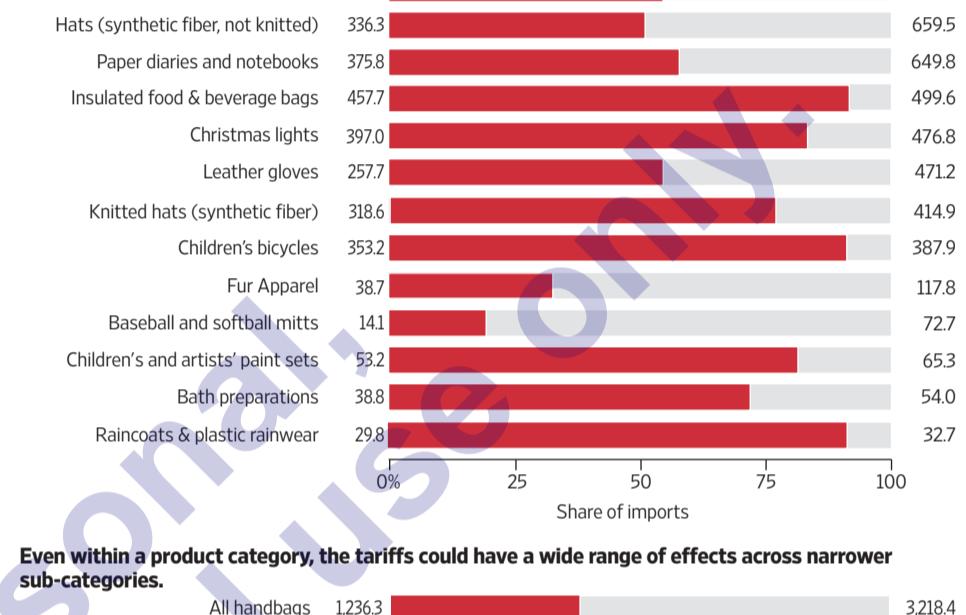
Some products will be hit indirectly. The latest round will affect some toy companies that finish their products in the U.S. as a result of tariffs on dyes and some materials used in packaging, said Steve



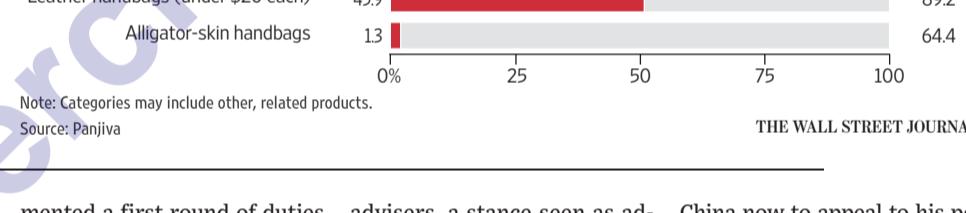
Shipping containers sit on a Hong Kong-based container ship at the Port of Oakland, in California. President Trump has announced more tariffs on thousands of imported Chinese consumer goods.

Good Tithings

The latest round of goods from China to face U.S. tariffs includes some that might be expected to appear on a holiday shopping list. Figures reflect 12 months through July 31.



Even within a product category, the tariffs could have a wide range of effects across narrower sub-categories.



Note: Categories may include other, related products.

Source: Panjiva

THE WALL STREET JOURNAL.

China Hits Out at U.S. Products

Continued from Page One

Trade Representative Robert Lighthizer to begin the process of crafting the next tranche of tariffs that, if fully implemented, would cover virtually all imports of Chinese goods, which totaled \$505 billion in 2017.

While the threat of more tariffs might intensify the rhetorical pressure on Beijing, these people stressed, the actual administrative process—including holding public hearings, receiving written public comments, and conducting internal impact studies—would take weeks before any fresh measures would take effect.

Mr. Trump said on Tuesday that he was eyeing tariffs on an additional \$257 billion in Chinese goods, but the statement he issued on Monday said it was \$267 billion. An administration official said the White House statement citing the \$267 billion figure accurately described the policy.

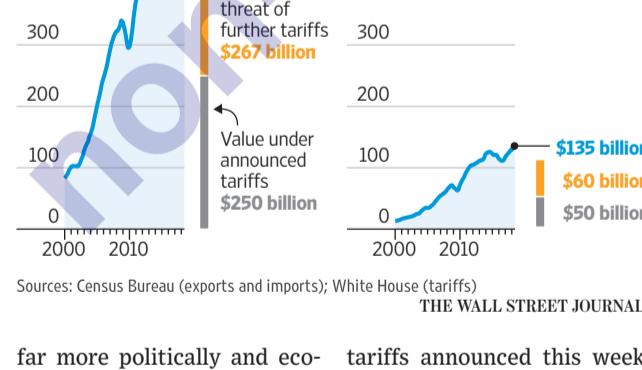
The next round would be

Stiff Levies

If the U.S. and China follow through with threats to impose further tariffs on imports from each other, virtually the entire trade in goods between the world's two largest economies will be affected.

U.S. merchandise imports from China

12-month rolling total



far more politically and economically perilous, covering a range of consumer goods—from electronics to toys—that have largely been spared so far.

Further tariffs may be meted out in stages and may not extend to all imports. People familiar with the process noted that the U.S., in response to industry complaints, took nearly 300 products off the list of those subject to the

first round of duties in July.

Treasury Secretary Steven Mnuchin has been trying to restart the talks, and a series of Washington visits by Chinese officials had been scheduled for the next few days.

Shortly after the White House's announcement late on Monday, the Chinese leadership's economic troubleshooter, Vice Premier Liu He, huddled with his top lieutenants to devise a response, according to officials briefed on the matter. On the agenda was whether Mr. Liu or lower-level officials should go ahead with those travel plans. China's Commerce Ministry, in a brief statement midday Tuesday, said the U.S. tariffs create "new uncertainty" for negotiations.

The Chinese leadership faces a dilemma as the world's two largest economies pitch closer to a full-bore trade war. President Xi Jinping has banked his popularity and strongman reputation on turning China into a global power and can't afford to back off, instructing officials to stand firm and punch back in negotiations.

Yet Mr. Xi has also ordered his officials to keep engaging with Washington and U.S. businesses, according to Chinese officials and government

advisers, a stance seen as addressing concerns that a spiraling trade fight could harm an already slowing economy and derail China's economic growth prospects.

An option being considered, the officials said, involves sending a lower-level trade official—Vice Minister of Commerce Wang Shouwen—for talks this month, sparing Mr. Liu. Under the original plan, lower-level talks were to take place this week ahead of Mr. Liu's trip to Washington late next week. As of late Tuesday, no final decisions were made on the issue, according to the officials.

An ally of Mr. Liu's vented Tuesday about the pressure from Washington. "Negotiations can't be done with this kind of tactic," Fang Xinghai, vice chairman of the China Securities Regulatory Commission, said at a World Economic Forum meeting in the coastal city of Tianjin.

"It may work with some small country," he said. "It doesn't work with China."

Voices have been rising in Chinese policy circles in recent weeks saying that Beijing should wait to negotiate until after the November midterm elections. Many Chinese officials think Mr. Trump isn't ready to cut a deal, is bashing

China now to appeal to his political base and may be more willing to negotiate after the elections.

Mr. Trump, a Republican, signaled in a pair of tweets Tuesday that he would seek to use Chinese retaliation to rally his supporters in the fall campaign, portraying Beijing's tariffs as a policy of "actively trying to impact and change our election by attacking our farmers, ranchers and industrial workers because of their loyalty to me."

The trans-Pacific commercial conflict was launched in March, when Mr. Trump's administration issued the results of an investigation accusing China of unfair trade practices, especially pressuring U.S. companies to turn over valuable intellectual property to gain access to the Chinese market.

Mr. Trump feels he has the upper hand in the tariff fight because the U.S. imported more than \$500 billion in Chinese goods last year, while China imported \$130 billion from the U.S., meaning Beijing is running out of U.S. products to penalize.

—Vivian Salama in Washington, Chao Deng in Tianjin and James T. Areddy in Shanghai contributed to this article.

WORLD WATCH

HONG KONG

Foreigners Win Right In Same-Sex Unions

Hong Kong agreed, in a step toward greater recognition of gay rights, to grant dependency visas to foreigners in same-sex unions, a move sought by multinational companies operating in the Chinese financial center.

The government made the change, which takes effect Wednesday, after the city's highest court ruled in July that immigration officials were wrong to deny a dependency visa to a British lesbian whose partner was offered work in the city.

More than a dozen banks and law firms—including Goldman Sachs Group Inc. and BlackRock Inc.—backed the woman's years-long legal battle with the city's immigration department.

The announcement is a sign of shifting attitudes to same-sex couples in conservative Asia. Australia and New Zealand are among the few countries in the region that recognize same-sex marriages. This month, India's top court ruled that gay sex wasn't a crime, while Taiwan's top court ruled last year a law defining marriage as exclusively between a man and a woman was unconstitutional.

—Natasha Khan

PAKISTAN

Government Moves To Patch Budget

Pakistan's new government introduced what it called an emergency budget, weeks after taking office, introducing spending cuts and tax increases to tackle budget and trade deficits. The measures announced

NIGERIA

Dozens Die in Floods, Toll Expected to Rise

Authorities say around 100 people died in flooding after heavy rains. A National Emergency Management Agency spokesman said the deaths occurred in 10 states and the toll could rise.

Some of the worst affected areas are along the Niger River. Its water level is expected to rise substantially if water is released from the Lagdo dam in Cameroon as Nigerian authorities anticipate.

—Associated Press

Violence Flares Up in Ethiopia



COVER: Ethiopians in a shelter near the capital Addis Ababa after fleeing ethnic clashes that killed at least 20 people over the weekend.

AGENCE FRANCE PRESSE/GETTY IMAGES

WORLD NEWS

Korean Leaders Reach Agreement

BY JONATHAN CHENG
AND DASI YOON

SEOUL—North Korea agreed to allow outside inspectors to visit its missile test site and said it would be willing to decommission its nuclear-enrichment facility, a bold gambit by leader Kim Jong Un aimed at breaking an impasse in negotiations with the U.S. and keeping diplomatic engagement with Seoul on track.

On Wednesday, the second of three days of talks in Pyongyang, Mr. Kim and South Korean President Moon Jae-in emerged from an hourlong private meeting to sign a document and hold a joint press conference where they each reaffirmed their goals of ridding the Korean Peninsula of nuclear weapons.

Mr. Kim also said that he would visit South Korea in the near future, in what would be a first for a North Korean leader.

Under the agreement, outside inspectors and experts will be allowed to witness the dismantling of North Korea's Sohae satellite-launching facility in the country's northwest. In recent months, commercial satellite imagery has showed the North taking apparent steps to take down the site.

The two Koreas also said that the North would permanently decommission its Yongbyon nuclear-enrichment facil-

ity—provided the U.S. took “corresponding steps” to fulfill the terms of the agreement signed by the U.S. and North Korea in June. The two leaders didn't mention the involvement of any international inspectors at Yongbyon.

The announcements offer fresh hope of a breakthrough between Mr. Kim and President Trump, who has floated the idea of a second U.S.-North Korean summit meeting, following their Singapore summit three months ago.

Stalled talks between the U.S. and North Korea had loomed over this week's Pyongyang summit. The U.S. has insisted that the North take concrete steps toward dismantling its nuclear and missile program as a precondition for further diplomacy, while Pyongyang says the U.S. has dragged its feet on signing a treaty to end the Korean War. The Koreas have remained technically at war for more than six decades after the 1950-53 Korean War ended in armistice without a formal peace treaty.

In addition to the steps on the missile and nuclear sites, Wednesday's agreement between the two Korean leaders will also create a joint military commission aimed at reducing tensions between the two sides.

—Andrew Jeong
contributed to this article.



Rohingya fled into Bangladesh in October. The U.N. pressed for a referral to the International Criminal Court or the creation of a tribunal.

KM ASADZUMA PRESS

U.N. Calls For Myanmar Genocide Charges

BY JON EMONT

The United Nations said leaders of Myanmar's military should be prosecuted for genocide of the Rohingya minority in a landmark report Tuesday that criticized the world body's own agencies for not doing enough to confront the government over human rights.

The report provides the most detailed and haunting look yet at the massacres and other actions taken against the Rohingya, a Muslim minority, which left 10,000 people dead and drove some 700,000 into neighboring Bangladesh.

Satellite imagery, interviews with victims and graphic photographs of wounds inflicted on survivors painted a picture of large-scale organization and brutality, the report said. In one example, the report described a coordinated navy and army operation to fire on the seaside village of Koe Tan Kauk from land and sea. As residents fled, soldiers stormed in, slaughtered people with knives and burned the community to the ground.

Marzuki Darusman, a former attorney general of Indonesia

who headed up the fact-finding mission, said that the entire military leadership should be removed and the armed forces placed under civilian control. “I have never been confronted by crimes as horrendous and on such a scale as these,” he said in a statement.

The U.N. report was presented and discussed at a meeting of the U.N. Human Rights Council in Geneva, with Myanmar's representative saying it was biased and would foment ethnic disunity. Bangladesh, which has sheltered the Rohingya but eventually wants them to safely return home, called the report an “unambiguous response” to Myanmar's frequent claims no evidence of mass atrocities existed.

The report said charges of genocide needed to be brought against military leaders and urged the U.N. Security Council to refer the case to The Hague-based International Criminal Court or to create a special tribunal. The Security Council is unlikely to do so as veto-wielding members Russia and China have shown support for Myanmar's military.

Myanmar isn't a signatory to the court and the body doesn't have jurisdiction there. However, the court earlier this month authorized its chief prosecutor to pursue justice against Myanmar's generals for

A report says military leaders should be prosecuted for the Rohingya's treatment.

crimes that occurred in Bangladesh, a signatory to the court, such as forced deportation. On Tuesday, the court opened a probe into the alleged crimes, a first step on a road that could lead to formal charges. The main alleged crimes of genocide, however, would have occurred in Myanmar.

The report also was scathing of U.N. agencies, which it said prioritized achieving development goals and quiet diplomacy with the government, turning a blind eye to abuses.

“That approach has demon-

strably failed; the United Nations as a whole failed to adequately address human rights concerns,” the report said. The problem continues with “few signs of any lessons learned” as agreements are still signed with the government that fail to take into account human rights concerns.

The report documented dehumanizing insults hurled at the Rohingya by the military and civilians in Buddhist-majority Myanmar and listed the different methods of torment inflicted by soldiers on their victims, including burning with cigarette butts, jabbing with needles and forcing some to dig their own graves.

During the raids in August 2017, which followed a series of small attacks by Rohingya militants on security forces, infantry divisions used similar strategies of rushing into villages, shooting and knifing villagers, and rounding up women to be raped. “The modus operandi of these attacks was recognizable and consistent throughout,” the report noted.

—Myo Myo
contributed to this article.



Moon Jae-in, left, and Kim Jong Un in Pyongyang on Tuesday.

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(ISC)²

Gmail Replies Get Perky

Continued from Page One
so I said it," Rose Klein replied, tongue-in-cheek, after her daughter asked about the unusual vernacular.

"I knew that it would confuse her," the elder Ms. Klein said, but using Smart Reply "was just so easy."

Originally launched as an app-only feature to help smartphone users avoid the hassle of typing on their phones, Smart Reply has become ubiquitous since Google began defaulting its 1.4 billion active accounts to the new version of Gmail in recent weeks. By next month, the feature—which uses artificial intelligence to scan incoming emails and predict possible responses—will become a default setting for all Gmail accounts.

Already, 10% of all Gmail re-

sponses are generated through Smart Reply.

Early adopters say the replies career between overly enthusiastic ("Very interesting!") and disappointingly flat ("Thanks a lot"). The context can be slightly off, particularly in work settings.

Rory Hurlburt, a 41-year-old creative director in West Springfield, Mass., recalled a recent companywide email informing him a client was taking his business elsewhere. He was offered Smart Reply suggestions such as "That's great!" and "Awesome news!"

Shane O'Regan, an Irish actor currently in an off-Broadway show, said his suggested replies often include "Sweet!" and "Awesome!"—answers he wouldn't want to send his agent. "I'm not a surfer dude."

There is a reason "Awesome" comes up so often, said Ajit Varma, director of product management at Google: A lot of people use it when responding to email.

Mr. Varma said all suggested replies are drawn from an ever-growing "library" of phrases

FROM PAGE ONE

Awesome!

Not my type

that a Google bot identified as relevant after analyzing billions of Gmail messages. The model will suggest up to three responses to any new email received, as long as it's able to determine the message's context. Dour or rude responses tend to be excluded from the bot's library of possible replies.

During testing, Mr. Varma said, engineers working on the prototype noticed one gaffe: The algorithm was identifying the phrase "Sent from my iPhone" as a popular response to emails. They fixed the issue before the phrase became a suggested reply, he said.

Another one: Google said an early prototype of the feature had "a propensity to respond with 'I love you' to seemingly anything," forcing it to tweak

the algorithm. "You don't want to respond that to your boss," Mr. Varma said.

Gmail refines the style and tone of the suggested responses as a user chooses more replies, Mr. Varma said.

Some users say the tool is particularly useful to quickly acknowledge they have seen someone's message. Others see it as a creepy reminder that Google's computers are reading their correspondence.

Brittany Van Horne, a Los Angeles-based comedy writer, was looking for a new gig last month when a potential employer emailed to ask if she was free for an interview. Gmail suggested she say she was "pretty open" or "available next week" or "available any time." She wondered if the feature had

looked at her calendar, which was indeed pretty empty.

Mr. Varma said Smart Reply doesn't work with other tools such as Google Calendar to formulate suggestions.

Google and other email providers have come under fire for allowing bots and outside software developers to scan users' emails. The company has said it "will keep privacy and security paramount."

Google is taking the concept further with Smart Compose, which offers to finish your sentences as you type. Mr. Varma said it would become a default feature for all Gmail users by the end of the month.

Ms. Klein, who has been trying out Smart Compose, found it striking that "we're so willing to let Google replace our voice," she said.

A web user-experience designer for the Wikimedia Foundation, Ms. Klein said she uses Smart Reply in emails to her parents—it's now become an inside joke between them—and to colleagues for quick acknowledgments. However, when she realizes she's on the receiving

end of a canned response, she can't help but feel a little sad.

"I feel they didn't take the time to write a real response," she said. "Like, we're at that level now?"

Google said the user feedback for Smart Reply and Smart Compose has been positive. Users who don't like the feature can opt out of the replies on the mobile app, Mr. Varma said, and the ability to opt out of the desktop version will be added in the coming weeks.

Sarah Scott, a 31-year-old DJ in Melbourne, Australia, found a positive side to Gmail's perky responses after a music festival promoter emailed to tell her she had been cut from the program.

An angry Ms. Scott was composing a response she referred to as "passive aggressive," when she noticed those bubbles below her screed. She erased her message, clicked: "No problem, thanks!" and hit send.

Later that day, the promoter responded to say Ms. Scott would be considered for next year's festival.

"Gmail auto replies make me a better person," Ms. Scott said.

Hospital Deals Drive Rising Costs

Continued from Page One

The Wall Street Journal has identified dozens of contracts with terms that limit how insurers design plans, involving operators such as Johns Hopkins Medicine in Maryland, the 10-hospital OhioHealth system and Aurora Health Care, a major system in the Milwaukee market. National hospital operator HCA Healthcare Inc. also has restrictions in certain markets.

The U.S. spends more per capita on health care than any other developed nation and will soon spend close to 20% of its GDP on health. Americans aren't buying more health care overall than other countries. What they are buying is increasingly expensive. Among the factors driving spending is the opaque way the price of health care is set, a problem exacerbated by the hidden details in agreements between insurers and health-care providers.

"No hospital system should be able to exercise market power to demand contract agreements that prevent more competitively priced networks," said Cigna's chief medical officer, Alan Muney, in a statement provided by the company.

A health plan that excludes a costly system can be more than 10% less expensive for consumers and employers, according to insurance-industry officials. A plan that includes all providers but steers patients away from the costlier ones can save 3% to 7% or more, these people said.

Walmart blocked

Restrictive hospital-insurer contracts have helped prevent even big employers, including Walmart Inc. and Home Depot Inc., from moving forward with plans they were exploring to try to lower costs and improve quality for their workers.

A Northwell spokesman said "negotiations and other conversations with our insurers are confidential." Aurora, which is now part of a larger system called Advocate Aurora Health, said in a statement from Carrie Nelson, a vice president, that it approaches "all of our contracts through the same lens that guides all of our clinical and operational decisions: what will ensure the highest quality of care at the lowest cost for our patients." HCA said it "provides patient access to health care in a variety of settings and contracts with health-care payers for all of its services and sites of care in the communities it serves." NewYork-Presbyterian, Johns Hopkins and OhioHealth declined to comment on their contracts.

Hospital-industry officials said patients should be able to choose their health-care provider without financial pressure from their insurers or employers. Insurers are focused on their bottom lines, not necessarily the best care for patients, they said. "Allowing the patient to make the best decisions for them and their family and their health is the central goal," said Matt Gove, chief consumer officer at Piedmont Healthcare, a large system in the Atlanta area.

This article is based on dozens of interviews with current and former health-insurance ex-

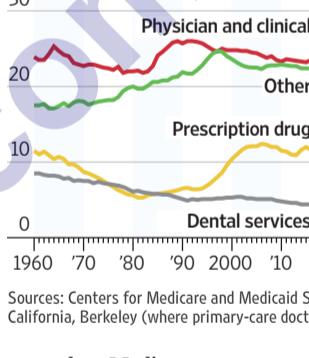


Bob McKittrick, a teacher near St. Louis, checks prices carefully before getting health care but can't find them for some hospitals.

Major Expense

Hospital care is the largest component of health-care spending in the U.S. Hospitals have gained clout in negotiations with insurers as they have merged and acquired physician practices.

Percentage of total personal health-care expenditures



Sources: Centers for Medicare and Medicaid Services (expenditure); Brent Fulton, University of California, Berkeley (where primary-care doctors work); Irving Levin Associates (hospital mergers)

ecutives, employer executives, hospital officials, researchers and other experts.

Certain hospital systems are able to command advantageous terms because they have grown through years of deal-making, shifting the balance of power between hospitals and insurers. In 2010 the annual number of hospital mergers shot up 40% to 59, and the number of deals has remained above 60 every year since, according to Irving Levin Associates, a research firm that tracks health-care transactions.

About 77% of Americans living in metropolitan areas are in hospital markets considered highly concentrated, ranging from Modesto, Calif., to Trenton, N.J., according to a Wall Street Journal analysis of 2016 data from researchers at the University of California, Berkeley. The analysis excluded areas with more than three million people, which economists believe are too large to be considered single markets.

"If you're the single hospital system in an area, you essentially can set your price, because you're a monopoly," said Patrick Conway, the chief executive of Blue Cross and Blue Shield of North Carolina. "We literally have to have them in network." Even in a region with more than one hospital system, "if they are the dominant player in part of the geography, they can charge higher rates," Mr. Conway said.

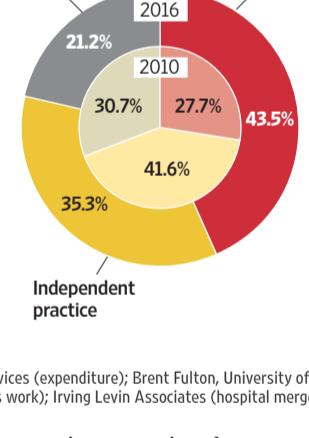
Hospital care is the largest single component of health-care spending in the U.S. It accounts for more than \$1 trillion a year—roughly three times what is spent annually on prescription drugs, the third-largest category. The second largest is physician and clinical services, many of which are now provided by hospital systems.

Not working'

Hospital prices grew at about three times the rate of economywide inflation between 1960 and 2016, according to data from the Centers for Medicare and Medicaid Services and Altarum, a nonprofit health systems research and consulting group in Ann Arbor, Mich.

"The marketplace is just not working," said Gerard Anderson, a health-care economist at Johns Hopkins University. Insurers that must negotiate reimbursement with health-care providers for plans offered by employers pay roughly 50%

Where primary-care doctors work



sometimes require that every facility and doctor in the contracting hospital system be placed in the most favorable category.

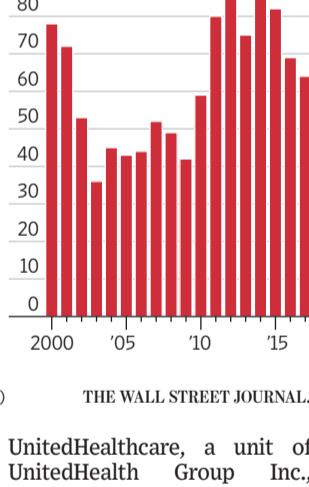
The restrictions in some hospitals' contracts mean "you must always include them," said Chet Burrell, former chief executive of CareFirst BlueCross BlueShield, which offers coverage in Maryland and the D.C. area. "If their costs are 50% higher for the same service, you have to include them. That cost is directly built into premiums."

If you're the single hospital system in an area, you essentially can set your price.

In some cases, contract clauses prevent patients from seeing a hospital's prices by allowing a hospital operator to block the information from online tools. Because of such restrictions, some health-insurance enrollees can't find prices for hospital systems, including BJC HealthCare in St. Louis and NewYork-Presbyterian.

The gaps frustrate consumers

Number of hospital mergers



UnitedHealthcare, a unit of UnitedHealth Group Inc., doesn't include information about hospitals owned by BJC, the parent of the well-known Barnes-Jewish Hospital and 14 others.

"How can we keep costs down if we can't even get an estimate for care?" he said. "If you're buying a car, they don't say, 'with this one, you won't know how much it costs until you check out.'"

J.C. McWilliams, a vice president at BJC, said insurers' tools sometimes offer inaccurate information and generally give a narrow picture that doesn't reflect the total cost of care. Patients can get cost estimates from BJC directly, he said.

Hospital systems have also been snapping up other types of providers, including doctor practices, clinics and outpatient surgery centers, and raising these providers' prices.

In many cases, insurer-hospital contracts allow hospitals to move these new acquisitions immediately to the hospitals' reimbursement rates—which are typically far more generous for the same services.

In addition, hospitals often receive extra charges, known as "facility fees," meant to cover the extra costs associated with care given in a hospital setting, including regulatory and safety standards that apply to hospitals. Hospitals can often impose these fees after they acquire an off-site clinic or office.

American Hospital Association executive vice president

Thomas Nickels said facility fees, which are also paid by Medicare, are needed to cover the extra costs that hospitals must shoulder, including treating any patient who needs care.

Anthem agreement

Insurer Anthem Inc.'s agreement with NewYork-Presbyterian restricts its ability to exclude the hospital system, which includes the prestigious Columbia University Irving Medical Center and Weill Cornell Medical Center, from its health plans. To help win the New York area business of the Health Transformation Alliance, an employer group, Anthem partnered with a small company called Brighton Health Plan Solutions, which had its own plans that don't include NewYork-Presbyterian. Simeon Schindelman, chief executive of Brighton, said the company is "very open to strategic alliances that help us bring lower cost, better quality health care to even more families." Anthem declined to comment on its contracts.

Companies have been thwarted from developing new plans for workers. A few years ago, officials at Home Depot asked Anthem, which administered its coverage, to create a plan for employees around the country with a more-limited network of health-care providers. The retailer wanted to include only hospitals and doctors with the lowest costs and highest-quality care.

The insurer turned down its client's request, and a major reason was restrictive contracts with hospital systems. A spokeswoman for Home Depot confirmed the account of the situation and declined to comment further.

Officials at Walmart a few years ago asked the insurers that administered its coverage—Aetna Inc., UnitedHealthcare and Arkansas Blue Cross and Blue Shield—if the nation's largest private employer could remove from its health-care networks the 5% of providers with the worst quality performance. The insurers told the giant retailer their contracts with certain health-care providers didn't allow them to filter out specific doctors or hospitals, even based solely on quality measures.

A spokesman for Walmart confirmed the company had explored such an approach. Aetna, UnitedHealthcare and Arkansas Blue Cross and Blue Shield declined to comment.

Stuart Pilch, chief executive of Cambridge Advisory Group, a health-care consulting and data firm, approached Anthem and UnitedHealthcare a few years ago on behalf of an employer in the Milwaukee region. The employer was considering a net-work that would let employees pay less out of their pockets if they chose doctors and hospitals selected based on quality and cost for particular types of care.

The insurers said they couldn't deploy such a plan "due to their contracts with the dominant player, which is Aurora," Mr. Pilch said, so the employer wasn't able to move forward. "The free market has been distorted in an unhealthy way," he said.

Advocate Aurora Health's Dr. Nelson said in the statement, "We are relentless in our pursuit of high quality and low cost in tandem, not [as] an either/or proposition."

Melanie Evans contributed to this article.

GREATER NEW YORK

Residential Prices Top Pre-Crisis Peak

New York City houses, apartments are 2% above November 2006 levels, report shows

By JOSH BARBANEL

A decade after the financial panic of 2008, housing prices in New York City have bounced back and recently edged above peak pre-crisis levels.

An analysis of long-term sales trends by StreetEasy.com found that sale prices for houses and apartments across the city are 2% above peak levels in November 2006, and 28.5% above the low point in November 2011.

It put the median resale price of an apartment or home across the five boroughs, from tony Fifth Avenue co-ops to small frame houses in neighborhoods hard hit by foreclosures such as Jamaica, Queens, at \$656,188 in July, exceeding

the 2006 peak of \$643,255 in January 2018.

Those who bought and sold a New York City house or apartment after September 2008, when the bankruptcy filing by Lehman Brothers set off a financial panic, realized outsize gains, the report found.

Those sellers scored gains of 33%, or 7.5% a year.

Four out of five of these sellers saw gains of at least 10%—enough to break even and cover transfer taxes, brokerage fees and other closing costs.

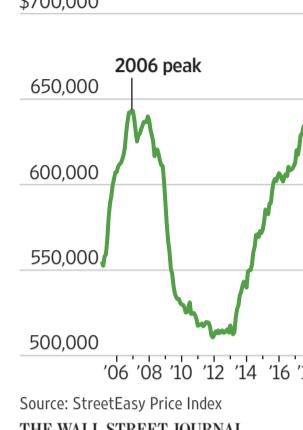
Only half of those who bought in the two years before the financial-services firm's bankruptcy and later sold saw such a gain on their sale after closing costs, the report found.

While Manhattan's luxury market beat to a different drum, overall sale prices in New York City reported by StreetEasy closely tracked the pattern across the country, where the

Rebound

The 2006 peak in NYC housing prices was passed in January.

Apartment and house-price index for the five boroughs



Source: StreetEasy Price Index

THE WALL STREET JOURNAL.

housing market collapsed as years of lax lending standards gave way to tightening credit, and stagnating incomes.

Still, overall New York City housing prices reached a 2006 peak about four months after those in the rest of the country and hit bottom about four months earlier.

New York City, with its concentration of banks and financial-services firms, was hard hit by the financial crisis. But the city also bounced back faster than other parts of the U.S., as the economy and employment grew at a faster pace than the country as a whole.

Manhattan, with its many wealthy residents, international buyers and luxury housing, was less dependent on credit conditions. There pre-crisis prices peaked much later, in spring 2008. After a freeze in luxury sales, prices pushed above that level by 2014.

"The credit crisis that came along with the financial crisis definitely hit the other boroughs more than it hit Manhattan," said Grant Long,

StreetEasy's senior economist.

The value of all residential transactions in New York City exceeded the \$42.7 billion spent in 2006 only in 2016, according to data compiled by the Real Estate Board of New York.

In Manhattan, the \$20.2 billion spent in 2008 was surpassed by 2013.

The StreetEasy report raised a question about the investment value of a home purchase, especially when compared with the outsize gains of the stock market in recent years.

Since the housing market in the city bottomed out in 2011, the S&P 500 index has risen 125%, compared with a gain of nearly 30% in housing prices.

"Even for those who did manage to time the market well, the numbers are less attractive when compared with other investments," the StreetEasy report said. "New York City real estate dramati-

cally underperformed the stock market."

The report cited the profitable sale of a large studio at 88 Greenwich St., a 1929 art deco building that was converted to a condominium in 2007. It was purchased from the sponsor in 2010 near the bottom of the market for \$490,000 and sold five years later for \$655,000 for 34%

gain. In contrast, another studio in a co-op at 244 Madison Ave. near East 38th Street in Midtown Manhattan was purchased in 2007 for \$575,000 and sold in 2014 for \$635,000, a gain of 10%, which works out to a 1.3% annual return.

Now, prices are showing signs of weakening in Manhattan and Brooklyn. "A cycle of swift growth in New York home prices seems to be coming to an end," the StreetEasy report said, citing a surge of inventory that is likely to increase this year.

Fashion Is Drawing Inspiration From Newark

By KIANA CORNISH

In 2012 Erika Hicks moved to New York City, intending to hone her skills as a designer in one of the fashion capitals of the world.

After acquiring six sewing machines, three dress forms and an abundance of fabric and trim, Ms. Hicks realized the space she could afford in Brooklyn wasn't going to work. She tried Harlem, but couldn't find the inspiration she needed. Then she headed across the Hudson River and visited Newark, N.J.

"There were leather studios, embroidery factories, and garment construction booming in Newark," said Ms. Hicks, who is 29 years old.

She quickly found a home there, joining a growing group of designers who have forsaken ateliers in New York City for Newark's lesser-known fashion community.

"There's this underground fashion scene in Newark. It's like a volcano," Ms. Hicks said. "There's this tremendous energy, movement and elevated conversations happening under the radar."

On Sept. 7, Ms. Hicks joined 10 other designers to showcase their lines at Newark Fashion Forward, the city's first weeklong fashion event. It took place at the same time as the famed New York Fashion Week, but the organizers and the designers didn't care.

"We wanted to be able to give people an alternative," said Aisha Glover, president and chief executive of the Newark Community Economic Development Corp.

She described Newark Fashion Forward as another indication of the city's revitalization, which she said began about six years ago but seemingly has accelerated since Mayor Ras Baraka took office in 2014.

Ms. Glover's organization doesn't know the exact number of fashion designers based in Newark, but estimates the figure to be in the hundreds, and notes that it has increased



Models graced the runway earlier this month during the inaugural Newark Fashion Forward, which organizers said was designed to showcase the New Jersey city's burgeoning fashion scene. A growing group of designers has left New York City for Newark.

in recent years.

Newark's inaugural fashion week kicked off with a reception at Military Park, a historic green space in the city's downtown. It was followed by an art and fashion exhibition on Sept. 8 and a viewing day of "The Gospel According to André," a documentary about former Vogue editor at large André Leon Talley.

Marco Hall, a Newark-based designer who was born and raised in New Jersey, also participated in the Sept. 7 show. His collection, "Bloom," represented a rose growing in the concrete jungle, and consisted of floral prints and rich tones of burgundy, lemon, green and pink, while Ms. Hicks's "Milele Atelier" line showcased bold colors, strong silhouettes, and classic women's wear designs.

The show was a way to

spotlight both Newark's growing fashion scene and the city's ongoing development, Mr. Hall said.

"This event gave me the opportunity to shine and expose my brand to those who might know my name but never had the chance to see my work, while allowing the city to be recognized as a fashion destination," Mr. Hall added.

Newark was once known as a manufacturing center but lost much of its population in the 1980s, said Brad Tuttle, author of "How Newark Became Newark: The Rise, Fall, and Rebirth of an American City."

"Crime rose steadily, buildings and storefronts were abandoned, the high-rise housing projects became magnets for crime and drug trade, and violence came as a result of it all," said Mr. Tuttle.

While he said it is nearly

impossible for any city in

America to compete with New York as a fashion hub, Newark has shown tremendous growth in recent years, with many new residents drawn toward New Jersey by rising costs of living on the other side of the Hudson.

"It's been a long, long, long process of decades of corruption and people giving up on the place," Mr. Tuttle said of Newark. "So if Newark could somehow become better known as an emerging fashion hub, it could have a very positive effect on the city as a whole."

Financial institutions may be helping drive the investment as they turn to technology companies for assistance with automation and data management.

Data and technology company Enigma, which combines public data with private client information to help customers with financial-risk management, underwriting and pharmaceutical safety, among other things, has thrived in its New York City location, said its co-founder and CEO, Hicham Oudghiri. Nearly all the company's clients are based in New York.

"Having New York City as a home base, and getting close and understanding how these companies work, has been very critical for us in the earlier phase of the company," he said in an interview. "I don't think we could have done this outside of New York."

Enigma, which was founded seven years ago, announced

Weinstein Prosecutors Look Into Early Days

By CORINNE RAMEY

Manhattan prosecutors in recent weeks have contacted people who worked with Harvey Weinstein at Miramax in an attempt to gather evidence of the embattled filmmaker's alleged prior bad acts, according to people familiar with the matter.

Investigators from the Manhattan district attorney's office are planning a trip to Los Angeles to conduct interviews in the coming weeks, one of the people said. Investigators have contacted at least half a dozen people who worked with Mr. Weinstein before he left Miramax in 2005 to start his own studio, Weinstein Co.

The people prosecutors recently contacted don't appear to be connected to the three women who are part of the Manhattan district attorney's case, according to the people familiar with the matter. While evidence of prior uncharged crimes typically isn't permitted at trial, under specific circumstances prosecutors can use such evidence to bolster their case.

Mr. Weinstein was arrested in May, and has been charged in state Supreme Court in Manhattan with rape, predatory sexual assault and other crimes. The charges arise out of alleged incidents with three separate women in 2004, 2006 and 2013, legal documents say. Mr. Weinstein has pleaded not guilty.

Prosecutors' interest in people from Mr. Weinstein's past more than a decade ago comes as his case appears to be moving toward trial.

In New York, evidence of prior alleged bad acts at trial is called Molineux evidence, after a landmark 1901 decision by the state's highest court. In its ruling, the court said introducing past acts for which a defendant wasn't charged as evidence to support conviction on a later crime could unfairly prejudice the jury. But the judges laid out exceptions, including to establish a motive, intent or a common scheme.

A judge typically either holds a hearing, asks for briefs or both to determine if Molineux evidence will be allowed.

"In general, courts are very careful about keeping the jury focused on the acts actually charged rather than allegations of past conduct," said Mark Zauderer, a partner at Ganfer Shore Leeds & Zauderer LLP.

The strategy of introducing this evidence is considered by legal experts to carry high risks and potential high rewards. The use of Molineux evidence often is contested on appeal. In the Weinstein case, the possible testimony of other women has the potential to boost any perceived weaknesses in the accounts of the women who are part of the charged conduct, legal experts say.

A spokesman for the Manhattan district attorney's office declined to comment. Benjamin Brafman, a lawyer for Mr. Weinstein, said it is difficult to comment on a motion that hasn't been filed.

CEO Hicham Oudghiri's tech company Enigma has raised \$95 million to expand its business.

investment to New York City's ecosystem, which ultimately has created critical new jobs for New Yorkers," he said.

The city's maturing market is helping boost the size of deals as companies that got funding several years ago secure more financing in later rounds, said David Silverman, a partner at Pricewater

houseCoopers.

Financial institutions may be helping drive the investment as they turn to technology companies for assistance with automation and data management.

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Enigma, which was founded seven years ago, announced

Tuesday that it had raised \$95 million to expand its business and hire more data scientists and machine-learning engineers. The new funding also will help the company open a satellite office outside New York, likely on the East Coast, for data sourcing and acquisition, Mr. Oudghiri said.

"The lifeblood of the company is acquiring more and more data," he said.

Mr. Oudghiri declined to reveal Enigma's valuation. He said he considers data and technology companies such as Oracle and Thomson Reuters to be the firm's main competitors. Representatives for Oracle and Thomson Reuters declined to comment.

One of Enigma's investors is MetLife Inc., which has been looking for technology partners for help in areas such as data compliance and underwriting, said chief digital officer Greg Baxter.

"There's just this explosion of data and it's growing exponentially, but it's messy, it's fragmented, and it's buried in all sorts of systems," Mr. Baxter said. "It's very hard to pick trends and figure out how the data is connected."

Other New York City companies that have closed lucrative deals this year include Peloton Interactive Inc., which makes video-streaming stationary bikes and raised \$550 million in August. Letgo, a mobile classifieds startup, secured \$500 million this summer, and Dataminr, which analyzes social-media data, secured \$392 million in June.

The continued success of New York City's tech industry will depend on whether entrepreneurs can sell their companies and invest some of that capital in startups, Mr. Silverman said. "Feeding that ecosystem is extremely important," he said. "New York has had some notable exits, but hasn't had what I'd call the mega-mega-IPO. Something like that would certainly be a huge boost."

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GREATER NEW YORK

GREATER NEW YORK WATCH

NEW JERSEY

Governor Presses To Phase Out Tests

Gov. Phil Murphy says his mind is unchanged about phasing out a controversial standardized school test despite legislative concerns.

Mr. Murphy's comments came Tuesday, a day after Education Commissioner Lamont Repollet testified before a joint Assembly and Senate committee considering the administration's proposal to curtail the Partnership for Assessment of Readiness for College and Careers exams, commonly known as PARCC tests.

Mr. Murphy's fellow Democrats said they were concerned about the phaseout and want more discussions about the plan. It is unclear how lawmakers could halt the proposals.

Mr. Murphy is seeking to drop from six to two the number of PARCC tests required in high school.

—Associated Press

CONNECTICUT

Second Man Charged In Fatal Teen Stabbing

A second man charged in connection with the stabbing death of a 16-year-old Connecticut boy has been ordered held on \$50,000 bail.

Michael Cerrato, 20 years old, was arraigned Tuesday in Enfield Superior Court on a hindering prosecution charge related to the Sept. 9 death of Justin Brady.

Mr. Brady was stabbed outside Mr. Cerrato's home in Enfield. Mr. Cerrato drove the suspect, 18-year-old Shyheim Adams, to Hartford after the stabbing and gave conflicting accounts of what happened.

Mr. Adams has been charged with manslaughter and is being held on \$750,000 bail. His lawyer says he was bullied in school.

Mr. Cerrato's attorney didn't return a message Tuesday.

—Associated Press

METRO MONEY | By Anne Kadet

Food-Vendor Competition Heats Up



Never mind the Emmys, real New Yorkers know the contest to watch is this weekend's Vendy Cup competition. Following an outdoor afternoon of chow sampling on Governors Island, the award, given annually, recognizes the city's best food truck or cart.

Franky Englezos, one of five vendors competing for the cup this year, has been serving souvlaki in Astoria, Queens, for three decades, and is "pretty confident" he will take home the cup. This Saturday's contest falls on the 22nd of the month, "and 22 is my lucky number," he says.

The Vendy Awards, now in its 14th year, feature food vendors from around the city who are nominated by customers. This year, 25 will compete in five categories including Best Breakfast Vendor, Best Rookie Vendor, and, of course, the Vendy Cup. Come Saturday, about 1,500 attendees paying \$100 or more for all-you-can-eat admission will spend the afternoon sampling fare and voting on their favorites, including a People's Choice award for the best overall vendor.

The Vendy Cup winner is selected by five judges who this year include food writer and nutritionist Marion Nestle and Bill Telepan, executive chef at Midtown's Oceana.

Mr. Englezos's business was founded in 1970 when his father, George, a Greek immigrant, bought a hot dog cart at the corner of 31st Avenue and Steinway Street,

where his souvlaki truck now serves lunch and dinner seven days a week. Mr. Englezos, who grew up helping his dad, took over in 1999.

"I was 26 at the time. Now I'm 45," he says. And dad just turned 84. "He stops in every morning, plays with the grill a little bit, gets tired and goes



Greek immigrant George Englezos, left, and Antonio Martinez prepared souvlaki in a food truck in the Astoria section of Queens.

home," Mr. Englezos says.

His customer base has shifted over the years. He learned to greet patrons in Spanish, Italian, Portuguese, Arabic and Tibetan. The influx of immigrants is good for business, he says, because every culture understands a kebab. "In China, Greece, in the Middle East, everyone can relate to beef or chicken on a stick," he says.

He has a game plan for the contest, which raises about \$100,000 from ticket sales each year for the Street Vendor Project, a nonprofit advocacy group.

He plans to recruit friends and family to help serve kebabs straight off the grill rather than plating them in advance. And he will load up everyone's plate: "That way, they don't have room for anything else," he says.

While there is no prize money, the Vendy Cup is coveted for good reason. Last year's winner, Godshelter Oluwalogbon, says sales at his Nigerian food truck at the corner of Second Avenue between 44th and 45th streets in Midtown grew 40%, as tourists flocked to sample his stewed goat and sautéed gizzard. Now he has a lease on a space to open a restaurant in Brooklyn.

MD Alam, a 2018 finalist, runs Royal Grill Halal Food at 44th Street and Sixth Avenue in Midtown with his wife, Hira. He says his customers nominated him thanks to recipes from his mother-in-law, who also is from Bangladesh. Mr. Alam points out a row of sauces in his cart, which he squirts on containers of \$6 chicken tikka masala over rice. "Green sauce is my

homemade sauce," he says. "Hot sauce, my sauce. I blended everything myself."

Monday through Friday, Mr. Alam sets up at 7 a.m., preparing 120 pounds of chicken and six bins of yellow rice for the lunch rush. He works 15 hours straight, until 11 p.m.

His regular customers, he says, tell him he should have won already. "I will try to do well for them," he adds.

Finalist Myo Thway isn't sure whether his menu will work in his favor. His Burmese Bites cart, serving lunch in Long Island City, Queens, is likely the only Burmese cart in town. He worries that the dishes he plans to serve—Ohno Kauk-Swe chicken-coconut soup, keema palata stuffed flatbread and a mango salad with fish sauce and fried garlic—are too exotic. "My food

is new to them," he says. "They might not be able to absorb right at this instant."

Mr. Thway, who grew up in a small city in Myanmar and came to New York City in 1994, says his first job here was selling hot dogs in the Port Authority Bus Terminal. He eventually got a job with a jewelry wholesaler, but his passion was the flatbread he served at an annual fun fair for his congregation, the Myanmar Baptist Church in Queens.

Five years ago, he started selling at street fairs. In 2015, he was a Vendy Awards finalist. He lost. "To a french fry truck!" he laments. This year, he's upping his game. "I'm going to flip my palata in front of everybody," he says. "Show off a little bit."

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LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

A 1950s World Built to Stir Memory

A new center for dementia patients re-creates a town square in a test of 'reminiscence therapy'



The two men, high-school buddies, sit in a turquoise and white booth at Rosie's Diner, ribbing each other like they are teenagers at Sweetwater High School where they played baseball together so many years ago.

A 1950s-era jukebox spits out tunes like "Peggy Sue" by Buddy Holly. Vinyl records and black-and-white pictures of celebrities like Elvis Presley and Audrey Hepburn line the walls.

Now in their 70s, James Mann and Richard Eshbach are actually in Glenner Town Square, a new adult day-care center for dementia patients that is like entering a time warp. The 11 storefronts that surround an indoor park represent the time period from 1953 to 1961, when most of the patients were in the prime of their life.

Glenner Town Square opened in August and is believed to be the country's first memory-care facility built entirely around the idea of reminiscence therapy, a therapy that uses prompts from a person's past—such as music, movies and photographs—to elicit memories and encourage conversation and engagement. It's a behavioral approach to treating Alzheimer's and dementia patients, often used in nursing homes in the Netherlands and other countries, that is growing in popularity as efforts to create effective drugs for the memory-robbing disease fail.

"We know dementia makes it hard for patients to remember the recent past, like the last 10 years, whereas the older memories are preserved better for a longer time, especially memories from childhood and early adulthood," says Dorthe Berntsen, a psychology professor and head of the Center on Autobiographical Memory Research at Aarhus University in Denmark. Her studies have found that dementia patients can engage more when they are exposed to objects from the past. "You want to have an environment



that fits the kind of memories that people have," she says. "It doesn't cure dementia, of course, but it does provide a context where these people have a better connection to their past and to their sense of identity."

Research on reminiscence therapy is mixed. Dr. Berntsen's most recent study tested a five-week Danish program in which about half of 43 Alzheimer's patients were assigned to weekly sessions in an authentic, 1950s-style apartment in a local museum, while the other half got standard care.

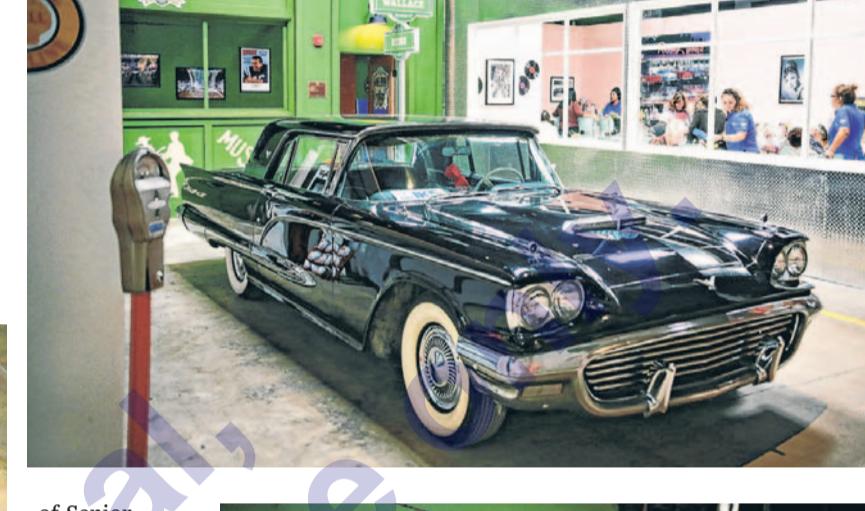
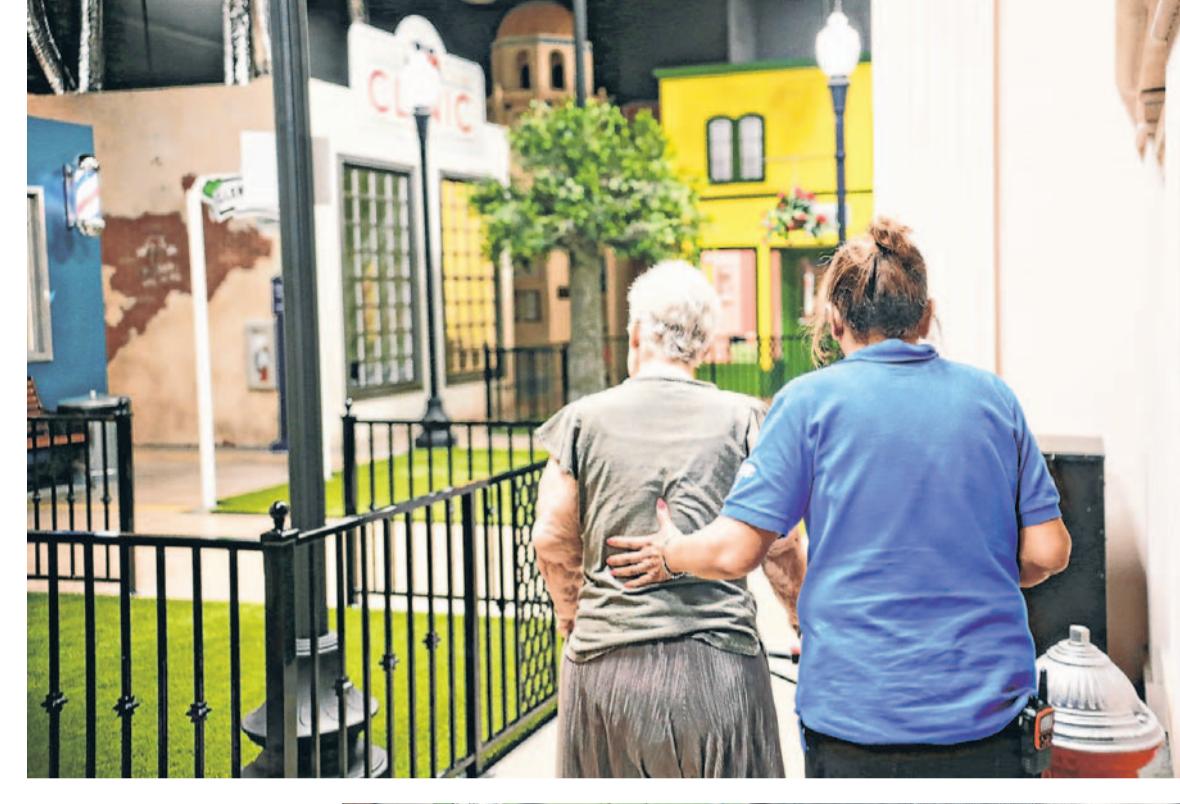
Most participants showed no improvements in a series of cognitive tests done before and after the intervention. But they did become better at talking about autobiographical memories when triggered from older objects.

A recent Cochrane review concluded the effects of reminiscence therapy are inconsistent and small in size. Still, it said that there is some evidence it can improve quality of life, cognition, communication and mood.

Glenner Town Square is a partnership between the George G. Glenner Alzheimer's Family Centers—a California-based nonprofit organization—and Senior Helpers, a national in-home senior care provider.

The partners have plans to franchise the concept and open up similar centers across the country. Peter Ross, CEO and co-founder

Clockwise from left: Glenner patients gather at Rosie's Diner; a staffer guides a woman to an activity; 1959 Ford Thunderbird; patient Jacqueline Dwyer plays pool; painting class. Bottom: Pamela Givens leads patients in morning exercises.



of Senior Helpers, says they hope to have 200 Town Squares across the country in the next five years.

Glenner is 9,000-square-feet with 24-foot ceilings. It's licensed for 75 patients a day. Currently the facility has more than 50 patients enrolled, though the number of attendees fluctuates as patients can create their own schedule depending on their families' needs. They are open for half or full days every weekday.

The program is mostly geared toward patients in the early to moderate stages of dementia, who are typically living with family or at home with caregivers. Their family members or caretakers drop them off.

"We really looked to bring people back to where their fondest memories are, typically between the ages of 10 and 30," says Scott Tarde, CEO and executive director of Glenner Centers, noting that the average participant is about 82 years old. The facility hasn't been open long enough to assess the benefits of the program, but is participating in research on its effectiveness.

The setting—an idealized vision of the 1950s that omits explicit references to societal injustices that civil rights and later feminist movements battled against—may not resonate for all patients, who include immigrants from China, the Philippines and Latin America, as well as African-Americans. The son of one Chinese immigrant, for instance, says his mother probably doesn't relate much to the memorabilia and items.

Mr. Tarde says the center tries to incorporate activities that relate to other cultures, such as playing games like Loteria, a Mexican game similar to bingo. He says they "are very sensitive and aware of history and absolutely will recognize history, civil rights and cultural days, weeks and months" with different activities that acknowledge the diversity of their patients.

Reminiscence therapy is not expected to fully restore patients' capabilities, but participants may show glimpses of their former selves, says Mindy Baker, director of education at Glenner Centers. Patients are placed in groups as they rotate through storefronts led by staff in different activities. Patients who require more assistance pay \$65 for half-a-day or \$95 for full-day care. Those in the earlier stages of dementia who don't require medications pay \$60 or \$85.

The center of the village is a small, indoor park, with natural skylights, and artificial grass for a small putting green and bocce court. Mr. Tarde points to a real 1950s San Diego police call box, a pay phone that calls the front desk and a restored 1959 black Ford Thunderbird car, which patients can get in and even open the hood to tinker with it.

There is a library with a card catalog, a 1950s National Geographic set and Monopoly and Scrabble games circa-1930. A re-created home space has an original Philco Fridge and a record player.

At the movie theater, "The Greatest Show on Earth" plays in 15-minute clips. At Joy's department store, patients can shop and even bring home a fur coat and bowling shoes. And at the Gone Fishin' Pub there's a pool table, a mini-basketball court and darts. The storefronts use graphics and pictures that can be changed to re-create different



eras for different generations of patients.

Staff work in a "City Hall" office space. Among them: Susie Heavilin, a 69-year-old former accountant who was diagnosed with Alzheimer's last year and believes she's their bookkeeper. "They print out invoices for her," says Sheri Berg, her daughter. "It's really given her a sense of purpose. It's really changed everything for us."

On a recent day, activities buzzed. There was a painting class in the diner while in the library Marilyn McPhie, a storyteller, talked about trains and railroads. At one point she passed around a penny flattened by a train.

Mike Casey, a 78-year-old retired orthopedic surgeon who was diagnosed with Parkinson's disease and dementia two years ago, cradled it affectionately.

Later, Dr. Casey, who was at Town Square for the first time, called the session "remarkable." (He is one of the few Glenner patients who is sufficiently aware of his condition to be able to reflect on the treatment.) He recalls living two blocks from a train station in St. Louis, where he grew up.

The storefronts represent the time period from 1953 to 1961, when most of the patients were in the prime of their life.

"I can remember vividly sneaking down there and putting my ear on the rail and hear a train coming, look down and see a train that's a mile down but looks like it's 8 feet away," says Dr. Casey.

At a music and theater class later in the day, Trevor Gibson, a local piano player, leads the multilingual group in songs ranging from "La Bamba" to "Cielito Lindo." Two women get up and spontaneously start ballroom dancing together.

Meanwhile, at the local pub an employee leads a group of patients in a game of penny poker. And in the home space, a woman, alone, watches an iPad with black-and-white episodes of "I Love Lucy."

Mr. Mann and Mr. Eshbach hadn't been in touch for decades until they bumped into each other at a local Alzheimer's disease support group a couple of years ago, says Marsha Mann, Mr. Mann's wife.

Her husband is diagnosed with mild cognitive impairment, a type of memory loss. Mr. Eshbach was diagnosed with Alzheimer's in 2016. The two now go to Town Square together once a week.

Ms. Mann noticed an "elevated cognition" in her husband after he went to Town Square. He belted out a Leonard Cohen song. "I just felt like he was more conversant," she says. "The singing, it just warmed my heart."



Trying Reminiscence Therapy at Home

Experts say reminiscence therapy can be done at home with dementia patients, using old photos, music and other props.

Mindy Baker, director of education at George G. Glenner Alzheimer's Family Centers, says looking at old pictures is a great way for family members to connect. "Think about what stories your loved ones like to retell, special events, or accomplishments that happened in their life," says Dr. Baker, suggesting photos of the house they grew up in, family mem-

bers, weddings and trips.

She suggests enlarging photos and making a memory book together. Keep it simple with one or two photos per page and large print to label photos.

Dr. Baker says doing a favorite activity or hobby together is also helpful. She suggests making an old favorite recipe together and using old mixing bowls or measuring cups, if you have them. "As you are doing the activity, the smells, tastes, visuals and context will likely trigger some memories," she says.

Music is also a great way to trigger memories, experts say, both playing old songs or taking out an instrument they played in the past.

Keith Anderson, director of the Montana Geriatric Education Center at the University of Montana, says the exercises should facilitate memory rather than challenge it.

He warns against correcting dementia patients. "Use suggestions when their memory does not align with the facts," says Dr. Anderson. "In some cases, you can simply go along with the older adults' recollection and support their perspectives on the past."

Pamela Givens, a reminiscence therapy guide at Glenner Town Square, says they always refrain from asking patients, "Do you remember?"

"We try to stay away from that word: 'remember,'" she says.

LIFE & ARTS



DAVID WALTER BANKS FOR THE WALL STREET JOURNAL

Cherrill Meyer's 1969 Volkswagen Beetle, photographed near her home in Los Angeles. Ms. Meyer, standing in the VW below right, and her friend, Pam Burk, next to her, drove the car for three months around Europe in 1969. A shot of a stop in Switzerland on that trip, below left.

MY RIDE | By A.J. Baime

A Beetle's Summer of '69

Cherrill Meyer went to Germany to pick up her bug for an epic road trip—and still drives it today

Cherrill Meyer, 69, a retired corporate-communications director from Los Angeles, on her 1969 Volkswagen Beetle, as told to A.J. Baime.

My mother was British, and she drove ambulances during the Blitz in World War II. She taught me to drive stick shift on streets around our home in Westchester, Calif. When I was old enough and had saved enough money to buy my own car, Volkswagen Beetles were everywhere.

[Volkswagen began producing its first version of what became known as the Beetle in the 1930s. Last week the company announced it would cease production of its latest Beetle incarnation.]

A new Beetle cost about \$1,700, and I had that much money. My father did some research and learned that if I picked up the car

at the factory in Wolfsburg, West Germany, I could save \$700. Then I could use the \$700 to travel.

We ordered the car at a local VW dealership, and in the summer of 1969, my friend Pam Burk and I flew to Europe. We were 20 years old, and we had known each other since we were 6. We took a train from Berlin to the Wolfsburg factory near the East German border, spent two hours filling out paperwork, then some big doors opened and out popped my car. It was July 4, 1969.

We spent over three months traveling through Germany, Holland, Austria, France and Switzerland. We named the car Baby Cham after a Champagne cocktail that we had along the way. All through that summer of 1969, we listened to news on Armed Forces Radio. So much happened: the Manson murders, Chappaquiddick, Woodstock. We were in Bern,

Switzerland, when Neil Armstrong walked on the moon. People wanted to hug us because we were American.

Sometimes other American tourists would ask us for directions. Other times they would ask, "Where are your parents?"

We ended up shipping the car through Bremen in Germany to the port of Los Angeles, and for the last 49 years, I have kept this car. It has been in the parking lot at every job I have ever had. When I drive it, baby boomers stop to listen to the engine, because it brings back so many memories for people of my generation.

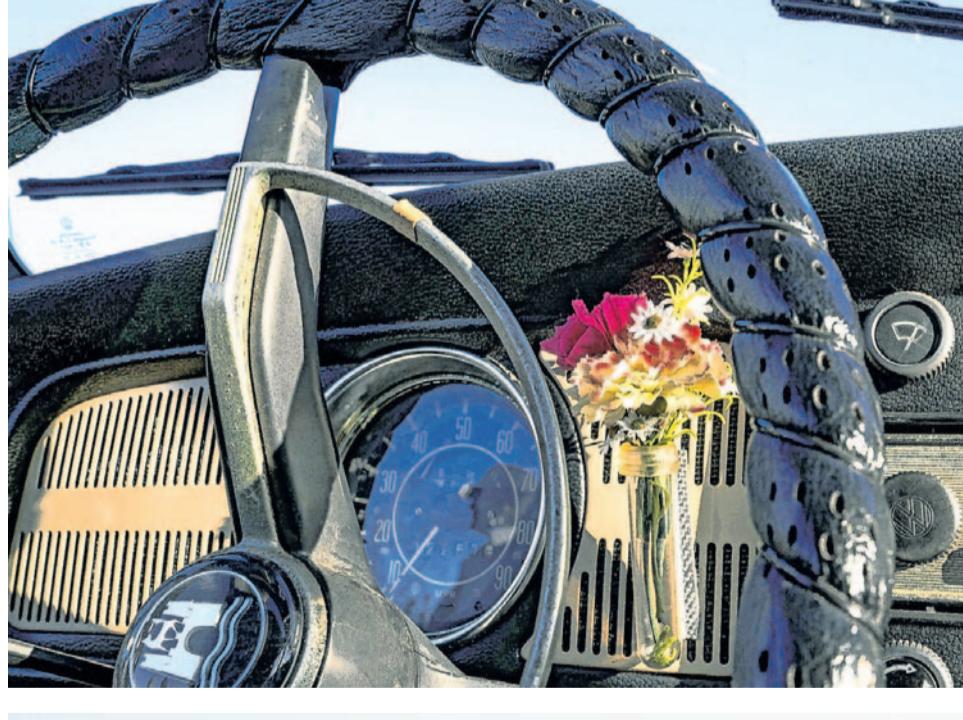
My friend Pam still lives near me. For this



photo shoot, we reunited in Baby Cham. As we drove to the beach where the photographer was waiting, we laughed at how small and loud the car felt. Pam said, "I can't believe we traveled for over three months in this thing with all our luggage!"

The Beetle now has 123,000 miles on it. Baby Cham will turn 50 years old next year and it is still running strong.

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LIFE & ARTS

ART REVIEW

A Celebration Of the Weird

The brief Imagist movement looks perversely profound today and carries with it an art-historical gravitas.

BY PETER PLAGENS

Saratoga Springs, N.Y.

'WEIRD' IS A WORD that's lost a lot of currency over the past couple of decades. Things that used to mark a person as someone who played outside the lines—tattoos, facial piercings, and clothes that make wearers look as if they'd just escaped a burning building—now wax normal. Even the official slogan of the Independent Business Alliance of Texas' capital city is "Keep Austin Weird."

Back in the day, however—in Chicago for about 15 years starting in the mid-1960s—a style of art called Imagism was genuinely weird: mostly a prickly kind of figurative painting and drawing, a mixture of cartoon, faux-naïveté and Surrealism that looked to us devotees of more stately mainstream modernism from New York and L.A. like a kind of Dr. Seuss for rebellious adolescents. That it might have been, but here in the 21st century the style looks perversely profound and carries with it an art-historical gravitas.

Both qualities are on view in "3-D Doings: The Imagist Object in Chicago Art, 1964-1980." The show, at the Frances Young Tang Teaching Museum and Art Gallery at Skidmore College, contains about 70 works from the period. (The exact number depends on whether you count auxil-

iary vitrine material as part of the art.)

The core group of Imagists called itself the Hairy Who and consisted of Jim Nutt, Gladys Nilsson, Karl Wirsum, Art Green, Jim Falconer and Suellen Rocca. They were joined, off and on in exhibitions and under art-critical umbrellas, by the likes of Roger Brown, Ed Paschke, Christina Ramberg, Barbara Rossi and Ray Yoshida. They all liked to puncture fine-art balloons of pretense with jokes and puns. But, more than that, they fancied folk and outsider art, and almost maniacally collected inspirational objects at flea markets.

"3-D Doings" is a wonderful show. First, it's lovingly installed in one airy gallery of Antoine Predock's superb building. Second, the exhibition includes, as any good museum show must, several works that are top-drawer regardless of pleading a special case, in this instance that Imagism was at once highly personal and rigorously disciplined. Mr. Wirsum's three 6-foot-tall 1972 psycho-mechanical stick figures, made of wood painted with acrylic and clothed, as it were, in custom dresses, are just about genius, even with their groaner titles ("Mary O'Net," "Chris Teen" and "Nurse Worse").

Better still is Brown's 1974 "Autobiography in the Shape of Alabama (Mammy's Door)." It's an oil painting, with one of Brown's patented simplified landscapes of



Installation views of the exhibition, with Red Grooms's 'City of Chicago, Arch Element' (1967-68), above, and Karl Wirsum's 'Mary O'Net,' 'Chris Teen' and 'Nurse Worse' (all 1972), below

rolling hills and silhouetted trees, on a format that's reductively the reversed shape of that Southern state. The beauty part is that if seen head-on the bottom edge would be straight across, but from slightly above—the average viewer's standing perspective—a horizontal protrusion of a lake with a boat on it constitutes that little tag where Mobile meets the Gulf of Mexico. If that isn't enough cleverness—and Imagist cleverness is a good thing—a mirror on the floor reveals that the bottom side of the work depicts a guitar (the lake being half the body and the rest of the underside the neck).

"3-D Doings" is not, however, perfect. It takes the idea of the third dimension rather casually. Much of the work is simply two-sided flat art, or a nominally voluminous object such as Ms. Rossi's puffy "Comforter (Armour Defeat)" from 1970. And there are taxonomic gaffes in the accompanying explanatory material (there is no catalog). Imagism is miscategorized as a species of Pop Art, and a brochure says that "unlike the Chicagoans, none of the best-known New York Pop artists made significant bodies of sculptural work"—as if Claes Oldenburg's and Roy Lichtenstein's never existed.

Also, there's the central presence of Red Grooms's huge, quite literal "City of Chicago, Arch Element" (1967-68). As much as the work would fit into an exhibition about Chi-

cago, it doesn't in one that's supposed to be of it. Mr. Grooms isn't a Chicago artist, and he isn't an Imagist; he's closer to, say, James Rosenquist than he is to Roger Brown.

Fortunately, the edge and energy of the rest of "3-D Doings" overcome Mr. Grooms's work. We can see Imagism clearly as a mode of art-making in which the big art-historical battles concerning realism and abstraction mean nothing, but where the little rules of care and craft mean everything.

In the movement, begun in the mid-1960s, the rules of care and craft meant everything

nity. That "3-D Doings" looks like the world's greatest-ever student show—that is, an exhibition of artists passionately and honestly doing their own thing as if blissfully unaware of the latest from Manhattan or Berlin—is perhaps its greatest virtue.

Ezra Pound said that poetry is "news that stays news." In "3-D Doings," the weirdness—the eccentric visual poetry—of Imagism indeed stays weird.

3-D Doings: The Imagist Object in Chicago Art, 1964-1980
Frances Young Tang Teaching Museum and Art Gallery at Skidmore College, through Jan. 6, 2019

Mr. Plagens is an artist and writer in New York.



ART REVIEW

GAIL ALBERT HALABAN'S VOYEURISTIC BEAUTY

BY WILLIAM MEYERS

Rochester, N.Y.
THE FUTURE LIES behind us; Gail Albert Halaban's "Out My Window" project is as conceptual as contemporary arts projects are (alas) expected to be, but its modus operandi takes up practices from the early days of photography. In the 19th century, Julia Margaret Cameron, Henry Peach Robinson, Oscar Gustave Rejlander and other photographers set up elaborate *tableaux vivants* as their subjects. Ms. Halaban (b. 1970) also stage-manages *tableaux vivants*; she arranges her subjects in the windows of one building so they can be photographed from the window of a building across the way. She has been doing this for over a decade and on several continents, publishing and exhibiting the pictures from individual cities, but the George Eastman Museum show is the first time her work from multiple cities can be seen together and compared.

Ms. Halaban's intentions are nobler than mere voyeurism; in fact, there is nothing in the least salacious about her make-believe Peeping Tomism. What there is is an intense curiosity about what goes on among strangers. She was familiar with photography because her mother made her a pinhole camera when she was a child; later, a job after college at a pediatric psychiatric hospital filming family interactions so fascinated her that, instead of applying to medical school, she went to Yale to study art. The windows project began while she lived in the Chelsea neighborhood of New York. She and her family were celebrating her daughter's first birthday with cake and candles when a bunch of balloons was delivered to her apartment with a note: "It has been



GAIL ALBERT HALABAN

Gail Albert Halaban's 'Rue de Douai, Paris-9e' (2013)

nice watching your baby grow up, congratulations on the birthday. We are your neighbors across the way." She realized people could feel involved with strangers, and set about recording such relationships.

Four of the 18 pictures in the exhibition are from New York neighborhoods. A Chelsea picture looks into a dance studio where two women—one in red, one in black—are practicing. The photograph from the Upper East Side, shot at dusk, is more complex: Distant buildings take up two-thirds of the image. In the building on the right, windows in seven apartments are lighted and we see women holding

children in two of them. Women were more amenable to working with Ms. Halaban and more available than men, and it is women in various poses who are seen in three other windows. The picture of a children's party in the Flatiron district looks into the apartment of Ms. Halaban's friend David Levinthal. The woman in black seen through the window on the right is Ms. Halaban herself. Technology lets you do this. (Coincidentally, Mr. Levinthal's photographs are also being exhibited now at the Eastman Museum.)

Ms. Halaban consults with the people who live in the viewing windows about what they most

frequently see their neighbors doing, and then poses the subjects accordingly. The pictures suggest narratives as to who the subjects are and what they are doing, but she realizes false narratives generated by viewers of the pictures may be more interesting. The process of arranging a picture—making the necessary contacts and getting consents, setting up the shoot—brings the neighbors into actual relationship with each other, and has led to at least one marriage. Ms. Halaban considers this social aspect an important part of her project.

After her New York book was published, Ms. Halaban was invited

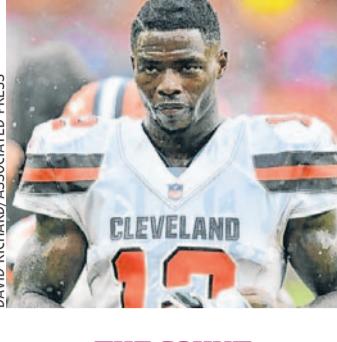
to Paris by Le Monde. A woman in a robe with a black-and-white cat in her lap sits in the top-floor apartment of an ancient building on the Rue de Douai. It is evening, but Ms. Halaban's Phase One, a professional 100-megapixel camera, captures the age-related details of weathering with the loving attention of Eugène Atget. On the Rue Jouy-Rouge we peer in on a woman in the kitchen holding a can of Campbell's soup. (In Paris?) The peeling paint on the wall between the two windows is in sharp focus.

In Rome, the scene is animated by eight birds flying in the space between the camera and a building in which a man stretches in the window. In Venice, a gondola glides past a palace through whose elegant windows we see a family moving in. There are pictures from Buenos Aires, from Istanbul and from the Dutch city of Utrecht. The venerable practice of *tableaux vivants* was further modernized with a picture from Seoul where Ms. Halaban was not physically present: An assistant set up the camera and the photographer manipulated the camera and posed the young woman reading on a window ledge via Skype. The attention Ms. Halaban brings to the details of composition and exposure make viewing her pictures pleasurable, but a troubling frisson remains: Are we intruding voyeurs or just concerned neighbors checking up on familiar strangers? And if the whole thing is a setup, does it matter?

Gail Albert Halaban: Out My Window
George Eastman Museum, through Jan. 1, 2019

Mr. Meyers writes on photography for the Journal. See his photographs at www.williammeyersphotography.com.

SPORTS



THE COUNT

BRADY'S LATEST TARGET

BY MICHAEL SALFINO

THE PATRIOTS' passing game has looked remarkably average after two games. Josh Gordon is the next man up in the team's search for a receiver who can click with quarterback Tom Brady like Randy Moss did. In 2007, Brady and Moss hooked up for 23 touchdowns. Gordon's 117.6 yards per game in 2013 is the third highest since the 1970 AFL-NFL merger, according to Pro-Football-Reference. The catch? Gordon, pictured above, has played only 11 games since his best season.

Just this year, the Patriots tried Eric Decker (three 1,000-plus yard seasons) and ex-Eagle Jordan Matthews (997 yards and eight TDs in 2015). Neither even made it out of training camp, similar to the fate of ex-Colt Reggie Wayne in 2015.

Receivers who starred elsewhere yet failed to amount to much of anything in New England include Joey Galloway (10,950 career receiving yards) and six-time Pro Bowler Chad Johnson. The 11 wideouts with at least one 900-plus yard season with another team signed in the post-Moss era have averaged just 15 catches and 224 yards for the Patriots. Only one, Brandon Cooks, topped 1,000 yards. He was traded to the Rams this off-season after just one season in New England.

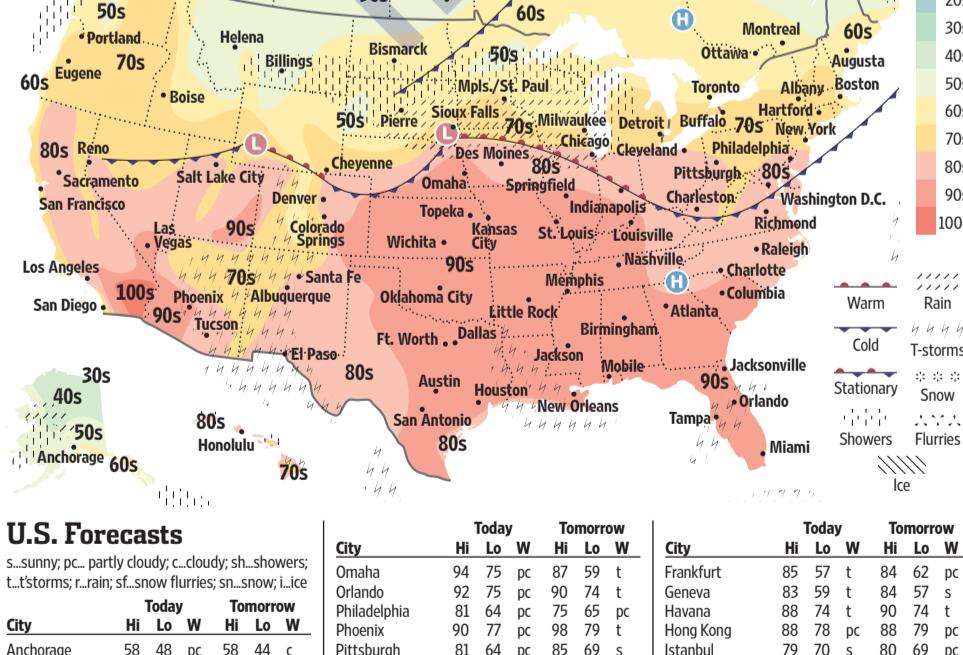
Failure to Launch

Since 2009, receivers who starred elsewhere before joining the Patriots:

PLAYER/YEAR	REC-YDS-TD
Brandin Cooks 2017	65-1,082-7
Kenny Britt 2017	23-0
Michael Floyd 2016	4-42-1
Donté Stallworth 2012	1-63-1
Brandon Lloyd 2012	74-911-4
Chad Johnson 2011	15-276-1
Joey Galloway 2009	7-67-0

Source: Pro-Football-Reference
Note: Receivers with at least one 900-yard receiving season for another team. Reggie Wayne (2015), Jordan Matthews and Eric Decker (2018) never played a game for Patriots.

Weather



U.S. Forecasts

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

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

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 58 48 pc 58 44 c

Atlanta 92 71 s 91 69 s

Austin 93 73 pc 89 75 t

Baltimore 82 64 s 78 65 pc

Boise 75 45 s 72 47 s

Boston 68 59 pc 67 61 pc

Burlington 69 52 pc 71 62 sh

Charlotte 68 67 s 86 65 s

Chicago 81 73 r 91 73 pc

Cleveland 80 70 pc 87 75 pc

Dallas 93 74 s 90 75 s

Denver 85 59 t 82 50 pc

Detroit 78 66 c 87 72 c

Honolulu 78 75 s 90 77 t

Houston 92 75 pc 89 77 t

Indianapolis 89 71 pc 91 73 s

Kansas City 92 74 s 91 66 c

Las Vegas 98 72 s 96 75 s

Little Rock 95 73 pc 94 73 s

Los Angeles 81 63 pc 85 63 s

Miami 90 78 pc 90 78 t

Milwaukee 72 67 r 86 67 t

Minneapolis 70 61 r 72 51 r

Nashville 93 72 s 94 75 pc

New Orleans 93 75 pc 91 76 t

New York City 78 63 pc 71 65 pc

Oklahoma City 90 70 s 88 69 s

International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 72 59 pc 72 56 pc

Athens 82 68 s 82 68 s

Baghdad 110 78 s 109 77 s

Bangkok 84 77 t 88 77 t

Beijing 78 61 pc 85 55 pc

Berlin 82 61 pc 81 65 pc

Brussels 76 58 pc 76 59 pc

Buenos Aires 68 48 s 70 54 pc

Dubai 103 88 s 103 88 s

Dublin 61 45 sh 54 43 s

Edinburgh 61 46 r 57 43 s

NBA

A Mystery of Modern Genetics

Shawn Bradley is 7-foot-6. A new study of his genome offers an explanation for his unusual height.

BY BEN COHEN

A GENETICIST named John Kauwe took his window seat on a small plane a few years ago when he looked up at the man next to him and realized he knew him from college.

"I recognized him because I'm a BYU alumnus and BYU faculty member," Kauwe said.

It also helped that Kauwe's neighbor was 7 feet 6 inches tall.

Shawn Bradley, one of the biggest NBA players in the history of basketball, folded one leg under Kauwe's seat and dangled his other leg in the aisle of first class as he fell into an easy conversation with his neighbor before takeoff. It was unusual for Bradley to chat with strangers, but there was something about Kauwe that made him comfortable. He asked Kauwe what he did for a living. Kauwe explained that he specializes in genetic markers of Alzheimer's disease, but said he studies all kinds of genetic traits. And there was one that had long fascinated Bradley, who played for the Sixers, Nets and Mavericks during 12 seasons in the NBA.

"I've always wondered why I'm so tall," he said.

It turned out he was sitting next to someone who could help satisfy his curiosity. Kauwe told him that studying outliers was a useful method in his field. Bradley agreed to take part in one of Kauwe's genetic studies by the time their plane had left the tarmac.

The results of Bradley lending his extremely large body to science were published this month in the International Journal of Genomics in a study that helped solve a mystery of modern genetics.

Bradley was not tall because of any genetic disorders. He was tall because of an uncommon blend of common genes. "Shawn had this incredibly unique combination of genetic variants," Kauwe said. "Any one of them can be carried by any one of us. But he happens to have a whole lot of the ones that make you taller and very few of the ones that make you shorter."

"He just hit the jackpot," added Mark Ebberts, one of his co-authors.

Kauwe wasn't immediately able to tell Bradley why he was so tall. After that flight, Bradley had blood taken in Kauwe's office, and BYU's geneticists extracted and sequenced his DNA. But even then, Kauwe and his co-authors could only tell him they didn't find any rare genetic mutations. There wasn't enough known about height genes back then to make any more specific conclusions. Kauwe was also busy with his day job.



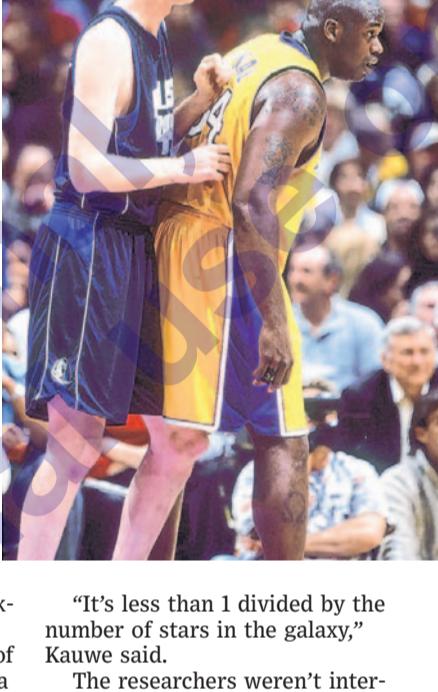
"My career is not studying the genes of height," he said. "I'm trying to cure Alzheimer's disease."

But then the Genetic Investigation of Anthropometric Traits Consortium—the GIANT consortium for short—identified more than 20,000 single-nucleotide polymorphisms (SNPs) that influence height in a series of groundbreaking studies. Kauwe read those papers and thought of Bradley.

The latest advances in height genomics was all the context his team needed to understand their subject's DNA. They compared Bradley's genotype with thousands from the Alzheimer's disease Neuroimaging Initiative and one study of memory in local Cache County, Utah, to create a "height score" for each subject. Bradley's genetic height score was off the charts.

What made it especially remarkable, though, was how unremarkable it was. There are thousands of SNPs, and every one of them has a small effect on height. Bradley was unusual because he had lots of little mutations that added up. "He's just a normal guy who's really, really tall," Kauwe said.

When they finally told Bradley why he was so tall, the basketball star was curious about the probability of anyone born with his particular genetic combination. It was 1 in 10 to the 30th power. Bradley didn't know what that meant. "And I love math," he said.



Shawn Bradley was the No. 2 overall pick in 1993. Inset, Bradley with Shaquille O'Neal in 2002.

portant that would be thinking about cancer," he said.

The researchers would have known simply by looking at his DNA that he would be tall. While there are other factors that determined exactly how tall he is, they could have predicted that he would be an outlier. "We'd be able to tell that he would be way, way, way out on the extreme of height," Kauwe said. In their paper, they report how extreme: "Mr. Bradley's height is 8.6 standard deviations above the average height for U.S. males," they wrote, "putting him in the 99.9999th percentile."

Bradley is the first person thanked in the acknowledgments section of the paper, and he may soon have a permanent residence in a BYU lab: Kauwe promised his research assistants a life-sized cutout of Bradley for their laboratory. He's still working on finding a photo of high-enough resolution that they're not staring at a pixelated NBA player every day.

He's also still working on finding people who might have similar genes to the guy with a cardboard statue. "If Shaq or Yao Ming want to come and let us sequence their DNA," Kauwe said, "we're game."

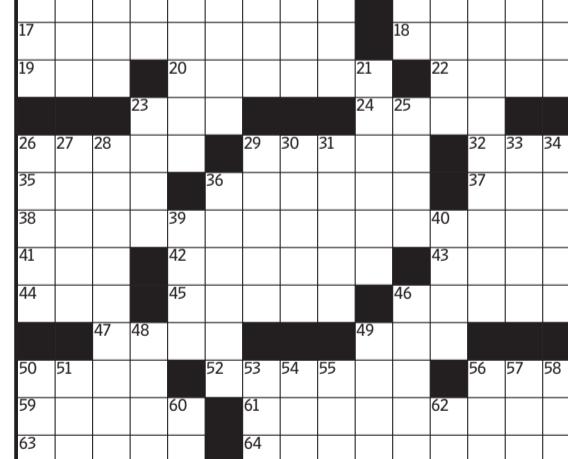
Bradley said the study has already changed his life in at least one way: He now talks to people on airplanes.

"It's less than 1 divided by the number of stars in the galaxy," Kauwe said.

The researchers weren't interested in Bradley's genome only because he was really, really tall.

They believe what they found could have implications beyond the realm of basketball. "Exceptional outliers for height and other phenotypes remain intriguing because their rarity may present exciting genetic insights," they write. If they can identify extreme traits in DNA, Kauwe said, they might be able to spot certain diseases before they strike. "You can imagine how im-

The WSJ Daily Crossword | Edited by Mike Shenk



- | | |
|------------------------------------|-------------------------------------|
| 64 Provoking | 28 Book whose last word is "Amen" |
| 65 Farm female | 29 Chophouse cut |
| 66 Give a careful examination, say | 30 Radius neighbors |
| 67 Enjoy slowly, as a beverage | 31 Barista's concoction |
| 33 Big name in health insurance | 34 Chemical substance |
| 35 Fiona, in the "Shrek" films | 36 Fiona, in the "Shrek" films |
| 39 Expected behavior | 40 Vowels that look like consonants |
| 41 1967 Paul Newman film | 46 Chris of TV's "The Middle" |
| 6 Pigeon housing | 48 Epoxy, e.g. |
| 7 Farm team | 49 Abbr. before Grant or Lee |
| 8 Lighting lover, for short | 50 "Giant" star |
| 9 Homily topic | 51 Middle name at Menlo Park |
| 10 Benjamin | 52 Coll. kin |
| 11 On the fritz | 54 Nota __ |
| 12 Carrier's employer, for short | 55 Like a buyer's market |
| 13 Georgia __ | 56 Commotion |
| 15 Old Algerian rulers | 57 Cinerarium array |
| 21 Squirm in pain | 58 Sheaf unit |
| 23 Big hauler | 60 Ice cream maker Joseph |
| 25 Blunted weapon | 62 Aussie runner |
| 26 Range light | |
| 27 Advantageous | |

BORDER LINES | By Andrew J. Ries

- | | | |
|------------------------------------|---|---|
| Across | 26 Make baby food, perhaps | 45 She played June to Joaquin's Johnny |
| 1 Plane section | 29 Feature of many Pennsylvania Dutch hex signs | 46 Gilder's unit |
| 6 Swipe | 32 Edible tuber of South America | 47 Pitching staff, metaphorically |
| 9 "To Kill a Mockingbird" narrator | 35 Newscast bit | 49 Blustery talk |
| 14 Accepted doctrine | 36 Flattened at the poles | 50 Check line |
| 16 Unavailable | 17 It has eight feet | 52 Primes, in relation to natural numbers, e.g. |
| 18 Sexist, say | 37 Fix | 56 Dine by candlelight, maybe |
| 19 Arthur's foster brother | 38 Taking risks, or, in another sense, a description of this puzzle's theme | 59 Name in a Beethoven |
| 20 "Toodles!" | 40 World Cup chant | 42 Like Corinthian columns |
| 22 Reggae great Peter | 41 Sen. Corker's state | 61 Bright Amazon swimmer |
| 23 Coll. grads-to-be | 43 Setting for some schools | 63 Get out of the way of |
| 24 Setting for some schools | 44 Aviv | |

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Previous Puzzle's Solution



OPINION

What Really Happened in 2008



BUSINESS WORLD

By Holman W.

Jenkins, Jr.

Ten years after Lehman, revisionists are overturning the poteted story of the 2008 crisis, and not too soon.

Claims of a national housing bubble as the precipitating event always seemed dubious when referring to an asset class whose prime differentiator is location, location, location.

What bubble there was seemed confined to a few sub-prime hot zones mainly in the West and Southwest. Now comes the Mercatus Center's Kevin Erdmann to complicate the story. The hottest markets in the country never stopped being hot because restrictive zoning and building regulations turn them into what he calls "closed-access cities," such as New York and San Francisco, where it is legally impossible to supply the housing demanded by the nonrich.

The subprime hot zones of the early 2000s, in his recounting, were those that experienced a demand shock from working families being priced out of the closed-access cities. Using Phoenix as an example, he shows that prices shot up to unsustainable levels because even a home-building boom couldn't keep pace with new arrivals. He also shows, based on rents, construction and housing's share of personal consumption, there never was a na-

The expectation that each generation will do better than the last is at the heart of the American dream—and losing that confidence would transform our nation. A report this week from the Pew Research Center suggests that this faith in the future may be slipping away.

On one hand, economic confidence among Americans is more positive than at any time since 2002. Sixty-five percent rate current economic conditions as good—up from the low of 17% in the spring of 2009, when unemployment was surging and the stock market was crashing. On the other hand, only 33% of Americans expect that their children will be better off financially than they themselves are.

Anxiety about the future goes hand in hand with nostalgia. Forty-five percent of Americans believe that the financial situation of "average people" is worse than it was 20 years ago. For many of these Americans, "Make America Great Again" is a visceral reminder of the arc of their own lives.

In all these respects, America is now a normal, unexceptional country. Throughout the developed world, positive sentiments about the present are coupled with negative expectations for the future. This in-

tional oversupply of housing but the opposite: a shortage that continues today, centered on the closed-access cities that generate so much of U.S. economic activity.

Every day the sun rises in the world capital markets on countless scenes of failed risk-taking without causing a general panic. This is where the housing story interacts with another strand of revisionism, led by Bentley University's Scott Sumner, which faults the Ben Bernanke Fed for tightening all through the Great Recession, oblivious to plunging inflation and a rising public demand to hold cash. A related story that you're hearing—that anger over the bailouts is what led to the rise of Trumpian populism—is, of course, ridiculous. People are angry because their own job and wage opportunities were depressed for a decade.

Which brings us to Lehman. Say what you want about "too big to fail" and moral hazard. These are real problems. But once the safety net is unfurled, sending mixed signals was the height of foolishness, with the result that an even bigger, more controversial bailout was needed to corral the ensuing panic. Keep in mind that a general loss of confidence by wholesale lenders is what suddenly endangered the survival of a whole array of banks, money-market funds and industrial firms like GE and the auto makers, only some of which held the opaque, hard-to-value mortgage derivatives that were at

the heart of a bank solvency conundrum.

Like it or not, the complex global financial system rests on government promises to pay, explicit and implicit. Some of these guarantees are essential. Some are ill-advised, such as guarantees doled out to mortgage lenders, student borrowers and wholesale bank creditors, including the Chinese who bought Fannie Mae and Freddie Mac securities.

There was a housing shortage, not a bubble; the Fed was too tight, etc.

But the time to correct perverse incentives is before a crisis, not in the middle of one. On this point the revisionists and the traditionalists are less at loggerheads than they seem. Those who let Lehman fail now admit they knew they were courting disaster.

The difference of opinion revolves around whether they were legally stymied from bailing out Lehman, or whether they made a judgment that the political furies would not countenance a Lehman bailout at the exact moment it was needed.

From here it is but a small step to conclude that the Bush administration, wittingly or unwittingly, invited a Lehman crisis in order to create for itself the political capital to take the steps necessary to prop up ev-

erything in sight, which soon needed it. For further insight into the revisionist take on Lehman, consult a new book by economist Laurence Ball of Johns Hopkins.

Making hay while the sun shines would have consisted of reducing government subsidies to debt. Of course, the opposite has happened in the global economy since 2008.

The softest possible landing from this debt dependency would be a bout of unexpected, transformative global growth that would make so many dubious IOUs, including pension and Medicare promises, affordable even though they appear unaffordable now.

The second softest landing would be growth plus an unexpected spurt of world-wide inflation to reduce the real value of many nominal debts.

The hardest landing involves mass default and the destruction of much wealth and savings, followed by mass unemployment and hardship.

Unwisely, Dodd-Frank reduced the tools available to the Federal Reserve to respond to the future messes that Dodd-Frank will not stop from cropping up. That's one worry. If a crisis comes on Donald Trump's watch, are we doomed because his administration is so chaotic? One lesson of 2008 is that crisis response is always chaotic, but the person in the White House does not play much role beyond telling his underlings, "Fix it and I'll back you up."

BOOKSHELF | By Martin Peretz

An Act Of Witness

My Country: A Syrian Memoir

By Kassem Eid

(Bloomsbury, 194 pages, \$27)

"Seen from afar, war seems easy," wrote a Middle East sage 80 years ago. It still does, even more so when the combatants are numerous and split by multiple historical loyalties. In Syria, where a civil war has been raging since 2011, the big fighting seems to be petering out, almost ended. Yet the cartography of the country is replete with historical demarcations defined by sect and tribe, lines that again will be crossed, when occasion indulges, by all parties to the old conflict: domestic forces, the cross-border militaries of Turkey and Lebanon (the latter mostly run by the Iran-sponsored, messianic Shia militia Hezbollah), and, via air incursions, Russia, the United States and, yes, Israel (when Tehran's war against Jerusalem becomes too plausible).

Right now, Bashar al-Assad and his army command the country. Aside from Kurdish territory, one province, Idlib, in the northwest, is still out of their reach, but Vladimir Putin is there to assist in the retaking. As of now, Turkey and Russia have arranged a temporary ceasefire, but this too is untenable. All odds say the end is near.

As Kassem Eid writes in his memoir-as-lyric-tragedy "My Country," the slaughter that's likely to come will be a repeat performance: By 2013 the Assad regime was "killing civilians faster than we could dig graves." In his hometown of Moadamiya, on the outskirts of Damascus, bombs and mortar fire were suddenly supplemented by sarin gas: "My friends were fighting for breath and coughing with all their force.... All I could focus on was the innocent face of this boy"—a lump lying in the dirt that he had turned over—"stained with grotesque shades of red, yellow and blue. His eyes returned an empty, glassy stare."

There had also been an epidemic of torture, and Mr. Eid evokes the victims and their abusers. If the shedding of blood can be beautiful in words, he makes it so. But he also brings tears, and there were moments when I simply had to put the book down. This gave me time to think between readings. And the intervals were useful.

How have we gotten to this place? A place where a book like Mr. Eid's—a memoir by a Syrian-born son of Palestinian refugees, who read Reader's Digest to learn English, didn't study writing but was forced to it in order to give testimony, and whose lyricism comes from a sensitive, perceptive mind enduring the 21st century's largest state-sponsored mass killing—came out in July to little fanfare. Even as the perpetrators of the killing tightened their grip over the country they've won through slaughter. And even as the "refugee question," which this conflict largely created, strangles the politics of Western Europe's largest democracy, with continental consequences. If the last century's human "progress" was partly measured by the number of times the liberal, "civilized" world failed to fight genocide, the 21st century has already given us a black mark. By all means—yes, by all means—we should tend to the displaced of Syria, but, for the sake of the future, we also need to think: What stopped us, at the crucial moments, from acting?

A 32-year-old Syrian rebel, now a refugee living in Europe, has written a memoir of resistance and survival unique in the annals of modern war.

We all know the past difficulties—Iraq, Libya—that made not acting in Syria easier. What I want to set forth, as a complement to Mr. Eid's writing, is the mind-set among some cohorts of America's governing class that those failures have allowed to become ascendant. This mind-set is an admixture of universalism, leftism and realpolitik—a belief in a global society of meliorating institutions as the long-term answer to violence, and an aversion to the use of force by the state, especially in the West's former colonies—all justified by "pragmatic" considerations. To wit: We don't know enough to intervene; intervening in such a volatile region would only cause more trouble; the Syrian rebels aren't "real" rebels but (in Barack Obama's stunning description) "farmers, dentists and folks who have never fought." People who definitely knew better—John Kerry, Samantha Power—went along with this pusillanimous charade.

The rationales that Mr. Obama, Mr. Kerry and Ms. Power offered are familiar: They are the same ones that stopped us from intervening to save the Tutsis in Rwanda in 1994 and delayed us from intervening to save the Muslims in Bosnia in 1995 and the Albanians in Kosovo in 1999. None are supported by reality. Building a global society is a noble calling, but it's still only an asterisk in a world where some states have a monopoly on force and are willing to use it outside the global system.

Washington's hang-ups about intervening in areas that Western states once oppressed ignore the fact that the U.S. wasn't the oppressor: Syria is a colonial construction of Britain and France after World War I; these two imperial powers constructed Syria largely at random; the civil wars that ensued between religious and ethnic sects that had been thrown together against their wills led to the ascent of the Assad family, the minority Alawites. They are the colonial legacy we should be fighting; and yet it's they, and their allies at the United Nations, who accuse us of violating global norms. Finally, when a state uses chemical weapons on its own people, as we know Syria did, other states devoted to the principles of human rights have the duty to intervene. It's a simple, century-old line to draw, and it has meaning: Either we stand behind our responsibility to our fellow human beings or we don't.

Mr. Eid does not dwell on these concerns: He comes not to advance an ideological agenda but to bear witness. He is not a political animal. His book's only flaw is a product of this strength: Mr. Eid testifies to the horror but not to the mentality that lets it continue. At one point, he approvingly mentions a letter condemning Mr. Assad signed by, among others, Jürgen Habermas, Noam Chomsky, Norman Finkelstein, Rabbi Lynn Gottlieb and Rep. Keith Ellison.... But these are precisely the voices that speak for global society and wince at the force of the state; the voices dominant in the academy and grassroots-left politics that shaped the views of Barack Obama and his closest advisers. They have theories, but their theories are too far off the ground to meet reality. Seen from afar, war really does seem "easy"—to distance ourselves from, to avoid. Mr. Eid's book is a testament to what happens when we do that; and what will happen again. We have to will ourselves to look.

Mr. Peretz was from 1974 through 2011 the editor in chief of the *New Republic*.

By Stephen Moore

Kevin Hassett, chairman of President Trump's Council of Economic Advisers, caused a brouhaha by claiming last week that the corporate tax cut enacted last year has "about paid for itself." I told Bloomberg it is a little premature to say that, and critics have asserted that even a Trump economic adviser disagrees with Mr. Hassett. But I've looked more closely at the numbers, and it turns out he is almost entirely right.

Compare the August 2018 economic forecast from the Congressional Budget Office with the one from June 2017, before the tax cuts passed, and we discover some very good news. The much higher than expected economic growth in the wake of the Trump tax cut means that U.S. gross domestic product will be higher than expected every year over the next decade.

Even if we assume a rever-

sion to the pre-Trump 1.9% growth path, the ratchet up in GDP this year translates into \$179 billion in unexpected output this year, \$465 billion next year, \$654 billion in 2020, and so on. This magic of compounding yields more than \$6 trillion additional GDP over the decade thanks to the faster growth already achieved.

Faster-than-expected growth has produced a revenue windfall.

The federal government is expected to capture a bit more than 18% of that extra output in tax revenue—about \$1.1 trillion over the 10-year window. That's well above the \$400 billion to \$500 billion expected revenue loss from the corporate tax-rate cut.

Corporate tax revenues are down this year, but receipts

from nearly every other tax source are rising at the federal and state levels. The higher growth this year alone will give states and cities almost \$20 billion in windfall revenue. No surprise then that many states are reporting "unexpected" gains in tax collections this year and will have budget surpluses.

Perversely, because the economy is bigger now than expected, the CBO has revised upward its estimated "cost" of the tax cut. Because of lower tax rates, the government will get a smaller share of the larger-than-projected economy—even though the tax cut encouraged the faster growth.

One can argue about how much of the boom is a result of the corporate tax cut. My view is that the small-business tax cuts also have helped, as have deregulation and pro-energy-production policies.

The results we are seeing

are perfectly consistent with the original game plan. We always believed that creating jobs and elevating growth from 2% to 3% or 4% should be the major focus of the economic revitalization strategy. Faster growth would make every other national problem—poverty, stagnant wages, funding Social Security, even drug abuse—easier to solve. Certainly the national debt is less frightening with \$6 trillion more GDP.

This is the growth dividend we all hoped for when designing the tax cut. Although it is still early in the game, so far things are going even better than we expected.

Mr. Moore is a senior fellow at the Heritage Foundation and served as a senior economic adviser to the Trump campaign. He is co-author with Arthur Laffer of "Trumponomics: Inside the America First Plan to Revive Our Economy," to be published in October.

OPINION

REVIEW & OUTLOOK

The Missing China Trade Strategy

President Trump on Monday imposed a long-threatened 10% tariff on \$200 billion of Chinese imports, effective next week, with the rate set to increase to 25% at the end of the year. More than half of Chinese imports now face punitive taxes, so it's remarkable that the U.S. still hasn't spelled out what it wants from Beijing.

The lack of a strategy makes it hard to secure meaningful gains and resolve a trade war that is damaging both economies.

The Administration is on solid ground when it says China's behavior threatens the global trading system. A study by the U.S. Trade Representative found "numerous unfair policies and practices relating to United States technology and intellectual property." There is bipartisan U.S. support to address China's violations of its promises to respect market forces.

But Mr. Trump also continues to rail against China for its large bilateral trade surplus with the U.S., and this is clearly motivating his escalation of tariffs. The surplus is driven largely by Chinese comparative advantage in low-end manufacturing and global capital flows to the U.S. Prioritizing a goal that flies in the face of market forces sends a mixed message to Beijing on what the U.S. wants, and it allows China to pose as the defender of free trade.

Cabinet members have tried to negotiate deals that would satisfy Mr. Trump's obsession with the trade deficit, only to have him reject them as insufficient. Commerce Secretary Wilbur Ross struck a compromise last year on steel production that was discarded after he returned from Beijing. In May Treasury Secretary Steve Mnuchin reached a tentative deal to put tariffs on hold if the Chinese bought more soybeans and natural gas, but the White House resumed its tariff threats in June.

Mr. Trump is correct on many points, including his complaints that his predecessors failed to address changing Chinese behavior. China's accession to the World Trade Organization in 2001 assumed the country was committed to what it then called "reform and opening" and would honor its promises to let foreign companies compete and protect intellectual property. The agreement largely treated China like other trading nations and relied on WTO arbitration to resolve disputes.

But China's economic reforms stalled after its WTO entry. Beijing responded to the global financial crisis by directing credit to state-owned enterprises, which led officials to discriminate against foreign companies. After President Xi

Jinping took power in 2012, he continued this trend and created the "Made in China 2025" plan requiring foreign companies to turn over intellectual property in return for access to China.

If China were a small country, the U.S. could afford to absorb surplus goods and let American consumers benefit. China's effort to leapfrog into the ranks of developed economies by forcing companies to relocate their most valuable processes and pervert the law of comparative advantage will ultimately fail.

But when the world's second-largest economy goes rogue, the collateral damage is huge and has undermined political support in the U.S. and the West for free trade. More ominously, China's mercantilism is part of a larger Xi Jinping strategy to establish a new military and commercial hegemony in Asia.

The U.S. goal now should be to negotiate a deal with Beijing that sets new rules of the trading road. That agreement should seek to change Chinese practices, not reduce the trade deficit per se. This may require superseding current WTO rules, and that is best accomplished with a united front that includes the world's other major trading powers.

Mr. Trump has instead employed a unilateral tariff policy that lets him boast about being tough without a clear goal. The tariffs will hurt Chinese exporters, though many will move production to other countries. But tariffs also damage American producers and consumers, as does the \$60 billion in new retaliatory tariffs that Beijing announced Tuesday.

Strong U.S. growth after tax reform and deregulation is so far dwarfing the overall economic harm from tariffs, as Tuesday's market nonchalance indicates. But the tariffs are doing arbitrary harm to innocent Americans, and a policy of hurting yourself until the other guy changes his behavior is hard to sustain. Mr. Trump's political support will erode if he can't deliver the new trade deals he promises.

If Mr. Trump wants to change Chinese behavior, he should first finish a new Nafta, drop his blunderbuss steel tariffs on allies, forget new auto tariffs, negotiate a zero tariff deal with Europe, and re-enter the Trans-Pacific Partnership. Then lead a coalition to confront Xi Jinping from a position of strength with targeted trade enforcement rather than scattershot tariffs. The real worry is that Mr. Trump supports tariffs for their own sake, and he may not want a China deal. With Donald Trump and trade, you never know.

Selective Outrage on Documents

President Trump on Monday finally ordered the declassification of key documents that may tell us more about the process by which the FBI began an investigation into Trump campaign officials. What does it say about Washington's desire for truth that so much reaction has opposed this transparency?

"President Trump has intervened again in a pending investigation by ordering the selective disclosure of classified materials he believes to be helpful to his defense," tweeted Democrat Adam Schiff. He added that the FBI called the disclosure a "red line" that "may compromise sources and methods."

Forgive us for wondering if the FBI's real fear

concerns the red lines it crossed. As for "selective," this is the most sweeping disclosure so far in the Russia probe. It includes 21 pages from the application for a warrant to spy on former Trump campaign aide Carter Page, transcripts of FBI interviews, and unredacted text messages sent by key players including former FBI officials Peter Strzok, James Comey and Andrew McCabe.

Mr. Trump was urged to declassify by a Congress frustrated by FBI and Justice Department slow-walking of material it sought. If Mr. Schiff is really worried that this release is too selective, we're happy to join him in calling for Mr. Trump to order the release of all documents and materials Congress has demanded.

Schumer's FBI Ploy

Democrats have succeeded in delaying a vote on Brett Kavanaugh's nomination until the Senate holds a public hearing with him and his accuser scheduled for Monday, but they're still not happy. Now they don't even want to hold that hearing until the FBI investigates the alleged sexual assault that happened when the two were in high school.

"The FBI conducted a background check on Judge Kavanaugh before these allegations were known," Minority Leader Chuck Schumer said Monday on the Senate floor. "It is now the FBI's responsibility to investigate these claims, update the analysis to Judge Kavanaugh's background, and report back to the Senate."

Other Democrats have picked up the same chant since Senator Dianne Feinstein announced last week that she had forwarded to the FBI a letter that accuser Christine Ford had written to her. Both Senators know this isn't the role that the FBI plays in nominations, and their demand shows that their real motive here is further delay.

The FBI doesn't conduct criminal investigations into nominees, especially not into an alleged incident that would not have been a violation of a federal statute. State law would be at issue. That's why the FBI responded to Ms. Feinstein's statement last week by saying it had no plans to conduct a criminal probe and merely added Ms. Ford's letter to Judge Kavanaugh's background file.

The purpose of a background check is to interview people about the character and qualifications of a nominee. The FBI makes no judgments about the veracity of the people it interviews, and its role isn't to issue a judgment about the nominee. The FBI simply compiles information that is then submitted to the White House.

If the nomination is for a judgeship confirmable by the Senate, then the White House will

The demand for a bureau probe is one more delaying tactic.

forward that information to the Senate Judiciary Committee. If there is an allegation of some kind, the Senate staff will typically follow up with the accuser and the nominee and present the information to Senators, who then make their own judgment as part of their advice and consent power.

The preposterous circumstance in this case is that Senator Feinstein withheld Ms. Ford's accusations for six weeks from Republicans and the White House. Ms. Feinstein could have turned over Ms. Ford's letter to the FBI immediately, yet now Democrats are demanding a further delay so the FBI can do what the Senators can do for themselves—which is to interview the nominee and his accuser.

Republicans have invited Mr. Kavanaugh and Ms. Ford to appear on Monday, Mr. Kavanaugh says he'll show up anywhere or anytime to deny the accusation. Yet by our deadline Tuesday Ms. Ford's lawyer was still declining to say if her client would appear. Democratic staffers were also refusing to cooperate with Republicans on a schedule to conduct phone calls with Ms. Ford, Judge Kavanaugh, and any relevant witnesses. Such follow-up phone calls are standard procedure after an FBI background check has been completed.

All of this underscores that the main Democratic goal is to delay a confirmation vote past the November election. That would spare Democrats running for re-election in Donald Trump states from having to take a difficult confirmation vote. If Democrats take the Senate majority, they'll then insist on no vote until the new Senate convenes in January.

Republicans have already created more danger for themselves and Judge Kavanaugh by agreeing to a hearing that Democrats will turn into a #MeToo spectacle. They should tell Ms. Ford and Democrats that if she doesn't want to show up on Monday, they will move to a confirmation vote post-haste.

Trump imposes new tariffs but what he wants from Beijing isn't clear.

LETTERS TO THE EDITOR

Many Countries Require Workers on Boards

Prof. Richard A. Epstein goes overboard in decrying any form of mandated employee representation on company boards, as Sen. Elizabeth Warren suggests ("Unions Have Stakeholders, Too," op-ed, Sept. 12).

Sweden introduced such legislation in 1987, applying it at companies with 25 employees or more. At the time the corporate sector cried foul, using verbiage similar to Mr. Epstein's—that it amounts to a socialization or nationalization of large companies. This wasn't the effect. Instead, the net result was to bring the employee base into the loop on strategic decisions, including ones (such as factory closures) that historically would have been highly confrontational.

I speak from experience in roles ranging from union leader, entrepreneur and senior executive, in various companies and organizations in both Swedish and the U.S. Any good management team knows that employee input and buy-in is critical for business success. This makes nice academic boilerplate, but the real world, filled with real people, is a little more complex than that. Concerns, including the fear of such representation blocking decisions, can be mitigated in how such a law is formulated.

Though I am a fiscal conservative, I believe it's a mistake to view modern market economics as an "us versus them" dichotomy, a view that is ultimately rooted in 19th-century capitalism. Legislating seats at the proverbial table provides good air cover for both sides to engage in conversation, not unlike court-mandated couples therapy. A balanced bill should be able to find bipartisan support. There's no good reason not to pursue one.

PETER MAGNUSSON

Reno, Nev.

Sen. Warren has little experience in working for or managing a profit-making enterprise. She is perpetuating a progressive myth that corporate boards today answer only to share-

holders and ignore interests of other stakeholders. The majority of shareholders are, in fact, represented by money-management firms that cast proxy votes and many receive voting guidance from proxy-advisory firms that consider stakeholder interests.

Index funds now are the largest shareholders of 40% of all public companies. Larry Fink, head of BlackRock, Inc. declared earlier this year that companies must serve a social purpose. Corporate managers were instructed to understand the ways that "structural trends—from slow wage growth to rising automation to climate change—will affect your potential for growth." The left's narrative of unaccountable capitalism provides a rationale for another regulatory-state power grab, with union stakeholder friends of statists serving as their proxies.

RAY GORDON
Durham, N.C.

Mr. Epstein's call to repeal Section 8(a)(2) of the National Labor Relations Act, which proscribes the formation of company unions, would confuse worker participation in company decision-making and its bottom-line benefit. New York Sen. Robert F. Wagner, the original sponsor of the NLRA, said: "I cannot comprehend how people can rise to the defense of a practice so contrary to American principles as one which permits the advocates of one party to be paid by the other." Foreseeing proposals like Mr. Epstein's, Sen. Wagner wisely pointed out that "collective bargaining becomes a sham when the employer sits on both sides of the table or pulls the strings behind the spokesman of those with whom he is dealing." Doing away with this important provision of the NLRA would further rig the inequities favoring employers that Sen. Warren and Mr. Epstein both agree need to be addressed.

BROCK A. KARAHAN
New York

A Left Turn Means a New Florida Income Tax

Regarding William A. Galston's "Will Florida Take a Left Turn?" (Politics & Ideas, Sept. 12): If Tallahassee Mayor Andrew Gillum is elected Florida's next governor, it could ensure that President Trump will be re-elected in 2020 because it would embolden the far-left candidates of the Democratic Party and weaken any resolve by more centrist candidates. This would again create a fool's choice for centrist Republicans and independents in 2020. In 2016 many voters effectively voted against Hillary Clinton (and by extension, Bernie Sanders, et al.) by voting for Donald Trump. As a lifelong Republican, I would love to have a centrist, pro-growth Democrat to vote for in 2020.

MARK EVERIS

Lake Oswego, Ore.

The 34% of Democrats who voted

Take the Time to Be Sure Before Transgender Move

Regarding Jillian Kay Melchior's "Peer Pressure and 'Transgender' Teens" (op-ed, Sept. 10): We should not be surprised that teens are subject to peer pressure, and obviously one way to get positive attention these days is to announce you are transgender. We should also not be surprised that a gender clinic which depends financially on furnishing hormone therapy and surgery is opposed to investigating such peer pressure. What is surprising to me is the demonization of Dr. Lisa Littman of Brown University, who merely suggested we need to study this issue and exercise caution before we encourage teens to go through hormone therapy or surgery—drastic interventions whose effects are irreversible."

JOHN L. WIESTER

Buellton, Calif.

Someday we will look back at this as a period of collective insanity, much like the satanic-ritual abuse hysteria which swept the country in the 1980s.

JOHN CONLIN

Littleton, Colo.

Clinical generalizations are often misleading. After 45 years of caring for transgendered patients, I teach psychiatric residents, "When you have seen one transgendered patient, you have seen one transgendered patient."

PROF. CHESTER SCHMIDT, M.D.
Johns Hopkins University
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Baltimore

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Sorry, but you're on our watch-list for slow eaters."

OPINION

What's the Matter With Westchester?

By Bobby Jindal

While the media obsesses over all things Donald Trump, the Democratic Party is fighting an intense battle over the best way to defeat him in 2020. Relatively moderate candidates beat progressive challengers in gubernatorial primaries in Wisconsin, Michigan and Minnesota, but Democratic primary voters in Vermont and Georgia selected a transgender and a female African-American nominee who have gained national attention mainly for their precedent-breaking identities. Based on special-election results, Democrats seem to be overperforming with traditionally Republican suburban voters. The question is whether they can succeed in the midterm elections by targeting the same coalition that failed to put Hillary Clinton in the White House.

Suburbanites vote against their economic interest to advance social liberalism.

Whereas Midwestern Democrats are fighting to regain formerly neglected white working-class voters in industrial and rural communities, many already competing for the party's 2020 nomination apparently think the future still belongs to the "coalition of the ascendant": millennials, minorities and socially liberal whites, especially college-educated single women.

The former faction is following the successful playbook of Rep. Conor Lamb in Pennsylvania and Sen. Doug Jones in Alabama, stressing their conservative cultural credentials. The latter group, which includes Sens. Elizabeth Warren, Bernie Sanders and Kirsten Gillibrand, have raced to embrace radical concepts like abolishing Immigration and Customs Enforcement and eliminating all private medical insurance in favor of government-run coverage. This leftward shift is likely to accelerate as 2020 approaches; many activists from whom these candidates take inspiration are now pushing to abolish prisons—except, presumably, for persons associated with

President Trump.

Some Democrats think pursuing white working-class voters would threaten to dilute their progressive message. Bill Clinton campaigned on a more moderate platform than preceding Democratic nominees and ended up signing Republican-backed legislation to add work requirements to welfare and curb growth in government spending.

In contrast, his wife in 2016 appealed to traditionally Republican suburban female voters on the basis of identity politics. A vote for her was a vote to "break the glass ceiling," and to condemn Mr. Trump's misogynistic

rhetoric, more than it was a vote for specific policies. She won a greater share of votes from college-educated white women than Barack Obama did four years earlier, but not enough to overcome Mr. Trump's surge among voters in less densely populated areas.

Ever since Ronald Reagan refashioned the modern Republican Party on the three-legged stool of social, fiscal and foreign-policy conservatism, liberals have complained that social conservatism drives the white working class to vote against its own economic interests. They claim Republicans have been gaining votes with appeals based on issues like gun rights, patriotism and traditional values, only to enact "trickle down" economic policies that disproportionately benefit their wealthy donors. Marx preceded this argument in claiming that "religion . . . is the opiate of the masses," a toxin that clouds workers' sense of the oppression they face. Never mind that Reagan enacted policies that resulted in strong economic growth—as has President Trump, so far.

The irony is that it is now Democrats who are using cultural appeals to persuade a demographic group—college-educated suburbanites—to



ton committed the political sin of saying what she really believed when she described many of Mr. Trump's supporters as "deplorables" for not sharing these sorts of views, and New York Gov. Andrew Cuomo did the same when he asserted "America was never that great."

Not wanting to get left behind by their affluent or young customers, even large corporations have rushed to join the new consensus. Whereas companies once either feared conservative backlash or avoided controversial issues, they are now more eager to align themselves with progressive causes. After the Parkland shooting in

February, Dick's Sporting Goods removed certain rifles from their stores and stopped selling firearms to customers under 21, while its CEO spoke out in favor of various gun-control measures. When then-Gov. Mike Pence signed Indiana's Religious Freedom Restoration Act, several companies protested, with Salesforce and Angie's List specifically threatening to reduce investment and employment in the state. When North Carolina passed legislation requiring individuals to use public bathrooms based on the sex on their birth certificates, PayPal, the NCAA and the NBA all threatened economic retaliation. Both Indiana and North Carolina relented.

Many suburban voters rejected the values Mr. Trump espoused in the campaign, but decided late in the campaign to vote for him based on their opposition to Mrs. Clinton. Democrats' chance of gaining control of Congress this November depends largely on their ability to make this an election about cultural symbolism rather than economic governance.

Mr. Jindal served as governor of Louisiana, 2008-16, and was a candidate for the 2016 Republican presidential nomination.

No More Pay-to-Play Green Cards

By John Vecchione
And Anne Weismann

Here's a change to immigration policy on which Americans of both parties ought to agree: Congress should allow the EB-5 Regional Center Program to expire on schedule at the end of September.

Created in 1992, the EB-5 program—short for "employment-based, fifth-preference visas"—grants green cards to foreign nationals who invest \$1 million in an American business that creates at least 10 jobs. The minimum investment for visa eligibility drops to \$500,000 if the project benefits a rural area or a place with high unemployment. For years the program received temporary extensions—usually tucked into must-pass spending bills such as the March 2018 omnibus—despite well-documented fraud and national-security concerns. There is scant evidence the program produces economic benefits.

The EB-5 Regional Center program is a bipartisan source of corruption and cronyism. Let it die.

Nearly all EB-5 investments (and visa petitions) flow through the 866 regional centers, which pool EB-5 investments with little oversight or regulation. Regional center operators, together with state and local officials, have manipulated the process so that almost every project is considered to be in a rural or high-unemployment area. Sen. Chuck Grassley released a 2013 internal memo from the investigative arm of U.S. Immigration and Customs Enforcement concluding that there are "no safeguards that can be put in place that will ensure the integrity of the [regional center] model."

Making matters worse, the EB-5 Program is also a bipartisan source of political corruption and cronyism. Last year, the Kushner Cos. urged Chinese citizens to invest in projects through the EB-5 Program. White House adviser Jared Kushner's sister, Nicole Kushner Meyer, was featured prominently. Mr. Kushner had previously leveraged the EB-5 program to help finance the construction of a luxury mixed-use skyscraper in a booming area of Jersey City, N.J., which the company artfully got qualified as a high-unemployment area.

The Homeland Security Department shut down Vermont's regional center after a group of foreign investors filed a lawsuit alleging "the largest fraud in Vermont history and the largest EB-5 fraud in U.S. history." The Securities and Exchange Commission accused the two operators of Vermont's EB-5 program, which raised more than \$200 million, of operating a Ponzi scheme and using program funds to pay for personal and lifestyle expenses, including a luxury condominium in New York City.

South Dakota's regional center was similarly engulfed in scandal in 2013 when officials siphoned off millions in EB-5 funds and tax revenue for personal use, including the purchase of Egyptian artifacts, resulting in at least one felony conviction.

In 2008 Republican Govs. Haley Barbour of Mississippi and Bobby Jindal of Louisiana lent political support to an EB-5 regional center that eventually funded a doomed green-car company founded by Terry McAuliffe, a former Democratic National Committee chairman who was elected governor of Virginia in 2013. The company filed for bankruptcy this February.

In 2015 the Homeland Security inspector general found that former Sen. Harry Reid inappropriately intervened on behalf of a Las Vegas hotel and casino that had solicited and secured EB-5 investments.

The only real support for renewing the EB-5 program comes from real-estate developers with political connections. They argue that the program creates jobs, but an independent examination by the Government Accountability Office found no evidence to verify those job-creation claims.

At a June 2018 Senate Judiciary hearing, L. Francis Cissna, director of U.S. Citizenship and Immigration Services, explained that his agency doesn't have the authority to curb endemic fraud in the EB-5 program. Mr. Cissna also couldn't catalog the amount of the fraud. Unless Congress could legislate some reform to the program, he said, it should be allowed to expire. That time has come.

Mr. Vecchione is president and CEO of Cause of Action Institute. Ms. Weismann is chief FOIA counsel at Citizens for Responsibility and Ethics in Washington.

Clarence Thomas Hearings Redux



If you thought the first round of Senate hearings for Supreme Court nominee Brett Kavanaugh was a hot mess of spectacle and cynicism, if you thought we learned more about Cory Booker's and Kamala Harris's presidential ambitions than we did about Judge Kavanaugh's jurisprudence, if you thought political theatrics couldn't get any worse or more obvious—wait until Monday's reboot.

"We're delaying the vote strictly to get all the facts out on the table," said Senate Judiciary Chairman Chuck Grassley Tuesday. The facts in question surround an allegation by Christine Blasey Ford, who says a teenage Brett Kavanaugh drunkenly groped her at a party more than 3½ decades ago when they were in high school. He has "categorically and unequivocally" denied the claim, which Democrats have known about since July but declined to make public until after the Senate's hearings concluded and days before a scheduled committee vote on Judge Kavanaugh's nomination.

Dianne Feinstein, the ranking Democrat on the Judiciary Committee, didn't ask Judge Kavanaugh about the accusation in private discussions or while he was under oath, despite multiple opportunities to do so. Other Democrats were similarly coy, which smells. Did they not take Ms. Ford's allegations seriously, or were they sitting on this information

until releasing it could do the most political damage? Mr. Grassley and other Republicans say they want to allow Ms. Ford to air her claims and Judge Kavanaugh to respond to them. The Democrats' goal, however, is now to delay a vote until after the November midterm elections, when they hope to win back control of the Senate and sink any and all of President Trump's picks for the high court.

As in 1991, unverified allegations threaten to derail a Supreme Court nomination.

So far, Mr. Trump is playing nice. "We want to get to the bottom of everything," he said Tuesday. "We want everybody to be able to speak up and speak out." Politically, it's a wise move, but who knows how long he'll contain himself.

Ms. Ford may well believe what she's alleging, but that doesn't mean that the rest of us should automatically believe it. The Washington Post reported that she kept mum for decades, until 2012, when she was in couples therapy with her husband. There are discrepancies between the therapist's notes about the alleged incident and what she's saying now. Memories are unreliable, and they become less reliable over time. If Ms. Ford deserves criticism, it's for her initial attempts to derail a Supreme Court nomination based on a single anonymous claim.

Ms. Ford and the Democrats who believe her story need to provide more evidence to support their claims. From everything we know about Judge Kavanaugh, who has passed multiple FBI background checks for government jobs over the decades, the alleged behavior is out of character. The same cannot be said about the behavior of Democrats and others on the political left who have attempted to block Republican nominees to the Supreme Court.

In 1991 Clarence Thomas, a federal judge, was President George H.W. Bush's choice to fill the Supreme Court vacancy left by the retirement of Justice Thurgood Marshall. Days before the Senate was scheduled to vote, allegations surfaced that Judge Thomas had sexually harassed Anita Hill, who worked for the future justice when he ran the Equal Employment Opportunity Commission in the early 1980s.

It isn't merely suspicious timing that makes the parallels with Judge Kavanaugh's current situation so eerie. The Democrats' main opposition to Mr. Thomas sitting on the Supreme Court centered on abortion.

Ms. Hill was Judge Thomas's sole accuser, and none of her defenders had witnessed the alleged behavior, so the situation boiled down to his word against hers. Like Ms. Ford, Ms. Hill was presented as a courageous woman who made the difficult decision to come forward with her allegations after suppressing them for nearly a decade. Like Judge Kavanaugh, Judge Thomas strongly denied the accusations, and his defenders contradicted parts of her story.

Finally, both men were put in the near-impossible position of having to prove a negative to be believed. If the Thomas-Hill hearings are prologue, we can expect media coverage to give Judge Kavanaugh's denials much less credence than Ms. Ford's claims. The hearings will turn into a national referendum on sexual assault, and Ms. Ford will become the latest poster child for hashtag feminism. Whether the events alleged really happened will be secondary. Just ask Anita Hill, who over the past 27 years has made a career out of being the supposed victim of actions that were never proved to have actually occurred.

Notable & Quotable: DeVos

Education Secretary Betsy DeVos speaking at Philadelphia's National Constitution Center, Sept. 17:

I think of the teacher who blithely wears a shirt that reads: "Find your truth." Poor advice that is plastered on the walls of the classroom for her unsuspecting young students to absorb, as well.

That notion has taken root in our relativistic culture. Surely we've all heard something that goes like this: "You have your truth. And I have mine." Folks who embrace this notion insulate themselves from other people, other experiences and other ideas. Serious conversation is over.

The pernicious philosophy of relativism teaches that there is no objective truth. Nothing is objectively good or objectively evil. "Truth" is only personal point of view, fleeting circumstance and one's own desires. And those views, those experiences, those desires can be understood only by those who live them. Nothing else and no one else matters.

And that, I posit, is the threat that America's campuses face today. Our self-centered culture denies truth because acknowledging it would mean certain feelings or certain ideas could be wrong. But no one wants to be

wrong. It is much easier to feel comfortable in saying there is no truth. Nothing that could challenge what we want to believe. . . .

Abandoning truth creates confusion. Confusion leads to censorship. And censorship inevitably invites chaos on campuses, and elsewhere.

This is not simply a matter for academics to debate. Parents are watching how institutions of learning are resolving these controversies, and many don't like what they see. Recent surveys indicate public support for colleges and universities has declined over the last few years. . . .

Too many institutions have tried to pursue truth and harmony, but end up failing in both. Jonathan Haidt, a psychologist and professor at New York University, argues that institutions of learning cannot pledge to pursue truth and at the same time oblige a welcoming atmosphere, civility or even social justice.

The latter are to be voluntarily embraced by each member of the community. A school, on the other hand, must make a choice as to its purpose. Let's call it "Haidt's choice." Pursue truth or pursue harmony. An institution of learning cannot be both a forum for all ideas and an advocate for some at the expense of others.

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Buoyed by a unique vision, Subaru reimagines the role of corporations in their communities.

A

s president and chief executive officer of The Leukemia & Lymphoma Society (LLS), Dr. Louis DeGennaro, Ph.D., has seen firsthand the wide array of challenges facing patients as they battle cancer. Often, the toughest parts of receiving treatment are the myriad side effects associated with therapies such as chemotherapy and radiation. One in particular is quite pervasive amongst patients — they can't seem to get warm. "Treatment regimens for cancer patients leave them even more vulnerable to the cold," DeGennaro explains.

To aid such patients, LLS turned to Subaru of America for a scalable solution — and the automaker delivered. Beginning in 2015, DeGennaro and the 56 chapters of The Leukemia & Lymphoma Society joined with Subaru of America and its network of retailers to deliver blankets to patients in over 700 hospitals across the U.S. "It's a thoughtful, warming gift," DeGennaro says. "It's also a symbol of the community wrapping its warmth and care around these patients as they undergo treatment."

In conjunction with 500 Subaru retailers — up from 393 in the first year — LLS says it has delivered over 100,000 blankets and 12,500 arts and crafts kits to cancer patients over the life of the program, often accompanied by hopeful messages written by Subaru customers. In fact, the LLS partnership is one of the many charities and businesses supported by the Subaru Love Promise, an initiative that finds employees and local retailers across the country contributing time, money and goods to further regional, national and global programs in areas such as education, environmental stewardship, health and animal welfare.

Breaking down the impact of the Subaru Love Promise by the numbers tells a story that is truly staggering: 800 certified wildlife habitats have been donated to schools, along with over 187,000 science books, plus 8,600 animal shelter supply kits and 2,700 new pet parent kits have impacted nearly 100,000 shelter pets. The company's annual Share the Love event, in which Subaru donates \$250 for every car sold or leased to the customers' choice of charities, raised nearly \$24 million in 2017 and more than \$118 million in the 10 years since its inception.

Redefining the Mission

Philanthropic efforts by corporate America have increasingly left a mark on the fabric of society. In its 2018 "Giving in Numbers" survey of more than 250 multibillion-dollar organizations, CECP, a CEO-led coalition of more than 200 companies, found median total giving of over \$19 million and aggregate total giving of nearly \$24 billion. For Subaru, though, the Love Promise is not designed to represent the company's corporate citizenship arm, but something tied as intrinsically to its mission as selling cars.

The Wall Street Journal news organization was not involved in the creation of this content.

Tom Doll, President and Chief Executive Officer, has been with Subaru of America since 1982. As the company, founded in 1968, has gained stability and financial health, Doll says Subaru felt compelled to examine its commitment to civic responsibility.

"It was lesson that one of my college professors instilled in me," he says. "What do you want to be remembered for?" As a company, we really felt compelled to positively impact our local communities and leave our mark on society."

It meant treating community service within the organization not just as a corporate good, but as a fundamental responsibility. "We wanted to empower the organization, including our retailers, to impact the lives of others," Doll says. "We've changed the way they can approach their individual communities to make them better places to live and work."

That mindset drives the accumulation not just of financial contributions, but also thousands of hours of time donated by Subaru retailers and employees.

Moreover, Doll believes the ethos driving the Subaru emphasis on service contributes strongly to the company's business goals, tying retailers to communities and customers to Subaru. "That's how we're able to be successful," he says. "We believe in supporting the causes our drivers care most about. Our customers led us to pets, because they love animals. They led us to education, because we've got a lot of customers who believe in making advanced learning as accessible as possible."

Doll says he's heard people question the Subaru approach and wonder if there are better ways to maximize shareholder value. He disagrees. "I don't think we're wasting a dime," Doll says. "I think it comes back to you in spades."

Evidence bolsters Doll's viewpoint. A 2017 Cone Communications CSR Study revealed that 70 percent of Americans believe companies have an obligation to take action on issues not necessarily relevant to everyday business operations, and 87 percent said they'd make purchasing decisions

based on the values a company displays. Meanwhile, research from Deloitte indicates employees increasingly demand their employers affect positive change — particularly Millennials, 86 percent of whom say success should be measured by more than profitability.

The Virtuous Cycle

For the Love Promise to act as the catalyst Doll envisions — serving as a value proposition for customers and Subaru employees alike — the mission must translate from a broad ethic of service into action and impact on a local level.

Piper Medcalf, Executive Director for The Leukemia & Lymphoma Society's Georgia Chapter, says the Subaru network of Georgia local retailers and employees have quickly grown more creative in the ways they impact hospitals and patients in their communities, above and beyond collecting money or dropping off blankets and kits.

"One retail store was so touched by the hospital staff and what they were doing for patients, they catered lunch for the personnel of the entire cancer center. We saw another retail store bring a popular celebrity musician with them to deliver blankets," Medcalf says. "When patients have bone marrow transplants, they often create a new birthday around the day of the transplant. One hospital has started a new practice of singing patients a birthday song, hanging balloons on the door and utilizing the Subaru blankets as a 'birthday' present. It's really special."

It's a virtuous cycle wherein participation creates more participation, she says. "We've seen each year Subaru coming to us and saying, How can we do more? Last year was great, but how can we make this year even better?"

It's a lasting commitment to community Medcalf is happy to have. "Fighting cancer," she notes, "is a team sport."

 **SUBARU**
Confidence in Motion

Employees from Crews Subaru of Charleston, SC, demonstrate their commitment to The Leukemia & Lymphoma Society.



BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, September 19, 2018 | B1

S&P 2904.31 ▲ 0.54%

S&P FIN ▲ 0.41%

S&PIT ▲ 0.62%

DJ TRANS ▲ 0.40%

WSJ \$IDX ▲ 0.10%

LIBOR 3M 2.338

NIKKEI (Midday) 23776.69 ▲ 1.52%

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Offering Shows Appetite for Riskier Debt

Blackstone group uses a \$13.5 billion financing to acquire a stake in a Thomson Reuters unit

BY SAM GOLDFARB
AND SOMA BISWAS

One of the largest-ever sales of speculative-grade debt was completed with ease on Tuesday, a sign of the favorable environment for U.S. borrowers at a time of robust economic growth and strong demand from investors.

The \$13.5 billion sale—which a Blackstone Group LP-led investor group is using to

acquire a 55% stake in a Thomson Reuters Corp. data business called Refinitiv—comprised \$9.25 billion of loans and \$4.25 billion of secured and unsecured bonds, with different pieces denominated in U.S. dollars and euros.

Including a \$750 million revolving credit line, the bond-and-loan deal amounted to the ninth-largest leveraged financing on record in the U.S. and Europe, and was the fourth-largest since the financial crisis, according to LCD, a unit of S&P Global Market Intelligence.

Refinitiv's cash-raising effort was viewed on Wall Street as a test for how much debt companies with poor credit

ratings can issue in the current market and how aggressively they can set the terms of such deals.

While they have been rare in recent years, supersized buyouts inevitably stir memories of the years immediately preceding the financial crisis, when there was a rash of such deals that were quickly followed in some cases by bankruptcy or other forms of distress.

Refinitiv's debt offering was "reminiscent of the kind of deal I would have seen in 2006 and 2007," said Scott Roberts, head of high-yield investments at Invesco.

Along with the total debt being issued, "you have a cov-

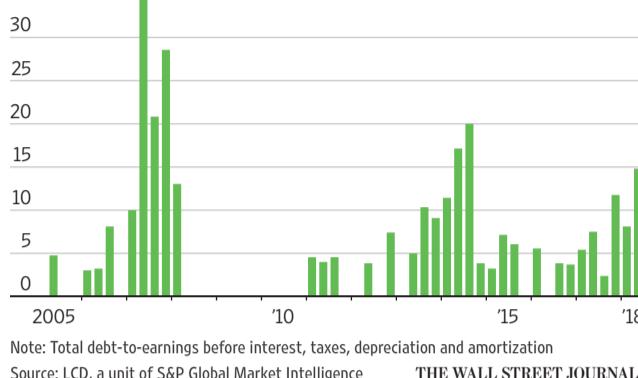
erage package that's extremely weak" and ambitious assumptions about future cost savings, he added.

Still, Refinitiv was able to issue most pieces of its debt package at yields comfortably below what it initially proposed to investors. Among those were \$1.575 billion of eight-year unsecured bonds issued at par with an 8.25% coupon, down from original guidance in the low-9% area. The unsecured bonds are rated Caa2 by Moody's Investors Service and B- by S&P Global Ratings, near the bottom of the ratings spectrum.

On Monday, the company Please turn to page B14

Levered

The share of new U.S. loans backing leveraged buyouts of companies with debt at least seven times Ebitda has increased recently.



Note: Total debt-to-earnings before interest, taxes, depreciation and amortization

Source: LCD, a unit of S&P Global Market Intelligence

THE WALL STREET JOURNAL.

General Mills Sales Slump in North America

BY ANNIE GASPARRO
AND ALLISON PRANG

General Mills Inc. is struggling to revive sales in the U.S. as growth in its new pet-food business slows.

The food maker's sales rose 8.6% to \$4.09 billion in the latest quarter, driven by international revenue. General Mills' sales in its main North American market dropped 2.1% to \$2.39 billion, more than analysts expected. Shares, down 26% year to date, fell 7.6% Tuesday.

The company's move into high-end pet food aims to offset slower growth elsewhere.

The Minneapolis-based conglomerate has tried to offset stagnant sales with a move into high-end pet food, a business that is expanding rapidly compared with packaged, process food. General Mills completed the acquisition of Blue Buffalo for \$8 billion in April and has focused since on getting the pet food into more stores.

General Mills' pet-food sales rose 14% in the latest quarter to \$343.4 million on a comparable basis. Sales at retailers increased 9%. That is faster sales growth than for the company's main packaged foods, but a slowdown from Blue Buf-

falo's sales when General Mills agreed to buy it in February.

"If all my businesses had decelerated to 9% growth, I'd be in pretty good shape," Chief Executive Jeff Harmening said in an interview.

U.S. snack sales for General Mills fell 4% in the latest quarter, while sales of yogurt such as Yoplait declined 2%, as did sales of meals and baking products such as Betty Crocker cake mix. U.S. sales of cereal brands such as Cheerios and Lucky Charms rose 1%.

"As industry trends improve, we've seen our competitiveness improve," Mr. Harmening said.

General Mills' total organic net sales, which take out impacts from things such as changes in foreign-exchange rates, rose 0.5% in the quarter.

General Mills has also raised prices this year to make up for rising transportation and ingredient costs that have hit the industry. Profit declined as net interest climbed more than 80% from the comparable quarter a year earlier because of the Blue Buffalo deal. The company reported earnings of \$392.3 million, down 3.1% from the comparable quarter a year earlier. On an adjusted basis, the company reported earnings of 71 cents a share, above analysts' estimates of 64 cents.

Heard on the Street: General Mills is going to the dogs... B16



Not So Cheery

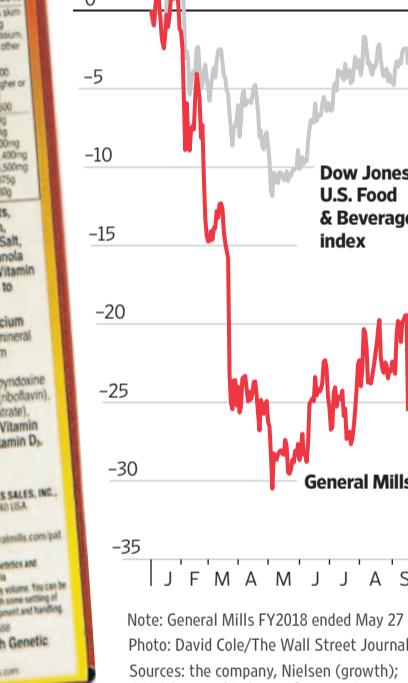
The company's stock has underperformed the rest of the U.S. food-and-beverage sector.

Retail-sales growth

Quarterly, change from previous year



Year-to-date performance



Note: General Mills FY2018 ended May 27

Photo: David Cole/The Wall Street Journal

Sources: the company, Nielsen (growth); SIX (share and index performance)

THE WALL STREET JOURNAL.

Tesla Is Subject Of DOJ Probe

BY TIM HIGGINS
AND DAVE MICHAELS

Tesla Inc. on Tuesday said the Justice Department has opened an investigation into the company following Chief Executive Elon Musk's surprise tweet in August that he had secured funding to possibly take the electric-car maker private.

The company said that last month it received a "voluntary request for documents" from the Justice Department, generally the first step in a federal investigation of this kind. Tesla said it hasn't received a subpoena, a request for testimony or any other formal request.

Mr. Musk's decision to tweet on Aug. 7 his plans to take Tesla private continues to hound the company. Last month, the Securities and Exchange Commission began investigating whether Mr. Musk misled investors, and some investors have sued Mr. Musk and Tesla, saying they lost money as a result of the public statements.

Tesla on Tuesday said it is cooperating with the Justice Department probe. "We respect the DOJ's desire to get information about this and believe that the matter should be quickly resolved as they review the information they have received," the company said in a statement.

A Justice Department spokeswoman declined to comment. Bloomberg News earlier reported the Justice Department had opened a criminal investigation against Tesla.

Shares of Tesla fell 3.4% to \$249.96 on Tuesday.

On Aug. 7, Mr. Musk surprised investors when he tweeted that he was considering taking Tesla private at \$420 a share, about 20% above the stock's trading price earlier that day. In his tweet, Mr. Musk said the buyout had "funding secured," without providing any details. Days later it was revealed that Mr. Musk was still lining up investors and funding for a proposed deal.

The SEC last month subpoenaed Tesla seeking information from each of its directors. The agency last year also began investigating whether Tesla misled investors about production problems with its Model 3 sedan, The Wall Street Journal has reported.

A Justice Department investigation would likely be criminal because prosecutors often work in parallel with the SEC when there is an allegation of securities fraud, said Michael Liflik, a partner at Quinn Emanuel Urquhart & Sullivan LLP.

"If there is a civil case to be brought, the SEC would bring it," said Mr. Liflik, a former

Please turn to page B2

PERSONAL TECHNOLOGY | By Joanna Stern

Sizing Up iPhone XS and XS Max

BY ANNAMARIA ANDRIOTIS
AND EMILY GLAZER

Facebook Inc. had been haggling with financial firms over its access to users' sensitive financial information for years, well before the social-media company came under fire for its handling of personal data.

As recently as last year, the social-media company pressed financial firms for the ability to use customer data flowing

through its Messenger platform for a range of purposes, including advertising, according to people familiar with the matter and documents reviewed by The Wall Street Journal. Concerned about privacy, several firms negotiated bespoke agreements that limited how Facebook could use any financial data that would pass through its servers.

The negotiations highlight a dilemma facing Facebook as it balances its need for detailed

user data to better target advertisements and increase user engagement with concerns about how best to handle users' most sensitive personal information. It is an issue that has taken on new importance following the uproar over Facebook's ties to political analytics firm Cambridge Analytica, which accessed information on as many as 87 million users of the social-media network without their consent.

Facebook has in recent

months taken steps to give users more control over data it collects. Earlier this year, the company changed its privacy policy to more clearly spell out how it handles advertising and user data. In April, before the European Union began enforcing its General Data Protection Regulation privacy law, Facebook asked users to review information about different types of advertising.

Like many online companies, we partner with financial

institutions to improve people's commerce experiences, like enabling better customer service, and people opt into these experiences," said Facebook spokeswoman Elisabeth Diana. "We've emphasized to partners that keeping people's information safe and secure is critical to these efforts. That has been and always will be our priority."

She said Facebook hasn't used and doesn't use con-

Please turn to page B2

In case you missed it, here

are the basic differences:

- **iPhone XS:** An upgrade to the 5.8-inch iPhone X from last year. It still starts at \$1,000 and begins shipping Friday, Sept. 21. (The original X is gone. RIP.)
- **iPhone XS Max:** A giant version of the XS with a 6.5-inch screen—Apple Inc.'s biggest-ever phone display. It starts at \$1,100 and also ships Friday.

- **iPhone XR:** A new model that doesn't have the two-camera system and vi-

- brant OLED screen, but does have a slightly larger 6.1-inch LCD screen and apparently better battery life. It starts at \$750 and ships on Oct. 26.

Sure, Apple's monthlong shipping gap might be a result of manufacturing timelines, or it might be a psychological trick to get you to buy the more expensive models out right now. Whatever the case, after in-depth testing of the new XS and XS Max models, I do have some

Please turn to page B4

Dear reader,

I write to you with a serious iPhone review predicament.

Imagine Goldilocks only

tested the cold and hot porridges and never found the one that was "just right." Her life might have been entirely different. That's how I feel about testing the iPhone XS and XS Max—with the iPhone XR—for the past week.

In case you missed it, here

are the basic differences:

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The companies could be fined up to 10% of their annual turnover.

EU Probes Collusion On Exhaust Systems

BY VALENTINA POP

BRUSSELS—The European Union's antitrust body has opened a formal investigation into possible collusion among Germany's big car makers to limit the development of technology that would reduce harmful exhaust emissions.

The European Commission, the bloc's antitrust regulator, said Tuesday the probe stems from inspections it conducted in October 2017 at the premises of **BMW AG**, **Daimler AG** and **Volkswagen AG** and its **Audi** subsidiary. The raids were prompted by information from Volkswagen that those companies had jointly discussed the development and deployment of emissions-control technologies.

The probe follows several scandals over European car manufacturers cheating on emissions testing.

The commission said Tuesday it found no evidence the companies worked with each other to cheat on regulatory testing. However, it did find enough evidence to open formal proceedings against the three auto makers for colluding to limit the development of two emission systems: selective catalytic reduction systems, which reduce harmful nitrogen-oxides emissions from passenger cars with diesel engines, and so-called Otto particulate filters, which reduce harmful particulate-matter emissions from cars with petrol engines.

If proven, this collusion may have denied consumers the opportunity to buy less polluting cars, despite the technology being available to the man-

ufacturers," said EU competition commissioner Margrethe Vestager.

BMW, Volkswagen and Daimler confirmed the investigation and said they were cooperating with the commission. Daimler said the probe was limited to Europe. Daimler and BMW said the launch of a formal probe isn't a finding that there was a violation.

EU rules prohibit agreements and concerted practices that may affect trade and prevent or restrict competition.

The commission declined to comment on the size of a potential fine for the car makers as a result of the probe, which could last months. Under antitrust rules, the companies could be fined up to 10% of their annual global turnover.

A similar antitrust investigation in 2016 and 2017 into six European truck makers, including Daimler, resulted in total fines of €3.8 billion. One of the charges in that probe was collusion to delay the introduction of emission technologies for trucks.

Volkswagen admitted in 2015 to rigging nearly 11 million diesel-powered vehicles with software that allowed them to cheat on emissions tests.

Last year Volkswagen asked the EU regulators to scrutinize decades of possible coordination by the country's main auto makers. At the time, BMW denied it had cooperated with its rivals to manipulate diesel engines for reducing nitrogen-oxide emissions.

—Ruth Bender and William Boston contributed to this article.

Tesla Is Under DOJ Scrutiny

Continued from the prior page

SEC enforcement attorney. "If the conduct is such that it's so serious that the DOJ or the local U.S. attorney's office views it as potentially criminal, then they investigate the criminal side."

The DOJ can use a variety of statutes to prosecute criminal securities fraud, including the wire fraud statute, Mr. Lif-

tik said. But prosecutors would have to show the misconduct was "knowing and willful," and not just reckless, he said.

The go-private drama was one of several recent episodes that have caused some investors and analysts to question Mr. Musk's fitness as CEO.

In July, he suggested on Twitter that a British cave explorer involved in rescuing a boys' soccer team in Thailand was a pedophile, a claim he later apologized for and then reiterated. The man filed a defamation lawsuit on Monday against Mr. Musk. Tesla declined to comment, and Mr. Musk couldn't be reached.

Earlier this month, Tesla

shares tumbled after Mr. Musk appeared to smoke marijuana during a late-night interview broadcast live on YouTube.

Tesla has struggled for the past year to speed up its Model 3 production, placing Mr. Musk under intense scrutiny and raising questions about the company's finances.

In June, Tesla met its oft-delayed production milestone of building 5,000 Model 3 cars in a single week, a threshold that if sustained could help the company toward its goal of becoming cash-flow positive and profitable in the third quarter.

"We continue to believe fundamentals are strong headed into Q3 deliveries, but we acknowledge the noise

around the stock makes it challenging to invest on fundamentals, currently," Ben Kallo, an analyst for Baird Equity Research, said Tuesday in a note.

Tesla's stock jumped 11% on Aug. 7 following Mr. Musk's go-private tweets. On Aug. 23, Mr. Musk told the board he had decided not to follow through with the proposal. The next day, he tweeted that "I believe the better path is for Tesla to remain public."

Since Aug. 7, Tesla's stock has fallen roughly 25% as prospects for a deal rose and fell. The shares are down about 8% this year after rising 46% in 2017.

—Aruna Viswanatha contributed to this article.

Facebook Shifted on User Data

Continued from the prior page

sumer financial data for so-called ad targeting, or placing ads in front of specific audiences.

Facebook's negotiating stance with financial firms evolved over the years, ranging from asserting ownership of all data that passes through its servers to, later on, allowing financial firms to restrict its use of the information. Several of the deals were negotiated ahead of Facebook's 2017 developer conference, when over a dozen companies in multiple industries, including financial services, launched services on Messenger.

Prior to the launch, Facebook's privacy policy said "we use all of the information we have about you to show you relevant ads."

In conversations with **American Express** Co. in 2016, Facebook executives said they wanted to use individualized cardholder spending data that passes through Facebook, a person familiar with the matter said. That would have allowed them to use the data for ad targeting, the person said.

AmEx didn't want Facebook to use individualized data for anything besides servicing cardholders who opted into the chatbot, the person said, and instead agreed to provide aggregated transaction data for ads and other purposes.

After **Bank of America** Corp. reviewed Facebook's terms, it decided it would

move its clients who engage in private messaging with the bank on Facebook off of the site so that Facebook wouldn't gain access to their financial data, according to a person familiar with the matter.

When **Wells Fargo** & Co. launched a chatbot pilot with Facebook in 2017, it informed customers that Facebook would have access to their Messenger conversations with bank representatives, per its data policy. "Customers were cautioned that they should not enter account numbers or other sensitive data in their chatbot conversations," a spokeswoman said. The 5,000-customer pilot ended in April.

PayPal Holdings Inc., which allows users of the payment service to send money through Messenger, negotiated a custom contract that prohibits Facebook from using PayPal customers' data for advertising or any of Facebook's own commercial purposes, the company said.

Western Union Co., which also launched a Messenger-based money-transfer service at the 2017 developer conference, has a custom deal that "reflects our privacy obligations to our customers," said spokeswoman Pia De Lima.

The deals predate a more recent Facebook effort, reported by The Wall Street Journal last month, to form partnerships with big banks to offer a range of customer services through Messenger, including fraud alerts. The company said it wouldn't use any information obtained through those services for ad-targeting purposes.

Banks have been hesitant to give too much control to Facebook.

—Peter Rudegeair contributed to this article.

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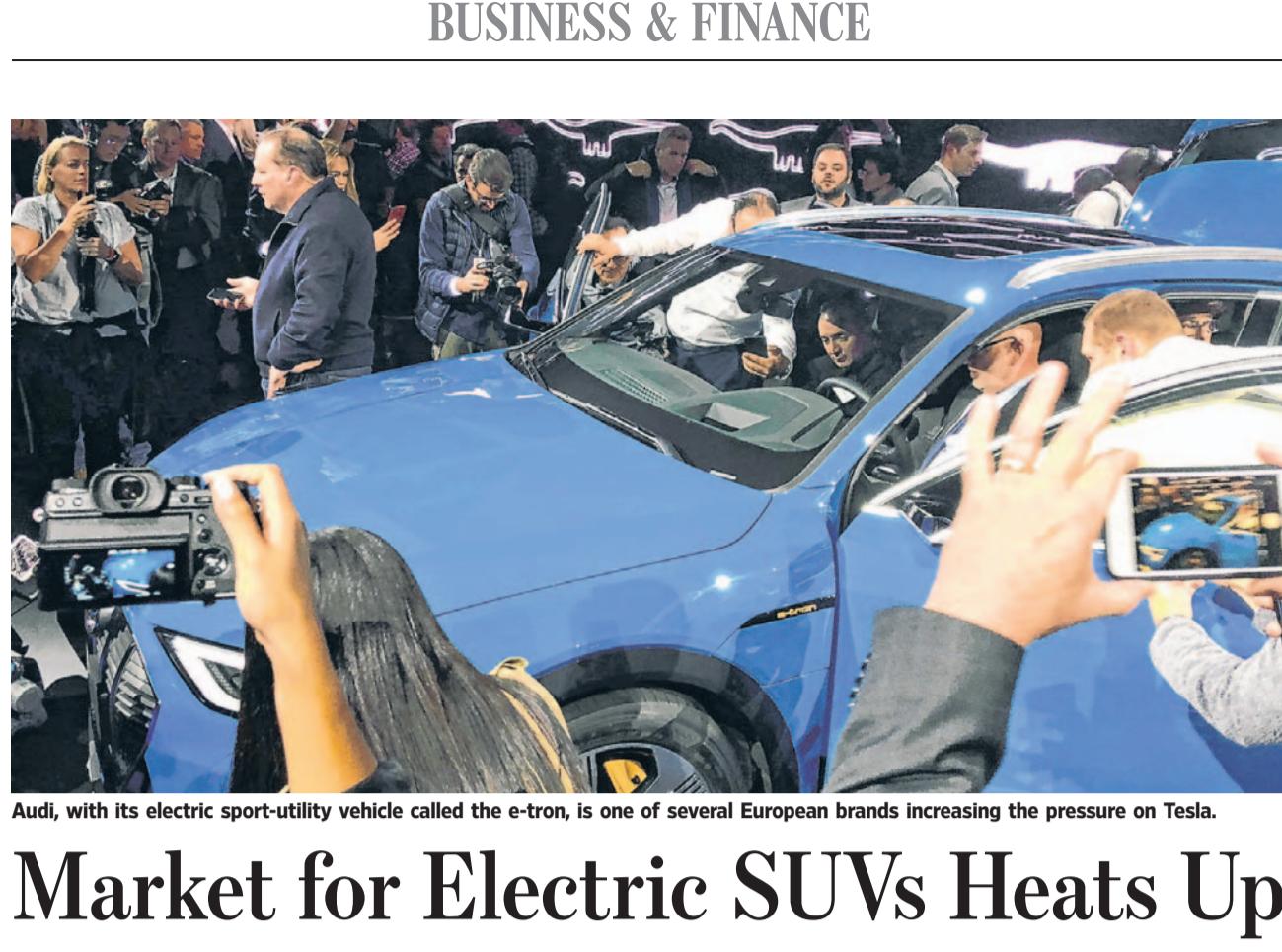
September 19, 2018

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Audi, with its electric sport-utility vehicle called the e-tron, is one of several European brands increasing the pressure on Tesla.

Market for Electric SUVs Heats Up

By TIM HIGGINS

Customers like Tom Richmond could become a problem for Elon Musk and the future of Tesla Inc.

The consumer-products consultant is selling his Tesla Model 3 sedan and replacing it with a Jaguar I-Pace, a new sport-utility vehicle made by the U.K. unit of India's **Tata Motors** Ltd. that Mr. Richmond said, has a romantic British sports-car heritage, luxurious interior—and runs on electricity.

"I mean, a Jag, how could you not?" said the 60-year-old from St. Petersburg, Fla. "You sit in any one of them. It is just the lap of luxury."

The I-Pace, which starts at about \$70,000 and arrives in U.S. showrooms this fall, represents the first of a long-promised assault by European luxury auto makers to challenge Tesla with their own

high-end, long-range electric vehicles. They are gunning for one of America's most popular vehicle categories: SUVs.

On Monday in the San Francisco area, German auto maker **Audi** AG revealed the production version of its electric SUV called the e-tron. It aims to begin selling the spacious, five-seater in the U.S. next spring starting at about \$75,000, slightly less than the roughly \$80,000 base price of Tesla

BUSINESS NEWS

Venture
Forms to
Moderate
Content

BY SARA GERMANO

BERLIN—Bertelsmann SE has agreed to merge the part of its business that offers content moderation services for the likes of Facebook Inc. with a competitor, the German media conglomerate said Tuesday.

Bertelsmann's Arvato customer-relations management division runs centers in Germany and elsewhere where workers pore over social-media content that has been flagged as objectionable. The task has taken on a higher profile as governments increasingly demand moderation of online content.

But the unit hasn't been growing as quickly as Bertelsmann had hoped, and the company said in January it was considering options for the business. On Tuesday, it announced a merger between the unit and the customer-relations business of Morocco-based Saham Group to form a company in which both sides will retain a 50% stake.

Saham Group has worked with Bertelsmann since 2004 on their customer-relations businesses.

The move comes as Bertelsmann sharpens its focus on faster-growing parts of its empire, including digital entertainment and online education.

The privately owned German conglomerate owns or controls stakes in book publisher Penguin Random House, music label BMG and digital entertainment provider RTL Group, among others, and has been adding to its Bertelsmann Education Group with acquisitions as recently as this week.

In a statement, Bertelsmann Chief Executive Thomas Rabe said the Gütersloh, Germany-based company plans to invest "several hundred million euro in the next years" in the new joint venture.

Danish Bank Knew of Russia Clients

Bank officials at the center of one of Europe's largest money-laundering scandals knew earlier than previously indicated about problems at its tiny Estonian branch, including that it held accounts for blacklisted Russian clients,

By Patricia Kowsmann, Drew Hinshaw and Bradley Hope

according to correspondence seen by The Wall Street Journal and Estonia's financial regulator.

It is the latest indication that officials at **Danske Bank** were aware almost two years before it started shutting questionable accounts that the small but highly profitable branch was involved in potentially illicit money flows.

Danske, Denmark's biggest bank, is being probed by U.S. authorities who want to know

why its tiny branch in the former Soviet republic of Estonia processed as much as \$150 billion in transactions from 2007 to 2015 from foreign countries, mainly Russia.

Denmark's politicians—and a falling share price—have put pressure on the bank to disclose how much its executives knew about any suspicious money shifting through there. The bank is scheduled to disclose findings from an internal probe on Wednesday.

A Danske spokesman declined to comment.

In an April 2013 email, Danske Bank's anti-money-laundering chief, based in Denmark, asked colleagues in the Estonia branch about client accounts whose owners appeared on a blacklist generated by Russia's central bank. Russia's central bank keeps a database of individuals and companies suspected of financial wrongdoing—about

500,000 presently—and shares it across borders.

Estonian authorities had repeatedly complained to Denmark's banking supervisor, the email said: "They have the impression that we do not take the issue very seriously," wrote Niels Thor Mikkelsen,

'They have the impression that we do not take the issue very seriously.'

the bank's then-compliance executive.

The Danish Financial Supervisory Authority—in charge of making sure Denmark's banks obey anti-money-laundering rules—was "very worried because they have confirmed to U.S. authorities that we com-

ply with Danish [anti-money-laundering] requirements," he wrote, copying the email to several employees of the branch.

"The Danish FSA has helped the Bank in a critical situation. They are now very worried."

It wasn't clear, Mr. Mikkelsen wrote, if Danske Bank's Estonia branch was indeed in compliance. He asked a series of questions about the blacklisted clients, such as "How do we handle their relationship?"

Mr. Mikkelsen declined to comment, citing legal secrecy.

In an email Tuesday, Estonia's Financial Supervision Authority confirmed it repeatedly complained to Danish counterparts about the branch's blacklisted customers.

A spokesman for the Danish FSA referred to a paragraph in a reprimand ruling it issued against Danske in May, which says it received "misleading" information from the bank be-

tween 2012 and 2014. Danske says the information it received came from the branch.

The Russian Central Bank didn't immediately respond to requests for comment.

The email about the Russian blacklist indicates Danske Bank officials were aware of problems in the first half of 2013.

According to a statement it published in July, Danske said it got word of serious problems at its Estonia branch when a whistleblower tipped them off in December 2013.

Banking blacklisted clients could put Danske afoul of regulators in Russia, where the Danish bank has a subsidiary.

"The Russian Central Bank is by Russian standards relatively reputable," said Mark Galeotti, an expert on Russian financial crime at Prague's Institute of International Relations. "You take the names that are on that list seriously."

Neiman Posts Loss, Accelerates Digital Push

By SUZANNE KAPNER

Neiman Marcus Group Ltd. reported stronger quarterly sales, as the luxury retailer benefits from robust spending by wealthy consumers.

But it lost \$75.3 million for the period ended July 28, compared with a loss of \$366.3 million a year earlier. The year-earlier loss included a \$357 million impairment charge to write down the value of its brand names.

Chief Executive Geoffroy van Raemdonck, who succeeded Karen Katz in February, has been working to stabilize the business, which is saddled with buyout debt.

In an interview, Mr. van Raemdonck said he is doubling the amount of money invested in digital initiatives such as data mining and supply-chain improvements to make the customer experience more personalized. "Access to cus-



A Neiman Marcus store in Fort Worth, Texas, last year. The luxury retailer is raising its spending.

tomers is more valuable than access to brands, because customers can find products everywhere," the former Ralph Lauren Corp. executive said.

"The reason for customers to

shop with us is we will have the ability to get to know them better than anyone else."

The increase in digital expenditures is part of a broader plan to ramp up spending. Net

capital expenditures will range from \$170 million to \$190 million in the current fiscal year, compared with \$155 million to \$165 million in the recently completed year.

Mr. van Raemdonck said he also wants digital sales to account for half of Neiman's revenue, up from about one-third currently. To that end, he hired Amazon.com Inc. veteran Darcy Penick as president of its ultra-high-end Bergdorf Goodman brand. Ms. Penick, who started Sept. 4, was most recently chief executive of Shopbop, a luxury fashion website owned by Amazon.

The recently completed quarter is the fourth consecutive period in which Neiman's sales rose. Same-store sales in the period increased 2.3%. For the year, sales totaled \$4.9 billion, compared with \$4.7 billion a year earlier.

Mr. van Raemdonck said he is looking at potential acquisitions and partnerships that would give Neiman more of a global reach. All of its 42 Neiman Marcus stores and two Bergdorf Goodman stores are located in the U.S.

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Mr. Ma says government officials called to say 'Are you crazy?'

Ma Defends Exit Decision

By LIZA LIN

Billionaire Jack Ma said China's government didn't push him to step down as head of **Alibaba Group Holding** Ltd., blaming rumors emanating from outside China for fueling such speculation.

Alibaba's executive chairman told investors at an event in the e-commerce giant's home city of Hangzhou on Tuesday that his coming retirement had been planned for a decade. The timing of the announcement earlier this month that Mr. Ma, 54 years old, would hand over the reins to Chief Executive Daniel Zhang next September caught many by surprise.

Chinese government officials, he said, called him to ask "Are you crazy?", "What happened?", "Is it something painful?", "Or some disease, or what?" I said, "No!" he said during a speech at Alibaba's headquarters. "I've also got rumors from outside China, saying, 'It's because the government wants to push you down.' Nobody can, if you

don't want to leave, right? I know it's nothing about the politics or government."

The timing of Mr. Ma's retirement prompted speculation that his stepping aside was linked to closer government scrutiny of China's biggest technology companies, part of Beijing's tightening of its grip on private enterprises. A day before the Hangzhou speech, Mr. Ma signaled frustration with bureaucratic meddling, telling a government-sponsored forum in Shanghai that regulators should take a lighter touch in dealing with technology companies and allow the market to decide how new industries such as artificial intelligence develop.

The founder led Alibaba's growth from a domestic wholesale website in 1999 to an internet conglomerate with interests in e-commerce, mobile payments, cloud services and digital media. Mr. Ma, one of China's richest people, with a fortune estimated at more than \$36 billion, is no stranger to the limelight, often speaking his mind on topics such as

U.S.-China trade or government-business relations.

The internet billionaire also said Tuesday that his departure had nothing to do with the trade friction between the U.S. and China. Mr. Ma said he was giving up his position after having groomed a team of senior leaders at Alibaba driven by a similar mission and values as the company's original team of founders.

Alibaba's chairman says the Chinese government didn't force his departure.

The timing of the announcement, he said, was decided when he realized he had spent at least 60 days away from the company, pursuing his own philanthropic causes such as education and promoting entrepreneurship, without receiving a single phone call from the office. Mr. Ma will re-

main on the company's board until its annual shareholder meeting in 2020.

Operating conditions for China's largest technology companies have become increasingly restricted in recent years as internet companies have grown in influence in China. In the past year, Tencent Holdings Ltd., China's biggest social-media network and game company, has been caught in a regulatory clampdown on excessive game playing, a move that has seen it remove games from circulation. Alibaba's mobile-payment affiliate, Ant Financial Services Group, has come under heightened scrutiny from regulators. It was singled out in January for violating national standards on the protection of personal data.

Fast-growing technology startups haven't been spared. Beijing Bytedance Technology, which runs popular apps such as the news aggregation platform Jinri Toutiao, was taken to task twice over the summer for spreading content that insulted national heroes.

Sizing Up iPhone XS, XS Max

Continued from page B1

direction for you. With subtle but strong improvements over last year's X, (subtle, that's what the S stands for, right?) the XS and XS Max are fabulous phones. But we've hit a point where every smartphone is great—it comes down to what you want and what you want to spend.

With that, I present a choose-your-own-adventure iPhone XS and XS Max review. Choose which iPhone features matter to you most, ignore Apple's time frame and make

your decision from there. **Big screen.** If you want a ginormous screen on an iPhone, the XS Max's beautiful 6.5-inch OLED display is here for you. Surprisingly, the XS Max is about as large as the older iPhone Plus models—its screen just covers more of the phone's face. The only way I could make the Max look small was to put it in the hand of Gheorghe Mureșan, who shares the record for tallest basketball player in NBA history.

Taking photos, watching videos, FaceTiming, Fortnitng, even writing emails felt more immersive on the big phone. But two things hold me back from going to the Max.

1. Apple isn't doing enough to take advantage of all the extra space. The Max just feels like a blown-up iPhone, when it could be a new sort of computer. Unlike

Samsung's Galaxy Note or even Apple's iPad, you can't place apps side by side or float a video in the corner.

2. One-handed use is a struggle at times with smaller hands, especially typing—even with Apple's "reachability" trick that lets you shift the screen down when needed. The XS is more of a "just right" fit for my hand and pocket. Even the XR felt much smaller than the Max.

Big battery life. The XS Max's battery life also makes it tempting. It generally lasted one to two hours longer during the day than my X. (As a heavy smartphone user—yes, I'm working on it—I typically charge my X midafternoon to carry me until bedtime.) In my video streaming tests, the XS Max streamed Netflix for nearly 13 hours; the XS lasted 10.5

hours and the older X went just 9.5 hours.

But the XR might outlast them all. According to claims on Apple's website, the XR will last 1.5 hours longer than the 8 Plus model—and it's rated to have longer battery life than the XS Max when it comes to internet and video usage.

Big camera. If you are upgrading from any of the smaller iPhones of the past few years, the XS and XS Max cameras will be a big leap. (Both XS models have the new dual cameras.) If you're considering going from the X or the iPhone 8 Plus to the XS because of cameras, though, it's more of a mini hop.

The neatest trick is the new advanced depth control in portrait mode. With this effect, you can simulate the artistic blur around your

subject that photographers call bokeh. But I found that the phone still can't always get the blurring right around the edges of certain objects.

The smart HDR feature and new sensors did make for a more even and clear photo when shooting almost directly into brighter lights—plus crisper, more colorful low-light shots—but overall my photos looked similar to the ones I've taken with the X. In many cases, they were not as good as shots I've taken with the Samsung Galaxy Note 9 or Google Pixel 2.

What is noticeable? Auto-focus and launching the camera on the XS models are speedier than on the X. Apple's new A12 Bionic processor also made augmented-reality apps on the XS feel less jittery. Everyday actions are faster, too—even just pressing the reply button in the

Gmail app. The XR will have the same processor.

Newest iPhone. Oh, you'd upgrade to the newest iPhone even if Apple only changed the color of the volume button? Don't worry, this is a judge-free zone.

Still, unless you are in an iPhone upgrade program or absolutely dying for that Max screen, don't jump from the X to the XS. Going back to last year's model, I missed the speed boost a bit, but not enough to drop another grand or more. (That said, upgrading to iOS 12 will also speed up certain things, especially on older phones.)

I realize this review may not have answered all your questions. Don't blame me, blame Apple...and keep your wallet closed. See you in a month with the XR review.

All the best,
Joanna

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BUSINESS NEWS

Mastercard, Visa Agree to Settle Antitrust Suit

By KIMBERLY CHIN

Mastercard Inc., Visa Inc. and other financial institutions have agreed to a \$6.2 billion settlement of a long-running antitrust lawsuit over the fees merchants must pay when they accept card payments.

The proposed amount covers \$900 million to be paid by all of the institutions, including a number of banks that issue debit and credit cards, such as **JPMorgan Chase & Co.**, Citigroup Inc., and **Bank of America Corp.**

It also includes about \$5.3 billion already paid by the defendants as part of a \$7.25 billion settlement reached in

card, which settle the fees with the banks independently.

The defendants involved in the case said that the part of the suit that seeks to revise network rules isn't covered by Tuesday's settlement and won't result in any immediate action while the parties engage in negotiations.

The settlement Tuesday, which was originally reported by The Wall Street Journal in June, is still subject to court approval. If approved, it would cap a class-action lawsuit that was brought by merchants in 2005 against Visa, Mastercard and the largest U.S. card-issuing banks.

When the \$7.25 billion settlement was reached in 2012, many large merchants opted out largely due to terms that would have barred them from filing lawsuits against the networks over future swipe-fee increases. An appeals court invalidated that settlement on the grounds that merchants weren't adequately represented.

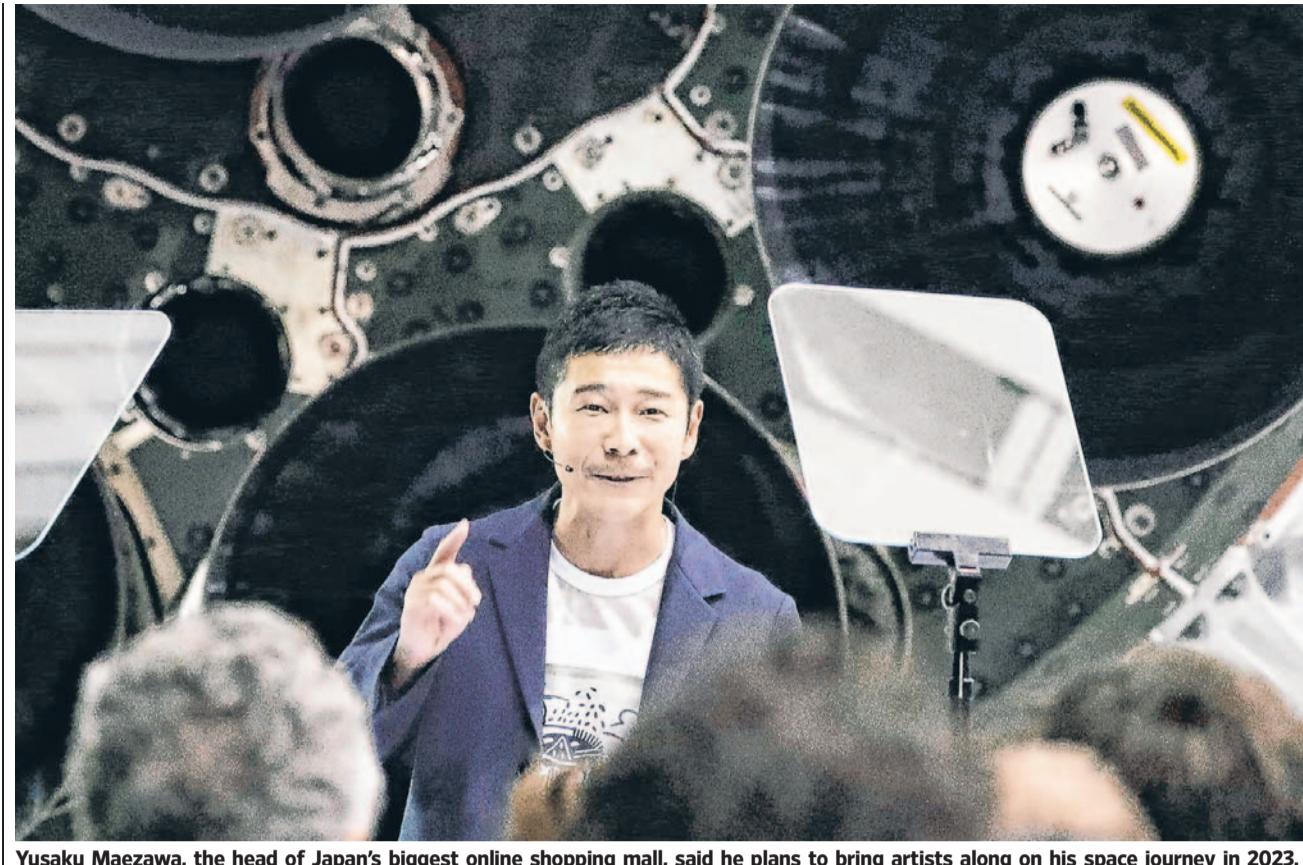
The Supreme Court last year declined to hear the case, shifting it back to the district court.

Visa's share of the new settlement is \$600 million, which it said it had already set aside. Including the 2012 settlement, Visa's share is \$4.1 billion.

Mastercard will pay an additional \$108 million, on top of the \$790 million it agreed to pay in the earlier settlement.

The merchants allege that the card networks have intentionally set fees and card-acceptance rules that primarily benefit the banks.

The merchants also argue that they should have the ability to negotiate their own fees directly with the banks instead of through card networks like Visa and Master-



Yusaku Maezawa, the head of Japan's biggest online shopping mall, said he plans to bring artists along on his space journey in 2023.

CHRIS CARLSON/ASSOCIATED PRESS

Mogul Shoots for the Moon

First paying passenger for Elon Musk's SpaceX flaunts his fortune made in e-commerce

By MEGUMI FUJIKAWA

TOKYO—Yusaku Maezawa, the head of Japan's biggest online shopping mall—and the first paying passenger for Elon Musk's SpaceX—is known for his flashy personal life.

The 42-year-old e-commerce mogul, who is also an art collector, used social media to flaunt his plan to travel on Mr. Musk's space vehicle on a journey around the moon. "I choose to go to the moon, with Artists," he tweeted on Tuesday local time.

Mr. Maezawa said he is inviting six to eight artists to join his trip to space in 2023, a project he named "#dearMoon." The price he will pay

for the ride wasn't disclosed.

"Ever since I was a kid, I have loved the moon," he said at an event in California with Mr. Musk. "It's always there and has continued to inspire humanity."

Last year, Mr. Maezawa paid \$110.5 million for a Jean-Michel Basquiat painting of a black skull. He previously spent \$57.3 million for a larger, untitled Basquiat that featured a devil and \$22.6 million for a rainbow-colored Pablo Picasso portrait, "Head of a Woman (Dora Maar)."

Mr. Maezawa founded Start Today Co. in 1998 as a seller of imported records and CDs. He started the online fashion-retail website Zozotown in 2004, and it has taken off in recent years among Japanese clothes buyers because it offers a variety of brands on a single site.

Start Today is listed on the Tokyo Stock Exchange and had a market capitalization of about ¥1 trillion (\$8.94 billion) as of Tuesday trading.

Recently, Zozotown has caught the attention of investors by introducing Zozosuit, a suit that allows an app to take precise measurements of customers' entire body so that they can order the correct size on the website. The company plans to distribute 10 million suits free of charge within the year to promote sales.

Although Mr. Maezawa said his planned trip around the moon was a "personal activity," it is his strategy to use his private activities to open doors for his business.

"People don't recognize me when I say I'm Maezawa from Start Today" but they know Maezawa who has bought Basquiat," Mr. Maezawa said in an interview after he made the purchase in May 2017. "I get to meet people that I might not have met in the fashion business in the world of art."

He said in the interview that he hoped his art purchases would be a catalyst for his company to gain ground abroad. Mr. Maezawa has said he aims to increase his company's market capitalization to ¥5 trillion within the next 10 years and bring in 80% of its revenue from outside Japan by that time.

The company recently started selling clothes abroad under its own brand, Zozo, and projects ¥2 billion in sales for the brand outside Japan in the year ending March 2019.

Mr. Maezawa's private life also drew attention recently when he started dating Japanese actress Ayame Goriki, the latest in a string of celebrity companions for the fashion executive. The new couple put a video of themselves on Instagram, and Ms. Goriki advertised her love for Zozotown on her Instagram account.

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THE PROPERTY REPORT

Flex-Space Giant Takes On Manhattan

After recent deal, the city's largest office tenant rents 5.3 million square feet of space

By KEIKO MORRIS
AND ELIOT BROWN

WeWork Cos. now occupies more Manhattan office space than any other company, a milestone that reflects booming demand for flexible workspace among legions of small and midsize firms—and, increasingly, larger companies, too.

The co-working company rents 5.3 million square feet in Manhattan. WeWork calculated that a lease it recently signed for 258,344 square feet at Penn Plaza pushed its total past the 5.2 million square feet of space rented or owned by JPMorgan Chase & Co., according to real-estate services firm Cushman & Wakefield.

WeWork is one of the biggest and fastest-growing of the "flex space" office providers, a group that also includes Knotel Inc., **Industrious Office** and **IWG PLC**. These companies rent office space from building owners, then sublease it for as short as a month or up to three years. They offer tenants greater flexibility than do traditional landlords, which typically lock in renters for a decade or longer.

The New York-based company and similar flex-space operators have made big strides in New York City this year. They accounted for 9.7% of Manhattan's new leases signed in the first eight months of 2018, compared with 3.3% in all of 2017, according to real-estate services firm CBRE Group Inc.

Co-working companies initially filled their offices primarily with startups that were eager to work alongside other young firms. Tenants welcomed WeWork amenities like comfortable lounges with cucumber water and beer on tap.

More recently, co-working companies have fueled their growth by attracting bigger firms that once expressed little interest in flexible office space. Divisions of **Amazon.com Inc.**, **Verizon Communications Inc.** and **Liberty Mutual Insurance** are now



Flex-space operators accounted for 9.7% of Manhattan's new leases signed in the first eight months of this year.

taking space through WeWork and its peers.

These companies typically welcome the greater flexibility of shorter leases, and in some cases exposure to entrepreneurs and startups leasing in the same building.

"The ability to act quickly and get into a market and capture the talent you want to get is much more critical than before," said John Vazquez, a Verizon senior vice president.

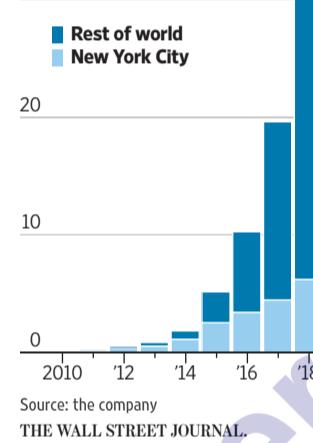
Verizon has short-term flexible leases in cities including New York, Los Angeles and Dallas, with some locations accommodating as many as 300 people, Mr. Vazquez said. The telecom company has more than 6,000 employees in 54 flex-space locations across the U.S. It expects that head count to reach 10,000 by 2021.

Overall, co-working and other flex-space companies control 59 million square feet of U.S. office space, up from 12 million in 2010, real estate services firm JLL said.

Consulting firm McKinsey & Co. has taken space with In-

WeWork's Rise

The co-working giant has added millions of square feet.



rapid growth is largely a function of the long economic expansion. They suggest the business model could face new challenges when the economy slows.

WeWork and its peers are typically on the hook for fixed rents of 10 to 15 years, but their subtenants can bolt after only a fraction of that time, potentially leaving co-working companies stuck with empty space for long stretches.

That is what happened in 2001 to Regus PLC, a Europe-based flex-space company now known as IWG, which grew rapidly during the dot-com boom before its rents and occupancy levels plummeted during the bust. Its U.S. arm ended up filing for bankruptcy protection in 2003.

SoftBank Group Corp. has made a big bet on co-working. The Japanese technology investor and other backers have poured more than \$5 billion into WeWork, which was valued in 2017 at \$20 billion. The eight-year-old company is in the process of raising money

at a roughly \$40 billion valuation, according to people familiar with the matter.

Granit Gjonbalaj, WeWork's chief development officer, said that the company is positioned to accommodate large businesses shrinking their offices during a downturn because these clients will want to avoid long-term leases.

Mr. Vazquez at Verizon agreed that flexibility is important. "The benefit to co-working versus fixed space is that you only pay for the space you use," he said.

Flex-space companies typically charge hefty premiums compared with standard space—often twice or three times the price per square foot—though tenants save the cost of renovations. WeWork also packs tenants in at a high density, around 55 square feet per desk, compared with up to 150 for standard offices.

Some analysts expect flexible space could make up as much as 15% of the real-estate portfolios of large companies in the next three to five years.

Company to Curb Noncompete Pacts

WeWork Cos. agreed to curtail its practice of requiring most employees to sign broad noncompete agreements, as part of a settlement with the attorneys general of New York and Illinois.

The shared-office company previously had required "nearly all" employees, including baristas and receptionists, to sign agreements barring them from working at similar businesses for a year after leaving WeWork, the New York attorney general's office said in an announcement of the settlement Tuesday.

WeWork agreed to release 800 rank-and-file employees in New York and an additional 600 employees nationwide from their noncompetes. A further 1,800 employees nationwide will be given less-restrictive terms on their agreements. As of April, WeWork had nearly 3,300 employees in the U.S., with 2,300 of them in New York.

Many companies use noncompete agreements to discourage upper management from defecting to competitors. Critics, though, say the agreements are extending even to employees who don't have access to trade secrets.

"Too often, noncompete agreements are misused," said New York Attorney General Barbara Underwood, "limiting employees' mobility and opportunity and preventing businesses from hiring the best person for the job."

A WeWork spokesman said the company had been revamping employee processes at the time of the investigation.

If there is no legitimate business interest to a noncompete, such as protecting client names or trade secrets, courts generally won't enforce them, said Evan Starr, an economist at the University of Maryland, who studies the effects of noncompetes.

—Eliot Brown

Times Square Theater to Get \$100 Million Overhaul

By KEIKO MORRIS

One of the last remnants of Times Square's past of dilapidated store fronts, sex shops and crime is about to get a \$100 million makeover.

The Times Square Theater on New York's West 42nd Street has been closed for nearly three decades, detached from the transformation of the blighted area into a tourist destination with Hershey's Chocolate World, an Old Navy clothing store and the Nasdaq Stock Market.

Now, a New York developer is reviving it. Stillman Development International LLC, which last year signed a lease for up to 73 years, is planning to restore the theater's historic architecture, combine it with fresh design and lease the property to retailers.

Stillman is betting that the former theater's high ceilings, views of the Times Square neighborhood and large outdoor space will appeal to brands that want a store that can double as an attraction and lure online shoppers from their couches.

It is a formula that has been used by other retailers nearby. Recent offerings include interactive retail and entertainment concepts such as the NFL Experience Times Square, which allows football fans to simulate calling a play in a team huddle. Another attraction from National Geographic animates ocean life in an immersive exhibit using advanced digital technology.

"We wanted to design a project that would be insulated from the risks of e-commerce," said Roy Stillman, president of Stillman. Restoration and the theater's conversion are expected to begin this year and be completed within two years, the company said.

While vacant storefronts pockmark many New York City



The Times Square Theater's grand dome will be restored under a revitalization project by Stillman Development International LLC that will include fresh retail space in the historic structure.

shopping corridors, Times Square has remained busy. The six-block stretch received nearly 419,000 average daily visitors in August, up 13.7% from a year earlier, according to the Times Square Alliance, a nonprofit that advocates for neighborhood businesses and public improvements.

Vacancy rates in the second quarter dropped to 15.6% from 22% in 2016, according to Cushman & Wakefield. Average ground-floor asking rents in the most coveted six-block stretch along Seventh Avenue and Broadway are nearly \$2,000 a square foot, according to the real-estate services firm.

"Times Square's purpose

for 120 years has been to entertain, so it's not surprising to me that entertainment-themed retail and food and beverage are driving the bulk of leasing there," said Steven Soutendijk, an executive managing director at Cushman.

Stillman, which has formed a partnership with South Korean financial firm Daishin Securities Co. for this venture, is spending \$100 million for the makeover. The developer hired Beyer Blinder Belle, an architecture and design firm with an expertise in historic preservation. Its plan involves lifting the theater's limestone facade by 5 feet to create higher ceilings on the ground floor. The

colonade on the second floor will be encased in glass to overlook 42nd street. Stillman also is adding a glass box of two additional floors and outdoor space.

It said it would also restore the large, decorated plaster proscenium arch that once framed the stage, the opera boxes flanking the arch as well as a 35-foot diameter dome.

Stillman said it has received approval from the city historic preservation committee for its preliminary design.

Opened in 1920, the Times Square Theater was one of several Broadway playhouses clustered on the block between Seventh and Eighth Avenues.



BUSINESS NEWS

Women Trail in Owning Startup Stakes

BY YOREE KOH

Female employees at startups typically get less than half the amount of equity of their male peers, according to a new study, highlighting one factor that has limited women's involvement in the Silicon Valley wealth-generating machine.

Female employees own 47 cents for every dollar of equity a male employee owns, according to a new study released by Carta, a Palo Alto, Calif., company that helps startups manage employee and investor equity. The equity discrepancy is even starker for female founders: Women founders own 39 cents of every dollar of equity a male founder owns.

The survey included a range of industries and covers the entire U.S. But it is perhaps most relevant in the tech industry, which is built on the model in which employees

take less pay in exchange for equity in the hopes of hitting the jackpot once the company takes off. The system has minted generations of Silicon Valley leaders by arming them with enough wealth to fund other startups, back their own pet projects or bankroll political campaigns.

The tech industry has come under fire for gender inequality, allegations that encompass pay disparity as well as workplace discrimination, all of which is exacerbated by an overall dearth of women in the field.

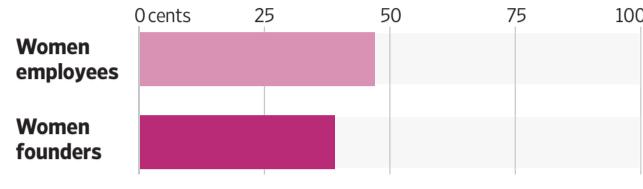
In recent years, large tech companies have begun releasing annual diversity data showing that women typically account for one-third of their overall workforces, and much less in technical and senior roles.

The new data shows "the problem is so much more significant" than women being

Falling Short

Female employees at startups typically own far less equity than their male peers.

Average equity stakes of women compared with every dollar in equity owned by men



Source: Carta

THE WALL STREET JOURNAL

underrepresented in tech, said Chloe Sladden, a former Twitter Inc. executive and a founder of #Angels, a group of six female angel investors. The gap in equity awards shows that women have less "actual firepower" to bring about change, she said.

The study was prompted by a February blog post from #Angels in which its members

said her group believes the main driver is a lack of women in early key and technical roles. They also hypothesize that some of the reasons are rooted in bias, ranging from how women-operated businesses are perceived to how women come across during negotiations.

The analysis is based on aggregated and anonymized data from more than 6,000 U.S.-based companies on Carta's platform that employ about 180,000 workers. About 87% of the nearly 16,000 founders included in the study are male. The companies on Carta, on average, have 34 employees and are a little under five years old.

In general, the gender pay gap has narrowed slightly. Female-to-male earnings measured 80.5%—or 81 cents for every dollar a man makes—up 0.9 percentage point from 79.6% in 2015, ac-

cording to statistics released by the Census Bureau last September.

There has been far less data, if any, on how women fare on startup capitalization tables. According to Carta, women hold 20% of employee equity despite accounting for 35% of equity-holding employees. In other words, women shareholders own about \$2.2 billion in equity value, compared with the \$8.8 billion in value held by the men on Carta's platform. That translates to an average of \$35,319 in value per woman, compared with \$74,998 per man, according to a fair market value assessment by Carta.

While female founders make up about 13% of founders, they own less than 6% of total equity held by founders, putting their ownership value at about \$1.8 billion compared with the \$29.8 billion in value held by male founders.

Class Action Denied for Investors Stung by UBS Funds

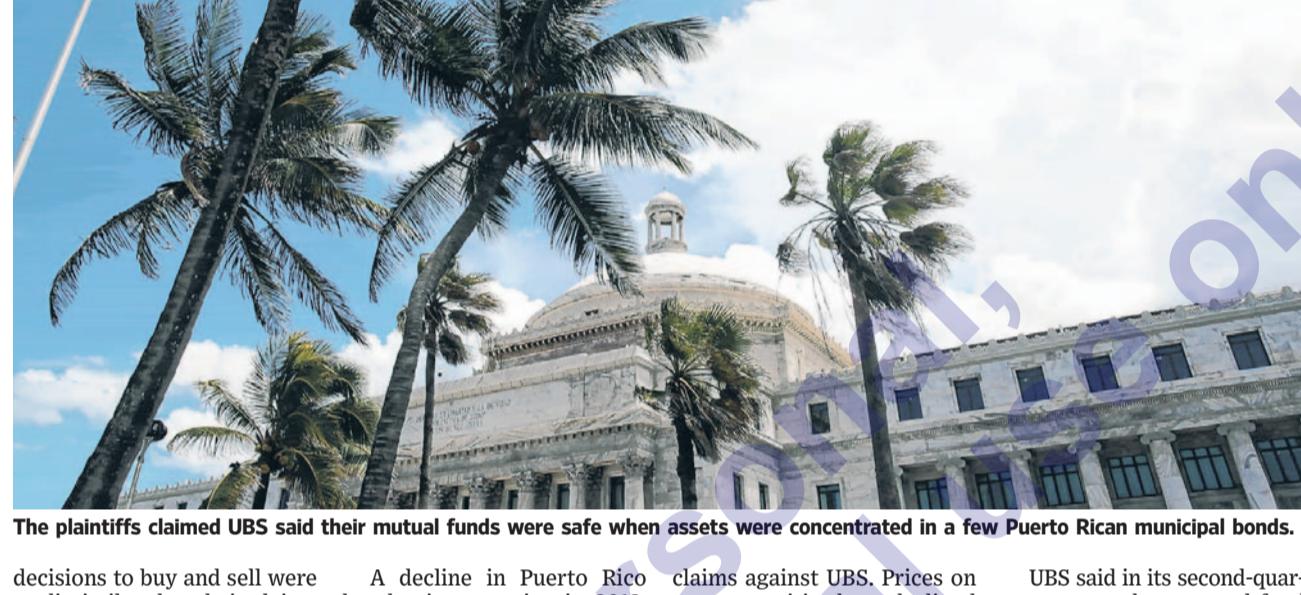
BY ANDREW SCURRIA

Investors who lost money on **UBS Group AG** mutual funds stuffed with Puerto Rico government bonds can't sue as a group, a federal judge said Monday, a setback in their efforts to collect from the Swiss financial-services giant.

The ruling by Judge Sidney H. Stein of the U.S. District Court in New York means that investors in closed-end mutual funds managed by **UBS Financial Services of Puerto Rico Inc.** must pursue their claims individually through arbitration, a more difficult path to recouping damages, rather than proceeding as a single, certified class.

Investors have claimed that UBS brokers told them their mutual funds were safe when in fact their assets were heavily concentrated in just a few Puerto Rican municipal bonds and the funds had used leverage to improve returns.

Judge Stein said the plaintiffs' circumstances and their



The plaintiffs claimed UBS said their mutual funds were safe when assets were concentrated in a few Puerto Rican municipal bonds.

ALVIN BAER/REUTERS

decisions to buy and sell were so dissimilar that their claims needed to be adjudicated case by case. Attorneys for the plaintiffs didn't respond to a request for comment.

A decline in Puerto Rico bond prices starting in 2013, when the U.S. territory's fiscal crisis came into focus, drained value from the mutual funds and sparked hundreds of

claims against UBS. Prices on some securities have declined further since Puerto Rico embarked on a court-supervised restructuring of its \$73 billion debt load last year.

UBS said in its second-quarter report that mutual-fund customers had claimed \$2.6 billion in damages through arbitration complaints arising from the downturn in Puerto

Rican bonds. Of those complaints, \$1.6 billion worth have been resolved through settlements, some of which were for millions of dollars, according to the regulatory filing.

Investors said UBS failed to structure the mutual funds to preserve capital as advertised and reaped millions of dollars in fees by selling and trading mutual-fund shares. UBS largely controlled the market for those shares, making them illiquid and prone to outsize price swings, according to investor complaints.

UBS has said investors received excellent returns for years that often exceeded the broader bond market.

UBS paid roughly \$34 million in 2015 to settle accusations of failing to supervise a former broker who had customers invest borrowed money into the bond funds. The U.S. Securities and Exchange Commission separately sued the former broker, Jose Ramirez Jr., in federal court. He was fired by UBS in early 2014.

BUSINESS WATCH

CRACKER BARREL

Promotions Fail To Draw Customers

Cracker Barrel Old Country Store Inc., reported lower-than-expected fiscal fourth-quarter sales Tuesday.

Chief Executive Officer Sandra Cochran attributed that to the failure of menu and marketing promotions to attract customers. Same-store traffic fell 3.5%, while comparable sales slipped 0.4%.

Cracker Barrel also missed analysts' top- and bottom-line expectations. Overall sales rose 9% to \$810.9 million from the same period a year earlier, missing analysts' estimates of \$824.26 million, according to a Thomson Reuters poll. Adjusted earnings per share of \$2.55 missed Wall Street's \$2.69 consensus. Shares fell 4.6% to \$143.80.

—*Kimberly Chin*

trance to Europe.

Thor said that it would give the Bad Waldsee, Germany-based RV maker roughly €1.7 billion (\$1.9 billion) in cash and 2.3 million of Thor's shares, worth \$224.3 million, according to Monday's closing price. The company also will assume about €300 million in debt.

Thor, based in Elkhart, Ind., said it expects the deal to add to its earnings in the first year before the effects of anticipated cost cuts, transaction-related expenses and accounting adjustments from the purchase.

—*Kimberly Chin*

DOLLAR TREE Support Centers To Consolidate

Dollar Tree Inc. said Tuesday that it is consolidating store support centers into the company's new headquarters in Chesapeake, Va.

The support centers Dollar Tree is consolidating are in Chesapeake and Matthews, N.C.

The company said it expects to finish the consolidation by next fall. It is closing the Matthews headquarters after the consolidation, it said, but is keeping the distribution center there. About 700 employees have been given offers to relocate, Dollar Tree said.

Dollar Tree said its plans for consolidating the centers are "part of its continuing integration of Family Dollar's organization and support functions." Dollar Tree bought Family Dollar in 2015.

The company said it expects pretax expenses from the consolidation will be between about \$40 million and \$49 million. It expects to incur between \$5 million and \$8 million of that this fiscal year, it said.

—*Allison Prang*

TATA MOTORS

Production Cutback Takes Toll on Bonds

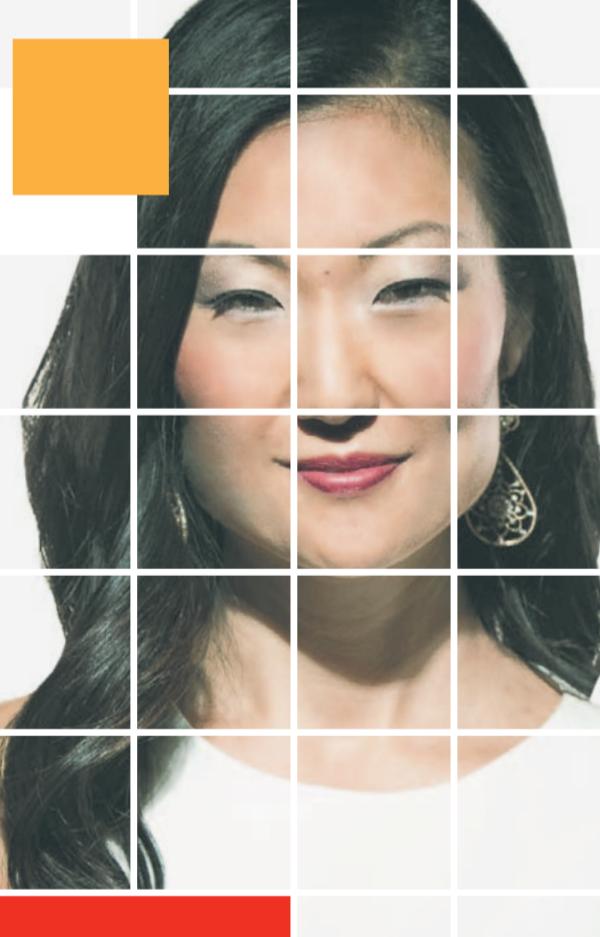
Yields on Jaguar Land Rover's euro-denominated bonds eased as the British car maker said Monday it would put 1,000 workers at its Castle Bromwich plant on a three-day week from October until Christmas.

The Tata Motors' subsidiary is cutting production in the face of falling sales due to Brexit and low demand for diesel cars.

The move will reduce costs for the unit, allowing it to balance supply to global demand and easing pressure on margins.

Yields on 4.5% October 2025 euro-denominated bonds eased to 4.605% from 4.634 earlier in the day, according to Tradeweb.

—*Lorena Ruibal*



I AM TAMMY MEINERSHAGEN

I am the Frisco Violin Girl

I am a visionary

I am a change agent

I am an arts advocate

I am a creative catalyst

I am an innovator

I am Korean-American

I am raising strong daughters

SEE YOURSELF IN FRISCO

Join professional musician, innovator and mother, Tammy Meinershagen in Frisco, where she is working tirelessly to develop arts and culture, so that it can remain among the top 100 places to live. With a thriving art scene, top-rated school district and extraordinary quality of life, it might just be the perfect place to call home for you and your family, too.

Visit FriscoEDC.com and see how Tammy is championing the arts in Frisco, Texas.



U.S. RV maker Thor expects its deal for a German company to add to its earnings in the first year.

JOSHUA LOTT/REUTERS

BUSINESS & FINANCE

Ferrari Soups Up Its Output and Lineup

Sergio Marchionne's successor lays out plans for larger model and special editions

BY ERIC SYLVERS

MARANELLO, Italy—Ferrari NV plans to launch a series of special-edition models and a larger car to rival sport-utility vehicles as part of the Italian luxury-car maker's drive to increase volume and double profit by 2022.

The initiatives are part of a five-year plan unveiled Tuesday by new Chief Executive Louis Camilleri, who took the wheel of the storied company in July after the unexpected death of Sergio Marchionne.

Ferrari under Mr. Marchionne had already started to boost production beyond self-imposed limits meant to protect the brand's exclusivity. The former chief had also alluded to the introduction of a larger, taller model similar to an SUV, prompting fans and some analysts to warn it could harm the brand.

Mr. Camilleri, like his predecessor, was careful not to call the larger Ferrari an SUV, but with its planned introduction in 2022 it will compete with SUVs from the likes of Lamborghini and Bentley. Mr. Camilleri said the new vehicle



The special-edition Monza SP1 is inspired by the Ferrari 750 Monza race car of the 1950s.

will be called "purosangue," which means thoroughbred in Italian.

"It's something you haven't seen before so don't give it acronyms," Mr. Camilleri said in response to an analyst who pressed him to say if the new vehicle was an SUV or something closer to a sedan.

Ferrari said it would produce no more than 500 of the first two cars in a series of special-editions based on some of the brand's best-known models. The first two are modernized versions of the Ferrari 750 Monza race car that dates from the 1950s: the Monza SP1, which has only a seat for

the driver, and the two-seat Monza SP2.

The new open-top cars don't have a traditional windshield and will instead be outfitted with what Ferrari is calling a "virtual windshield" that funnels air off the hood through a duct and up vertically in front of the driver, creating a barrier against the wind. Included in the price of the car—in addition to the 810 horsepower engine, the most powerful ever in a Ferrari—is a driving jumpsuit made by high-end Italian designer Loro Piana.

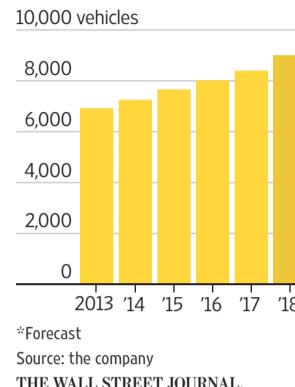
Ferrari will present the cars to the public and give pricing

details at next month's Paris Motor Show. They will cost more than \$1.5 million, according to a person familiar with the company's plans. Ferrari said it already has orders for the cars it will make. It didn't say when the next special-edition model is due.

Mr. Camilleri also said there was considerable value to be gained by expanding the Ferrari brand beyond cars though he declined to give details, only saying that it is a "work in progress." Since the time of Ferrari's initial public offering in 2015, Marchionne had spoken of plans to expand the brand into other luxury

Shifting Gears

After years of self-imposed limits, Ferrari's annual output is forecast to continue its recent growth.



*Forecast
Source: the company

THE WALL STREET JOURNAL.

buyers, said Mr. Noci.

Mr. Camilleri's presentation at Ferrari's factory complex in Maranello north of Bologna is his first in-person briefing to investors and analysts since being parachuted into the role in the summer with no experience of running a car company.

Mr. Camilleri, who was a Ferrari board member and chairman of the company's racing sponsor Philip Morris International Inc. at the time of his appointment as CEO, spooked investors on a conference call shortly after taking over by describing Mr. Marchionne's target to double gross operating profit by 2022 as "aspirational."

On Tuesday, Mr. Camilleri didn't back away from that characterization but did qualify it. "Our objectives are ambitious but they are based on a meticulously constructed model pipeline, our enviable pricing power and appropriate investment levels to support our key initiatives during the plan period and beyond," said Mr. Camilleri.

Affirming the targets, finance chief Antonio Picca Piccon said the company would "almost double" adjusted gross operating profit to between €1.8 billion (\$2.1 billion) and €2 billion in 2022, from €1 billion last year. Revenue is expected to rise to about €5 billion, from €3.4 billion last year.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American 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 18, 2018				Stock Sym Hi/Lo Chg				Stock Sym Hi/Lo Chg				Stock Sym Hi/Lo Chg				Stock Sym Hi/Lo Chg				Stock Sym Hi/Lo Chg				
Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Stock	Sym	52-Wk % Hi/Lo Chg		
Highs				Highs				Highs			Highs			Highs			Highs			Highs			Highs	
AllianzGI	PfDA	NCZa	25.02	0.1	BerkHathwy B	BRKB	218.50	0.9	Catays	CATS	14.29	6.3	DigitalAlly	DGLY	4.30	18.1	Fortive	FTV	87.86	0.3	InnovativedPdA	IIPRPa	29.25	1.3
AllisonTransm	ALSN	52.46	0.6	BisonCapAcqn	BCAC	10.30	1.0	CeridianHCM	CDAY	44.97	0.6	Domtar	UFS	54.50	-1.6	ForwardAir	FWRD	68.84	0.5	IntlMoneyExpressWt	IMXIW	1.88	1.2	
AmericanCin	AFIN	17.79	3.0	Blackstone	BX	37.94	1.2	ChampionOncology	CSBR	13.00	6.3	Dover	DOV	89.63	0.3	FranklinElec	FELE	51.45	1.1	InterXion	INXN	68.51	2.2	
AcceleroPharma	XLRN	55.25	4.0	BostonSci	BSK	37.79	0.9	ChefsWarehouse	CHEF	37.00	1.8	EasterlyAcqn	EACO	11.25	8.2	frontdoor	FTDRV	37.60	0.3	Invitae	NVTA	18.38	10.8	
Accenture	ACN	172.83	0.8	Bottomline	EPAY	70.09	4.5	ChesapeakeLodging	CHSP	33.77	0.2	Ecopetrol	EC	26.67	1.1	FutureFuel	FF	18.97	-2.9	Radimed	IRMD	32.00	1.6	
Aaron's	AAN	53.00	2.1	Bottomline	EPAY	70.09	4.5	Chestnut	CPK	90.90	0.7	EmergentBio	EBS	66.54	1.4	Gallagher	AJG	75.27	-0.1	Novocare	NVCR	49.80	5.8	
AcceleroPharma	XLRN	55.25	4.0	BovisMedical	BVX	7.46	2.5	Chiasma	CHMA	3.25	8.9	EmersonElec	EMR	78.61	0.8	Shire	SHPE	178.33	1.0	OasmiaPharm	OASM	3.17	17.3	
Amrep	AXR	9.70	1.1	Bottomline	CBZ	24.38	2.5	CincinnatiFin	CINF	78.05	0.9	Equinix	EFX	138.69	1.6	SimplyGoodFood	SMPNW	48.45	3.5	UniversalHealthB	UHS	140.33	1.3	
Accenture	ACN	172.83	0.8	Bottomline	CBZ	24.38	2.5	ClearChannelOutdr	CCC	5.55	0.9	Equifax	EFX	30.50	-1.9	acumen	GRMN	69.21	0.9	GenesysW	GWR	90.66	2.0	
Actuant	ATU	30.20	0.8	Bottomline	CBZ	24.38	2.5	ColonialCliffs	CLF	12.25	3.8	EquityCommwth	EQC	32.55	-0.4	JeaniganCapPdC	JCPB	25.07	-1.0	JohnBentTech	JBT	123.68	2.5	
AeroEnvironment	AVAW	121.32	2.6	BovisMedical	BVX	7.46	2.5	ColonyCredRlEst	CLNC	22.70	0.9	EuropenWorldwide	EET	102.95	0.9	PaciraPharm	PCRX	48.45	3.5	PatriotNatBnCp	PNBK	23.50	5.6	
Aetna	AET	206.28	0.3	Balchem	BCPC	117.15	1.4	ConocoPhillips	COP	75.73	1.1	ExelaTech	EXLA	7.33	1.6	Progressive	PGR	69.73	1.7	SouthJerseyInds	SJII	57.34	1.5	
AlbanyIntl	AIN	82.20	-0.6	Ball	BLL	45.21	1.8	Crocs	CROX	22.07	0.8	ExService	EXLS	66.06	1.0	QuakerChemical	KWR	196.62	3.4	VikingTherapWt	VTKX	24.00	87.3	
Allegion	ALLE	90.49	1.7	Barclays	CARA	22.79	5.6	DXC Tech	DXC	93.45	0.1	F5Networks	FFIV	195.32	0.5	Radian	HDK	10.72	1.7	Ridgeback	GRDN	22.52	0.9	
				Dave&Buster's	PLAY	63.93	3.7	FirsthandTechVar	SVVC	15.74	-0.1	Mastercard	MA	220.96	1.7	Strats WlMrt	GJO	23.49	0.1	Strats WlMrt	GRDN	24.89	1.2	
				Flowers	FLS	34.35	-0.3	MercurySystems	MRCY	57.26	0.9	MercurySystems	MRCY	57.26	0.9	Telnyx	TKNSW	0.32	...	Telecom	TKNSW	92.85	0.4	
				Flowserve	FLS	56.08	1.6	Hudson	HUD	23.18	1.3	MicroStrategy	MSTR	151.23	1.9	TeledyneTech	TDY	250.87	0.1	VeriSign	VRSN	164.19	0.9	
				IDEX	IDEX	156.22	1.3	IDACORP	IDA	101.49	0.6	MinervaNeurosc	NERV	11.35	4.7	Telecom	RSG	75.82	0.4	Verizon	VZ	71.74	0.9	
				MyersLogistics	DKL	34.35	-0.3	FirsthandTechVar	SVVC	15.74	-0.1	TD	TD	36.83	2.4	ZimmerBiomet	ZBH	131.34	0.4	WasteMgt	WME	40.76	2.0	

Continued on Page B11

I AM
RANDY PITCHFORD

I am the CEO of Gearbox Software
I am a creator
I am a gamer
I am a husband and a father
I am part of a community
I am a leader
I am an award-winning developer
I am entertaining the world

SEE YOURSELF
IN FRISCO

Join video game visionary Randy Pitchford in Frisco, where you'll find two times the average number of IT workers compared to other U.S. cities. With no state income tax and a highly skilled workforce, Frisco is a magical environment for creative businesses like Gearbox Software to grow, and it just might be for yours, too.

Visit FriscoEDC.com and see how Randy is making video game magic in Frisco, Texas.



BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. 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 18, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.01 ...

ADT ADT 8.59 0.19

AES AES 13.79 0.11

Aflac AFL 47.26 0.21

AGNC Invn AGNC 18.77 -0.11

ANGI Homescr ANGI 23.24 1.05

Ansys ANSS 184.83 0.98

ASML ASML 186.57 3.48

AT&T T 33.72 0.10

AbbottLabs ABT 68.41 0.74

AbbVie ABV 92.61 -2.76

Abiomed ABMD 376.56 7.66

Accenture ACN 172.41 1.37

ActivisionBlitz ATVI 79.63 0.75

AcuityBrands AYK 159.88 1.67

AdobeSystems ADBE 270.79 2.54

AdvanceAuto AAP 167.65 4.15

AdMicroDevices AMD 31.93 -0.50

Aegon AEG 6.09 0.03

AerCap AER 57.27 0.20

Aetna AET 205.44 0.67

AffiliatedMtrs AGC 142.06 0.03

AgilentTechs AHS 69.93 -0.55

AgnicoEagle AEM 34.47 0.41

AirProducts API 168.69 -0.06

AkamaiTech AKAM 74.33 0.05

AlaskaAir ALK 69.24 -0.04

Albemarle ALB 103.06 0.61

ArcelorMittal MT 30.44 0.79

Alcoa AA 43.12 0.29

AlexandriaEst ARE 126.60 -0.98

AexionPharm ALXN 20.82 3.01

Alibaba BAB 156.65 -2.74

AlignTech ALGN 385.96 7.59

Alkermes ALKS 39.03 0.43

Allegany ALG 49.99 0.11

AlliedLabs ALL 101.19 0.82

AllyFinancial ALLY 26.91 -0.04

AlynlabPharm ALNY 93.75 0.40

Alphabat A GOGL 116.71 7.28

Alphabat C GOOG 116.22 5.17

AltaBra AABA 64.98 -0.92

AlticeUSA ATUS 18.99 -0.13

Altria MO 62.14 -0.30

AlumofChina ACH 10.45 0.15

Amazon.com AMZN 194.05 33.02

Ambev ABEV 4.56 0.11

Amdocs DOX 66.21 0.48

Amrico UHAL 355.55 0.40

Ameren AEE 65.06 -0.18

AmericaMovil AMOV 16.50 0.22

AmericaMovil AMX 16.61 0.10

AmeriAirlines AAL 40.79 0.47

Aptiv Bidu 216.88 -0.78

Appium CHR 97.19 0.48

BIGGEST 1,000 STOCKS

Biggest 1,000 Stocks | WSJ.com/stocks

Continued From Page B9		Net Stock	Sym Close	Chg	Stock	Sym Close	Net Chg	Stock	Sym Close	Net Chg		
PembinaPipeline	PBA	33.50	0.49		PolarisIndustries	PII	109.07	0.15	RioTinto	RTX	48.34	0.80
Pentair	PNR	45.31	0.95		PostHoldings	POST	98.84	-1.31	SGreenRealty	SLG	101.02	-0.55
People'sUtdFin	PBCT	17.58	-0.19		Praxair	PX	158.17	0.15	ShinhanFin	SHG	37.62	-0.42
PepsiCo	PBK	113.98	-1.42		RPM	RPM	67.30	0.30	Shopify	SHOP	162.28	8.65
PerkinElmer	PKI	94.96	0.38		RalphLauren	RL	132.22	0.67	TAL Education	TAL	25.04	0.05
Perrigo	PRGO	72.99	0.42		RaymondJames	RJF	57.72	0.77	TD Ameritrade	AMTD	55.41	0.23
PetroChina	PTR	77.71	1.64		Raytheon	RTN	207.90	2.89	TE Connectivity	TEL	89.76	-2.12
PetroleoBrasil	PBR	111.22	0.30		Realogy	ROST	96.94	0.72	SiriusXM	SIRI	7.04	-0.02
PetroleoBrasilA	PBRA	9.75	0.32		RealogyHldgs	RH	102.21	1.22	Snap	SNA	9.13	-0.05
Pfizer	PFE	43.51	0.50		RegencyCenters	REG	65.35	-0.14	SnapOn	SNA	187.25	0.53
Philip Morris	PM	80.33	0.03		RegenPharm	REGN	388.33	1.84	SOQUIMICH	SQM	46.70	-0.35
Phillips66	PSX	113.30	0.49		RegionsBank	RF	18.91	-0.07	TalbotSoftware	TTW	132.72	1.24
Pinduduo	PDD	22.64	1.72		ReinsGrp	RGA	149.53	0.58	TIM Par	TSU	14.21	-0.23
PinnacleFoods	PF	67.19	-0.35		RealtyIncome	O	57.51	-0.66	TorontoDomBk	TTC	62.48	0.09
PinnacleWest	PNW	80.82	-0.04		RedHat	RHT	142.71	-1.66	TotalSystem	TSS	97.89	0.70
PioneerNetRscs	PDX	173.79	2.68		RegencyCenters	REG	65.35	-0.14	Telus	TU	37.22	0.07
PlainsAllAmPac	PAAC	25.03	-0.11		RegenPharm	REGN	388.33	1.84	TelusCorp	TDS	144.73	2.08
PlainsGP	PAGP	24.48	-0.02		RegenPharm	REGN	388.33	1.84	Toro	TTC	61.38	0.64

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.
e-X-distribution. f-Previous day's quotation. g-Footnotes x and s apply. f-Footnotes e and s apply. k-Redemption charge may apply. p-Distribution costs apply. 12b-1. r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Tuesday, September 18, 2018												
Fund	NAV	Net Chg	% Ret	Fund	NAV	Net YTD Chg	% Ret	Fund	NAV	Net YTD Chg	% Ret	
American Century Inv	51.42	+0.41	18.4	Intl Stk	42.74	+0.09	-7.7	FrankTemp/Frank Adv	23.01	+0.01	1.9	
Ultra	215.01	+1.08	7.5	Stock	215.01	+0.08	7.5	FrankTemp/Franklin A	NA	NA	NA	
American Funds Cl A	34.77	+0.30	13.2	CoreFdIncmfd	NA	NA	NA	FrankTemp/Franklin C	NA	NA	NA	
AMutIA p	44.82	+0.16	6.4	TotRetBd	NA	NA	NA	Income C t	2.36	+0.01	1.3	
Bala p	27.88	+0.08	4.0	Edgewood Growth Institu	NA	NA	NA	FrankTemp/Temp A	NA	NA	NA	
Bond p	12.46	-0.04	-1.8	EdgewoodInst	35.73	+0.32	20.9	FrankTemp/Temp Adv	NA	NA	NA	
CapIBA p	60.17	+0.08	-1.8	Growth	27.03	+0.11	-0.8	PRIMECAP Odyssey Fds	NA	NA	NA	
CapWGrp	50.67	+0.39	5.6	GrowthInst	101.90	+0.54	10.1	PRIMECAP	NA	NA	NA	
EpacA p	52.48	+0.37	-3.9	500IdxInst	101.90	+0.55	10.0	Starbucks	SBUX	55.07	0.50	
FdlnvA p	64.88	+0.45	6.0	500IdxInstPm	101.90	+0.55	10.1	Starbucks	SBUX	55.07	0.50	
Gwthwa p	56.00	+0.10	13.0	ExtMddIdxPrem	69.10	+0.31	5.0	Starbucks	SBUX	55.07	0.50	
H TrA p	10.27	...	3.2	IntlIdxPrem	42.22	+0.33	-2.1	Starbucks	SBUX	55.07	0.50	
ICAA p	41.70	+0.28	5.8	Harding Loewner	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
IncoA p	23.18	+0.04	1.3	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
N PerA p	46.41	+0.31	7.5	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
NECoA p	48.76	+0.52	9.3	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
NwWrldA	63.19	+0.40	-5.6	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
SmCpA p	60.09	+0.40	7.7	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
TxeXa p	12.70	-0.02	0.6	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
WshA p	46.84	+0.24	7.3	Hidelity	NA	NA	NA	Starbucks	SBUX	55.07	0.50	
Baird Funds	FF2020	16.42	+0.03	1.3	JPMorgan R Class	NA	NA	NA	Starbucks	SBUX	55.07	0.50
AggBdlnst	FF2025	14.34	+0.03	1.9	JPMorgan R Class	NA	NA	NA	Starbucks	SBUX	55.07	0.50
CorBdlnst	FF2030	18.03	+0.06	2.5	JPMorgan R Class	NA	NA	NA	Starbucks	SBUX	55.07	0.50
BlackRock Funds A	Freedom20 K	16.41	+0.04	1.6	JPMorgan R Class	NA	NA	NA	Starbucks	SBUX	55.07	0.50
GblAIloc p	19.55	+0.09	-0.4	Freedom20K	14.32	+0.03	1.9	Starbucks	SBUX	55.07	0.50	
BlackRock Funds III	Freedom20K	18.02	+0.07	2.2	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
iSh&P500IdxKd345.30	...	9.5		Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
BlackRock Funds Inst	Freedom205 K	15.30	+0.06	3.3	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
EqtyDivd	24.00	+0.11	6.3	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
GblAIloc p	19.67	+0.08	-0.2	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
StratOpnys	9.72	...	-0.1	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
Bridge Builder Trust	Contra	13.96	+0.11	15.8	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
CoreBond	9.80	-0.03	-1.6	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
CorePlusBnd	9.74	-0.03	-1.4	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50	
Del Invest Instl	IntlEq	25.32	+0.03	-0.5	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Dimensional Fds	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Divlnt	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Fidelity Inv	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Fidelity Inv	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Fidelity Inv	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07	0.50	Starbucks	SBUX	55.07	0.50
Fidelity Inv	IntlEq	11.06	+0.05	2.0	Starbucks	SBUX	55.07</					

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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS, COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF
PUBLIC SERVICE INSURANCE COMPANY AND
PUBLIC SERVICE MUTUAL HOLDING COMPANY

Notice of Procedures for Notice, Comment and Hearing
www.osdchi.com/open/psic.htm

PLEASE TAKE NOTICE, that on March 16, 2017, Public Service Insurance Company ("PSIC") and Public Service Mutual Holding Company ("PSMHC") (collectively, the "Companies") were placed in rehabilitation by order of the Circuit Court of Cook County, Illinois, in Case No. 17 CH 3790 (the "Supreme Court PSIC and PSMHC Rehabilitation Order"). Please refer to the attached documents along with any responsive memoranda (the "Memoranda") with the Supervising Court, which, if approved by the court, may affect your rights and interests: (1) a Petition for Approval of an Amended Plan of Rehabilitation for PSIC and PSMHC (the "Plan"), and (2) a Petition for Approval of a Stock Purchase Agreement entered into by and between the Rehabilitator of PSMHC, and PSMHC's wholly owned indirect subsidiary MCC Financial Holdings, Inc. and Premia Holdings, Inc.

TAKE FURTHER NOTICE, that you may view and download for printing from the PSIC web page as maintained on the Office of the Special Deputy's website, www.osdchi.com/open/psic.htm copies of the Petitions, the Memoranda, (and proposed respective approval orders), the Memoranda (which includes a summary of the Stock Purchase Agreement and the Amended Plan of Rehabilitation (including, but not limited to, procedures for the final evaluation and fixing of cedent creditor claims set forth in the Plan)), and the Order approving the procedures for notice, comment and hearing applicable to the Petitions, as well as other documents related to the rehabilitation proceedings. If you do not have internet access, you may request copies of the Petitions and Memoranda by writing to the Rehabilitator at Public Service Insurance Company, in Rehabilitation, c/o Office of the Special Deputy Receiver, 222 Merchandise Mart Plaza Suite 960, Chicago, Illinois 60654.

TAKE FURTHER NOTICE, that if you intend to object to either or both of the Petitions, then on or before October 12, 2018, (1) file with the Clerk of the Circuit Court of Cook County, Illinois, Chancery Division Richard J. Daley Center, 50 West Washington Street, Chicago, Illinois 60602 (<http://www.cookcountycourt.org/>) your: (a) appearance in the rehabilitation proceedings, and (b) your responsive pleading(s) to the Petition(s) consisting of your written objection(s) and supporting memorandum/a of law (the "Response" or "Objection"), and (2) actually serve (i.e., constructive service shall not comply) a copy of your Response(s) to the Rehabilitator at Public Service Insurance Company, In Rehabilitation, c/o Office of the Special Deputy Receiver 222 Merchandise Mart Plaza, Suite 960, Chicago, Illinois 60654, by email at pscobj@osdchi.com or by facsimile (312) 836-1944. Responses not filed with the Supervising Court and actually served on the Rehabilitator on or before October 12, 2018 shall be deemed untimely, and any person failing to comply with these two requirements shall have waived their right to object, and shall have no further right to object to the Petitions.

TAKE FURTHER NOTICE, that a hearing on the Petitions and any Objections thereto will be held on December 3, 2018, at 10:30am, in Courtroom 2308 of the Richard J. Daley Center, 50 West Washington Street, Chicago, Illinois.

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MARKETS DIGEST

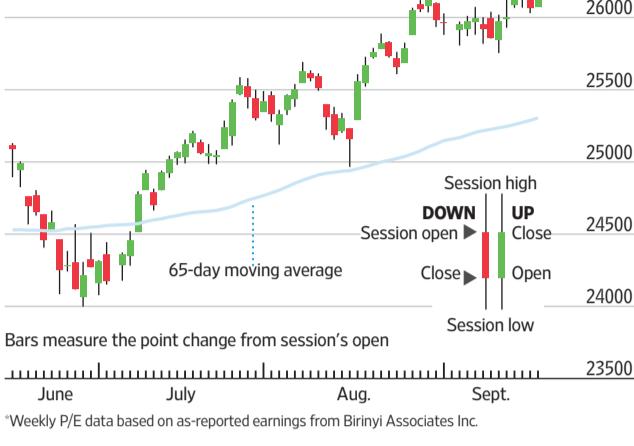
EQUITIES

Dow Jones Industrial Average

26246.96 ▲184.84, or 0.71%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.72 20.47
P/E estimate * 16.89 18.80
Dividend yield 2.10 2.30
All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

June July Aug. Sept. 23500 24000 24500 25000 25500 26000 26500 27000 27500 28000 28500 29000

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2904.31 ▲15.51, or 0.54%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.40 24.11
P/E estimate * 17.87 19.10
Dividend yield 1.81 1.99
All-time high 2914.04, 08/29/18



65-day moving average

June July Aug. Sept. 2600 2650 2700 2750 2800 2850 2900

Nasdaq Composite Index

7956.11 ▲60.32, or 0.76%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.15 26.03
P/E estimate * 21.55 21.67
Dividend yield 0.96 1.10
All-time high: 8109.69, 08/29/18



65-day moving average

June July Aug. Sept. 7200 7375 7550 7725 7900 8075 8250

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
Dow Jones									
Industrial Average	26317.34	26076.21	26246.96	184.84	0.71	26616.71	22284.32	17.3	6.2 17.0
Transportation Avg	11545.50	11395.58	11514.94	46.21	0.40	11570.84	9440.87	21.1	8.5 12.7
Utility Average	740.79	735.00	738.39	-1.11	-0.15	774.47	647.90	0.2	2.1 9.3
Total Stock Market	30212.58	30010.37	30144.30	155.38	0.52	30290.78	25876.47	16.2	8.9 13.7
Barron's 400	777.54	773.60	776.00	2.29	0.30	786.73	658.03	17.9	9.2 13.8

Nasdaq Stock Market

Nasdaq Composite	7986.10	7901.01	7956.11	60.32	0.76	8109.69	6370.59	23.1	15.2 18.1
Nasdaq 100	7531.20	7436.53	7494.40	59.67	0.80	7660.18	5867.35	25.1	17.2 20.1

S&P

500 Index	2911.17	2890.43	2904.31	15.51	0.54	2914.04	2496.66	15.9	8.6 14.0
MidCap 400	2040.58	2026.42	2036.73	8.24	0.41	2050.23	1761.52	15.6	7.2 13.0
SmallCap 600	1081.01	1075.87	1078.00	2.79	0.26	1098.36	865.98	24.5	15.1 17.1

Other Indexes

Russell 2000	1714.92	1704.22	1710.97	7.42	0.44	1740.75	1440.40	18.8	11.4 13.7
NYSE Composite	13112.38	13038.66	13091.98	60.07	0.46	13637.02	12127.92	7.9	2.2 9.3
Value Line	587.80	584.17	586.91	2.74	0.47	593.57	527.80	11.2	4.4 8.6
NYSE Arca Biotech	5149.10	5068.33	5131.52	67.36	1.33	5342.46	4045.25	23.9	21.5 8.7
NYSE Arca Pharma	588.98	583.79	587.31	2.01	0.34	593.12	516.32	7.6	7.8 1.7
KBW Bank	107.43	106.75	107.13	0.01	0.01	116.52	95.86	11.8	0.4 15.5
PHLX® Gold/Silver	65.81	64.85	65.40	0.46	0.70	92.08	61.92	-25.0	-23.3 10.3
PHLX® Oil Service	142.14	140.62	141.17	1.99	1.43	170.18	127.61	5.3	-5.6 -5.9
PHLX® Semiconductor	1377.04	1363.52	1368.87	11.39	0.84	1449.90	1126.40	17.5	9.2 30.9
Cboe Volatility	13.48	12.56	12.79	-0.89	-6.51			37.32	9.14 25.6

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

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 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Ford Motor	F	30,618.7	9.60	0.02	0.21	9.61	9.57
SPDR S&P 500	SPY	10,093.4	291.12	0.21	0.07	291.47	289.32
Van Eck Vectors Gold Miner	GDX	7,279.6	18.43	...	unch.	18.47	18.32
Wisdom Tree Japan Hdg Eqty	DXJ	2,654.2	56.71	...	unch.	56.71	56.50
Freeport-McMoRan	FCX	2,549.3	14.01	...	unch.	14.11	13.98
AT&T	T	2,510.0	33.75	0.03	0.09	33.80	33.60
Ambev ADR	ABEV	2,433.5	4.59	0.03	0.66	4.59	4.54
Microsoft	MSFT	1,752.3	113.21	...	unch.	113.44	113.10

Percentage gainers...

BUSINESS & FINANCE

SEC Commissioner Seeks Market Curbs

By GRETCHEN MORGENSEN

A top securities regulator is calling for his agency to beef up its oversight of the nation's stock exchanges to root out conflicts and curb rising fees that he says harm investors.

In a policy speech to be delivered Wednesday, Robert J. Jackson Jr., a Democratic commissioner at the Securities and Exchange Commission, will allege that the SEC has "stood on the sidelines" as the New York Stock Exchange, Nasdaq Inc. and other market operators have significantly boosted their profits while raising investors' costs, according to a copy of his remarks.

Mr. Jackson will call on the SEC to ensure "that the exchanges' actions do not unduly burden competition and are

fair and reasonable."

All of the active U.S. stock exchanges are for-profit enterprises, a reversal of the way the stock market operated for nearly two centuries. The NYSE, for instance, was a member-owned nonprofit until 2006 and was later acquired by Intercontinental Exchange Inc., an Atlanta-based exchange operator. Critics charge that for-profit exchanges exploit their position to extract greater fees from traders.

To gain access to the fastest information, banks and brokerage firms must pay the exchanges to connect to their data feeds. These costs have jumped in recent years, said Mr. Jackson, one of two Democrats on the five-person SEC.

Between 2013 and 2018, for example, connectivity fees

more than tripled on the Bats Global Markets exchanges, he said. A spokeswoman for the Cboe Global Markets Inc., which acquired Bats in 2017, said, "Our connectivity offering has been significantly enhanced since the beginning of 2013. Then, a connection, which was offered free, covered two equity markets, and one new options exchange. Today, that same connection provides access to four equity exchanges and three options exchanges, which represent a major share of daily trading activity in those markets."

Mike Williams, executive director of the Equity Markets Association, which represents both the NYSE and Nasdaq, said, "U.S. exchanges are the most heavily regulated, transparent and trusted par-

ticipants in our national equity trading infrastructure, and today provide more valuable, efficient and resilient trading and data services, at the lowest relative cost to investors,



Robert J. Jackson Jr. will call on the SEC to ensure exchanges do not burden competition.

than at any time in history."

As a single minority commissioner, Mr. Jackson doesn't hold great sway on SEC policy at the moment. But his view echoes criticism from some market participants and others about market-data sales.

"It is very important that [stock exchanges] be regulated effectively," said Ken Bertsch, executive director of the Council of Institutional Investors.

Since technological advances have pushed down the prices of connectivity in other arenas, Mr. Jackson questioned why costs are rising for investors. Still, the SEC has approved every fee increase for connectivity to the nation's exchanges, he said. In the future, he said, the agency should approve the increases only if the exchanges can justify them.

Mr. Jackson's speech is to be delivered at an event co-sponsored by George Mason University Law & Economics Center in Arlington, Va., and the Healthy Markets Association, an investor-oriented nonprofit.

In it, he also will highlight

problems with the two-tiered system for stock-price data—a slow, relatively cheap public feed and lightning-fast private feeds that traders can access for a steeper fee. Those who pay up for the private feed can trade ahead of investors using public data, he said, receiving better prices on their trades.

"What does it say to mom-and-pop investors," Mr. Jackson said in an email, "that our stock markets are full of abuses like these?"

A remedy, Mr. Jackson wrote, is to bar exchanges from controlling the public feed while they sell access to private price data. The current setup has incentivized the exchanges to invest heavily in their private—and highly profitable—data feeds while letting the public system languish, he said.



A Haidilao restaurant in Shanghai. Diners at these eateries cook meat and vegetables in pots of clear or spicy soup.

Hot-Pot Chain Raises \$963 Million

By JOANNE CHIU

Investors lined up for a taste of one of the hottest restaurant stock sales in years, enabling the operator of a popular Chinese dining chain to raise \$963 million ahead of its listing in Hong Kong.

Haidilao International Holding Ltd., which operates hundreds of hot-pot restaurants in China and abroad, on Tuesday priced its initial public offering at the top end of its indicative price range, according to people familiar with the matter.

An international tranche of the offering was more than 10 times oversubscribed by institutional investors, the people added.

The IPO price of 17.80 Hong Kong dollars (\$2.27) a share gives Haidilao a market capitalization of \$12 billion, bigger

than Domino's Pizza Inc., the sixth-most-valuable company in the U.S. S&P 1500 restaurant subindex. Haidilao could end up raising a total of \$1.11 billion if an option to sell more stock is exercised after the company goes public on Sept. 26. The listing is sponsored by CMB International Corp. and Goldman Sachs Group Inc.

Haidilao's market capitalization is just slightly below that of Yum China Holdings Inc.'s \$12.77 billion. The latter is China's largest restaurant operator, with more than 8,000 Pizza Hut, KFC and Taco Bell outlets across China and annual revenue more than four times that of Haidilao.

The strong investor demand for Haidilao's shares reflected optimism about the chain's growth potential and expectations that it can capture a

larger share of consumer spending in China.

Haidilao's restaurants, where diners cook meat and vegetables in pots of simmering clear or spicy soup, are known for also offering services such as manicures, massages and child-care facilities, which have become a draw for patrons and repeat customers.

Xiang Ji, president of financial firm New Age Financial Group Ltd. in Hong Kong, said he subscribed to Haidilao's IPO because the restaurant chain offers an "exceptional dining experience" that stands out from other eateries. He added he regularly takes his family and business contacts to Haidilao's restaurants in Hong Kong and Shenzhen.

Zhang Yong, Haidilao's 47-year-old chairman and co-founder, said earlier this month that there is still significant room for the chain to expand in China, and it plans to set up more overseas outposts in regions that have large Chinese populations or are popular travel destinations for Chinese tourists.

Haidilao operates 363 restaurants, more than 90% of which are in mainland China, with the rest in Taiwan, Hong Kong, Singapore, South Korea, Japan and the U.S.

It expects to reach close to 500 outlets this year and will fund its expansion with its IPO proceeds.

The company's net profit rose 22% in 2017 to 1.19 billion yuan (\$173.5 million), while revenue climbed 36% to 10.64 billion yuan.

Choonthik Yi, a fund manager at UBP Asset Management Asia Ltd., said Haidilao's growth rate is similar to that of new-economy companies.

While Marsh & McLennan derives 10% of its revenue from the fast-growing Asia Pacific region, Jardine Lloyd Thompson has far more exposure in a region that accounts for more than a quarter of its revenue, according to brokerage firm Olive Tree Financial.

The deal is one of the most significant in the insurance-broking sector since the \$18 billion tie-up between Willis Group Holdings PLC and Towers Watson & Co. in 2015. Several deals have been announced this year as insurers grapple with changing regulatory requirements, falling prices and shifting customer behavior.

Earlier this year, British insurer Prudential PLC split itself into two, allowing one of its arms to chase high-growth emerging markets, while France's AXA SA paid more

than \$15 billion to buy XL Group, a Bermuda-based property-and-casualty firm.

Marsh & McLennan said it would accelerate Jardine Lloyd Thompson's growth in employee benefits and its U.S. expansion, and that its revenue is expected to increase from \$17 billion in annual revenue.

The deal would allow Marsh & McLennan to tap into Jardine Lloyd Thompson's exposure to high-growth emerging markets, as the insurance industry undergoes a wave of consolidation.

Many global insurers are looking beyond their well-insured home markets for growth, and Marsh & McLennan said the deal will strengthen its specialty risk-broking operations and expand its global reinsurance network, bolstering its position in growth markets in Asia and Latin America.

Details of the country's future relationship with the bloc remain unclear, but Marsh & McLennan Chief Executive Dan Glaser said the firm was "happy to bet on Britain."

"Sure, Brexit creates some short-term uncertainty. So what? We are building a com-

Jardine Lloyd has more exposure to fast-growing Asia Pacific region.

Crypto Exchanges Draw New Warning

By PAUL VIGNA

A number of cryptocurrency exchanges lack basic consumer protections and are vulnerable to exploitation by market manipulators, the New York attorney general's office said in a report Tuesday.

The report, the result of a monthslong investigation, found that many exchanges lack appropriate safeguards, putting consumers at risk. Additionally, the attorney general's office referred three exchanges to the New York Department of Financial Services for possibly operating unlawfully in New York.

"Many virtual currency platforms lack the necessary policies and procedures to ensure the fairness, integrity, and security of their exchanges," state Attorney General Barbara Underwood said in a statement.

Former New York Attorney General Eric Schneiderman started the Virtual Markets Integrity Initiative program in April and requested information from a number of exchanges specializing in bitcoin and other cryptocurrencies. Ten exchanges complied with requests for information and four didn't, arguing they

Offer Shows Appetite For Risk

Continued from page B1

didn't operate in the state. The attorney general's office, however, concluded that three of those exchanges—Kraken, Binance, and Gate.io—allow trading from New York customers.

Those three exchanges couldn't immediately be reached for comment.

"The attorney general's report underscores the value of strong state regulation and consumer protections," said Maria Vullo, the superintendent of the state Department of Financial Services. "We look forward to reviewing the information and referrals provided by the attorney general."

The question of market integrity has become one of the key issues surrounding the development of cryptocurrencies.

The U.S. Commodity Futures Trading Commission is investigating potential market manipulation, as is the U.S. Justice Department.

The Securities and Exchange Commission has consistently rejected applications for bitcoin-based exchange-traded funds, concluding there isn't enough transparency to be confident that cryptocurrency prices aren't being manipulated.

Debt Demand

The average yield gap between junk bonds and Treasurys is near an 11-year low.

Average yield gap between junk bonds and Treasurys

Option-adjusted spread

20 pcts.

Recession

15

10

5

0

2005 10 15 18

Largest postcrisis leveraged debt sales*

Altice France \$17.42B April 2014

Bausch Health† 15.28 March 2015

Kraft Heinz Food 14.60 March 2013

Refinitiv 14.25 September 2018

Western Digital 13.21 March 2015

*Includes revolving credit lines and broadly syndicated bonds and loans

†Formerly known as Valeant Pharmaceuticals International

Sources: Bloomberg Barclays (spread); LCD, a unit of S&P Global Market Intelligence (leveraged debt sales)

Even before regulators softened their stance on lending guidelines, companies interested in taking on a lot of debt could go to unregulated banks. Regulated banks also sometimes exceeded the six-times leverage test on deals where they could argue there was a clear path to reducing leverage in the future.

In the second quarter of this year, nearly 15% of new U.S. loans backing leveraged buyouts were issued by companies with debt-to-Ebitda ratios of at least seven times, the highest percentage since the third quarter of 2014, when 20% of deals were in that category, according to LCD.

The recent uptick in highly leveraged deals comes as overall corporate leverage has been on a modest downward trend. The slowdown in borrowing is one reason why investors say there has been a warm reception to companies such as Refinitiv, as investors look to put cash to work in the face of limited supply of new debt.

As of Monday, the average yield on speculative-grade bonds was 3.18 percentage points above Treasurys, compared with 3.43 percentage points at the end of last year, based on Bloomberg Barclays data. The drop indicates healthy demand for the asset class.

The success of Refinitiv's debt offering bodes well for other large, private-equity deals.

—Miriam Gottfried contributed to this article.

MARKETS

Treasurys Sell Off; Yield Tops 3% Hurdle

BY SAM GOLDFARB

A weeklong selloff in U.S. government bonds intensified on Tuesday, as the yield on the 10-year Treasury note wrenched clear of the 3% level that has for months acted as its ceiling.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note settled at 3.048%, its highest level since May 22, compared with 3.001% Monday.

Yields, which rise when bond prices fall, first declined but then climbed along with global stocks after the Trump administration said late Monday that a 10% tax would be imposed on Chinese goods starting Sept. 24, with the rate rising to 25% at the end of the year.

Reflecting demand for riskier assets over safer ones, yields continued to rise even after China said Tuesday that it would retaliate by imposing tariffs on \$60 billion of U.S. goods.

"Seemingly, there was an expectation that the tariffs that were going to be implemented were going to be at the higher 25% rate, and they're initially at 10%, so I think there's some relief reaction to that," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co.

Another factor pressuring Treasurys is the large amount of new corporate debt being sold this week, analysts and traders said. When businesses sell new bonds, investors often respond by selling Treasurys to make room in their portfolios or hedge their exposure to rising interest rates.

Tuesday's selling marked a break from a recent pattern, in which a 3% 10-year yield brought strong demand from investors. The yield's next major milestone would be reaching its 2018 closing high of 3.109%, set on May 17.

In recent months, Treasury yields have been simultaneously buoyed by optimism about the U.S. economy and constrained by concerns about the outlook elsewhere in the world, especially in an environment of unsettled global trade relations.

Given the strength of U.S. economic data and the Fed's commitment to raising rates, some investors have believed it was only a matter of time before the 10-year yield broke through the top of its recent trading range.

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	\$135,212,102,700
Accepted bids	\$40,000,479,200
"noncompetitively"	\$970,632,400
"foreign noncompetitively"	\$10,000,000
Auction price (rate)	99.842889 (2.02%)
Coupon equivalent	2.051%
Bids at clearing yield accepted	50.39%
Cusip number	912796QD4

The bills, dated Sept. 20, 2018, mature on Oct. 18, 2018.

Oil Rises With Global Tensions

BY STEPHANIE YANG
AND CHRISTOPHER ALESSI

Oil prices increased Tuesday, boosted by heightened geopolitical tension after Russia blamed Israel for the loss of one of its reconnaissance planes shot down overnight by Syrian defense systems.

Light, sweet crude for October delivery rose 1.4% to \$69.85 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, increased 1.3% to \$79.03.

The loss of Russia's reconnaissance plane, shot down by Syrian defense systems, threatens to increase geopolitical instability, contributing to uncertainty in the global oil market. The Russian Defense Ministry told Israel that it "reserved the right to take steps to respond" to the downed plane.

"Simply the presence of [Russia, Syria and Israel] in the same headline certainly isn't going to dampen bullish sentiment today," said analysts at TAC Energy.

Analysts said oil prices have become more sensitive to shifts in geopolitical tensions, as global supply has been called into question. Traders are grappling with the impact of Iranian sanctions on the country's exports, while also debating how much the global oil cartel will make up the difference.

President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program, setting the stage for the reimposition of economic sanctions on the Islamic Republic. Analysts have estimated that more



An oil tanker docked in Iran. Analysts say oil prices have become more sensitive to geopolitical tensions amid sanctions on Iran.

than one million barrels a day of Iran's roughly 2.5 million barrels a day in exports could be at risk.

However, increasing production from the Organization of the Petroleum Exporting Countries and its partner producers, including Russia, have helped keep a cap on prices.

"OPEC members with spare capacity try to live up to expectations to make up for the production shortfall in member countries, such as Venezuela and Iran," according to Tamas Varga, an analyst at brokerage PVM Oil Associates Ltd., who said the group's out-

put has increased nearly 700,000 barrels a day in the past five months.

Prices fluctuated between gains and losses earlier in the session as trade tensions between the U.S. and China also gave investors pause.

President Trump on Monday announced plans to impose new tariffs on around \$200 billion in Chinese goods, leading China to vow fresh retaliatory measures. On Tuesday, China retaliated by announcing new tariffs on \$60 billion of U.S. goods. Such actions have raised concerns over the strength of global

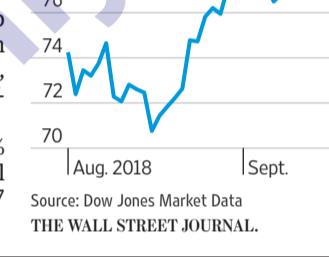
fuel demand, which has been a major factor underpinning the crude rally in the past year.

"The oil market has thus far been able to take the evolving tariff issues in stride with the help of a steady U.S. stock market that has virtually ignored potential negative impacts off of the mounting tariffs that the Trump administration is applying on China," said Jim Ritterbusch, president of Ritterbusch & Associates, in a Tuesday note.

Gasoline futures rose 1.4% to \$2.0049 a gallon, and diesel futures gained 1.3% to \$2.2357 a gallon.

Price Bump

Steady demand and shrinking Iranian exports have boosted oil.

Brent crude-oil price

Source: Dow Jones Market Data
THE WALL STREET JOURNAL.

Papua New Guinea Tests the Debt Market

BY JULIE WERNAU
AND MANJU DALAL

A planned \$500 million bond sale from Papua New Guinea, a country that has tried and failed to sell foreign debt before, will test whether investors are still receptive to riskier borrowers after a sell-off in emerging markets.

The offering could conclude this week and would mark the first sale of junk-rated sovereign-dollar debt since July, when Angola sold \$500 million in 30-year bonds, according to Dealogic.

In recent months, rising U.S. interest rates and a stronger dollar have hit emerging-market stocks and bonds. That has made it harder for developing nations and companies to borrow, especially those with junk, or below-investment-grade, credit ratings.

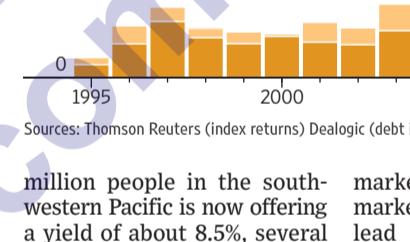
A young democracy grappling with crime, corruption, and natural disasters, Papua New Guinea met international investors in 2013 and 2016 but didn't sell dollar bonds. The country's debt is rated single-B by S&P Global, and it has a similar B2 grade from Moody's, putting it roughly on par with Belarus, Egypt and Pakistan.

The nation of roughly eight

Bouncing Back

Two of the most punished financial markets in the emerging world are seeing their first signs of reprieve.

JPMorgan bond index returns



Sources: Thomson Reuters (index returns) Dealogic (debt issuance)

million people in the southwestern Pacific is now offering a yield of about 8.5%, several investors said.

These bonds will have a five-year maturity, and the country could also sell 10-year bonds, some investors said. The deal would be large enough to gain Papua New Guinea's debt entry to the widely tracked JPMorgan EMBI Global Diversified Index.

"Usually when we see these kinds of deals, people joke that we're at the top of the

market. But we're in a bear market," said Samy Muaddi, a lead portfolio manager for emerging-markets bonds at T. Rowe Price.

Investors closely follow gyrations in emerging markets because many consider them a bellwether for global risk appetite, and because problems can spread to other countries.

"The amount of interest will be an important indicator," said Bart van der Made, an emerging-markets debt portfolio manager at Neu-

berger Berman who is considering buying the bonds.

In 2017, speculative-grade bond issuance in the developing world reached a record. Investors snatched up debut bonds at single-digit yields in places such as Tajikistan and the Maldives, seeking to improve on the low returns on offer in the developed world.

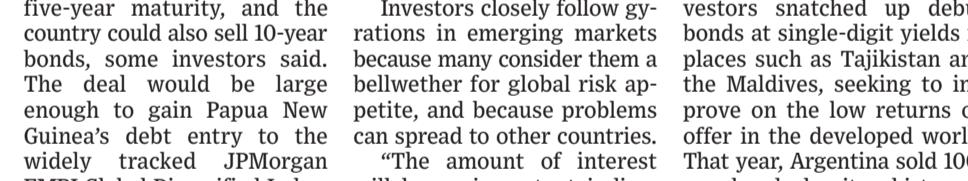
That year, Argentina sold 100-year bonds despite a history of defaults. This year, it turned to the International Monetary Fund for aid.

One widely followed gauge of emerging-markets shares compiled by MSCI tipped into bear territory this month, meaning a peak-to-trough decline of more than 20%. Meanwhile, emerging-market bond prices have fallen 4% this year, with some of the riskiest down as much as 20%.

With gross domestic product of about \$21 billion last year, Papua New Guinea's economy is roughly the same size as Afghanistan's, World Bank data shows. It sits on the Pacific Ring of Fire, a seismic belt in the Pacific Ocean. The bond's prospectus notes Papua New Guinea ranked 135th in Transparency International's corruption perception index last year, while homicide rates in the capital, Port Moresby, are nearly five times the global average.

Papua New Guinea says the proceeds will help refinance existing debt, as well as fund infrastructure projects and its hosting of the regional Asia-Pacific Economic Cooperation meetings later this year.

Aninda Mitra, senior sovereign analyst at BNY Mellon Investment, said the bond sale offers "a rare chance to get a reasonably high yield from a country which is different from its similar-rated peers."



Sources: Thomson Reuters (index returns) Dealogic (debt issuance)

THE WALL STREET JOURNAL.

Dow Jumps 185 Points, With Tariffs Viewed as Moderate

BY DAVID HODARI

U.S. stocks rose as investors viewed a fresh round of tariffs on Chinese goods, as well as China's early response, as more measured than expected.

Because the introduction of the latest tariffs will be staggered, there is cautious optimism that there is time for negotiations between the countries, some traders said.

The Dow Jones Industrial Average gained 184.84 points, or 0.7%, to 26246.96 and the S&P 500 rose 15.51 points, or 0.5%, to 2904.31, while the Nasdaq Composite gained 60.32, or 0.8%, to 956.11.

Investors sold stocks around the world Monday in anticipation of the Trump administration's announcement and sent the Shanghai Composite to its lowest level since November 2014.

"Whenever there are tariff

threat rumors, the market's knee-jerk reaction is to sell off," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital. "But then when we realized it's smaller, we bounce back."

President Trump late Monday announced new tariffs on \$200 billion in Chinese goods. The White House said the 10% tax is set for next Monday on a range of Chinese imports, including luggage and seafood. That levy will rise to 25% at the end of 2018.

In response, China's commerce ministry said it "has no choice but to undertake synchronous retaliation" to defend its interests and unveiled plans for tariffs on an additional \$60 billion of U.S. goods.

The fresh round of tariffs marked an escalation of the continuing trade spat that has dogged relations between the world's two largest economies.

But investors "were ex-

pecting only got ones of 10% for now, so the reaction is quite positive," said Claudia Panseri, European equity strategist at UBS Global Wealth Management.

The technology sector was one corner of the market where the tariffs were embraced as less drastic than feared. The sector rebounded Tuesday, rising 0.6% in the S&P 500 after dropping 1.4% a day earlier.

Importers have in recent weeks sought to be spared from tariffs, with the Trump administration removing about 300 products initially included in the original tariff list released in early July.

Smartwatches—after a direct request from Apple—and Bluetooth devices were among the products to be exempted from the levies.

Also helping the bounce

from Monday's declines were investors' expectations that negotiations between Washington and Beijing, currently being planned for the coming weeks, will proceed as ex-

pected.

Some traders were interpreting the staggered introduction of the tariffs as a sign the Trump administration is still eager to reach a trade deal with China ahead of midterm elections in November, according to Stewart

Rebound

Technology stocks in the S&P 500 bounced back Tuesday after sliding a day earlier ahead of the Trump administration's latest tariff announcement.



Source: FactSet

THE WALL STREET JOURNAL.

Cook, head of London sales trading at Berenberg.

The Stoxx Europe 600 rose 0.1% after China-exposed indexes shrugged off early pressure in Asia-Pacific trading.

The Shanghai Composite Index ended 1.8% higher, while Hong Kong's Hang Seng

closed 0.6% higher. Early Wednesday, the Shanghai benchmark was down less than 0.1%, the Hang Seng was up 0.3% and Japan's Nikkei 225 Stock Index was up 1.5%.

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JOURNAL REPORT

CYBERSECURITY

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DETAILS, R2

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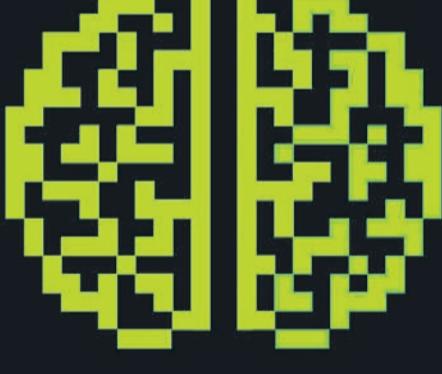
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THE WALL STREET JOURNAL.

Wednesday, September 19, 2018 | R1

HOW AI CAN HELP STOP CYBERATTACKS

It isn't a silver bullet. But as hackers get smarter and more determined, artificial intelligence is going to be an important part of the solution.



BY ADAM JANOFSKY

As corporations struggle to fight off hackers and contain data breaches, some are looking to artificial intelligence for a solution.

They're using machine learning to sort through millions of malware files, searching for common characteristics that will help them identify new attacks. They're analyzing people's voices, fingerprints and typing styles to make sure that only authorized users get into their systems. And they're hunting for clues to figure out who launched cyberattacks—and make sure they can't do it again.

"The problem we're running into these

days is the amount of data we see is overwhelming," says Mathew Newfield, chief information-security officer at **Unisys** Corp.

"Trying to analyze that information is impossible for a human, and that's where machine learning can come into play."

The push for AI comes as companies face a huge increase in threats and more-sophisticated criminals who can often draw on nation-states for resources. More than 121.6 million new malware programs were discovered in 2017, according to a report by German research institute AV-Test GmbH. That is equivalent to about 231 new malware samples every minute.

Of course, nobody thinks AI is the cure-all for stopping threats. New operating systems and software updates introduce unpredictable risks, and hackers adopt new tactics.

"Is AI a silver bullet? Absolutely not," says Koos Lodewijkx, vice president and chief technology officer at IBM Security. "It's a new tool in our toolbox."

Because of those limitations, reliance on algorithms "is a little concerning and in some cases even dangerous," says Raffael Marty, vice president of corporate strategy at cybersecurity firm Forcepoint, which is owned by defense contractor **Raytheon** Co.

Still, most cybersecurity experts believe that AI can do a lot more good than harm as hackers get smarter and more determined. Here are a few examples of how cybersecurity pros are using artificial intelligence—and what's next for the technology.

DETECTING MALWARE

Traditionally, security systems look for malware by watching for known malicious files and then blocking them. But that

doesn't work for zero-day malware—threats that are unknown to the security community. AI is helping to solve that problem and identify new attacks as soon as they appear. The systems analyze existing malware and see what characteristics the files have in common, then check to see if potential new threats have any of those traits, says Avivah Litan, a cybersecurity analyst at Gartner Inc.

That is the method used at security firm **CrowdStrike** Inc. When a user clicks on a suspicious file, the company's tool scans hundreds of different attributes, then runs them through a machine-learning algorithm that compares them to the company's malware database and determines how likely the file is to be malicious.

The reason why machine learning works so well for malware is that there's

Please turn to the next page

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The GDPR's 72-hour reporting rule has companies scrambling.

JOURNAL REPORT | CYBERSECURITY

The Biggest Threats to a Fair Vote

What keeps election officials up at night—and what they're doing to make sure it all works for this year's voting and beyond

BY ALEXA CORSE

AS ELECTION DAY gets closer, one issue looms large for voters and election officials alike: cybersecurity.

Hoping to quell fears about foreign hackers and repel potential threats, many states and counties are beefing up their plans to deal with cyberattacks. They're shoring up systems to protect their voter databases and hiring security experts to assess the strength of their defenses. They're coordinating with social-media organizations to stamp out deliberately fraudulent messages that could mislead voters about how to cast a ballot. And they're banding together to share information and simulating how to respond to potential emergencies.

"There absolutely is more emphasis on contingency planning" since 2016, says J. Alex Halderman, a professor of computer science at the University of Michigan.

State election officials say voters should feel assured that voting systems are secure. And U.S. intelligence officials emphasize that there is no evidence that hackers changed any votes in 2016. But some officials say their biggest concern isn't that a foreign adversary like Russia would alter ballots. They're worried about elections losing legitimacy.

"I do worry that we will never have another uncontested presidential election," says Connecticut Secretary of State Denise Merrill, a Democrat. "The seed of doubt has been sown."

Shane Schoeller, county clerk in Greene County, Mo., says he feels there is little room for error or setbacks. "You're either renewing that confidence or you're taking that confidence away as that election is conducted," says Mr. Schoeller, a former Republican speaker pro tem of the Missouri House of Representatives.

Here are some of the cyber concerns that election officials are wrestling with.

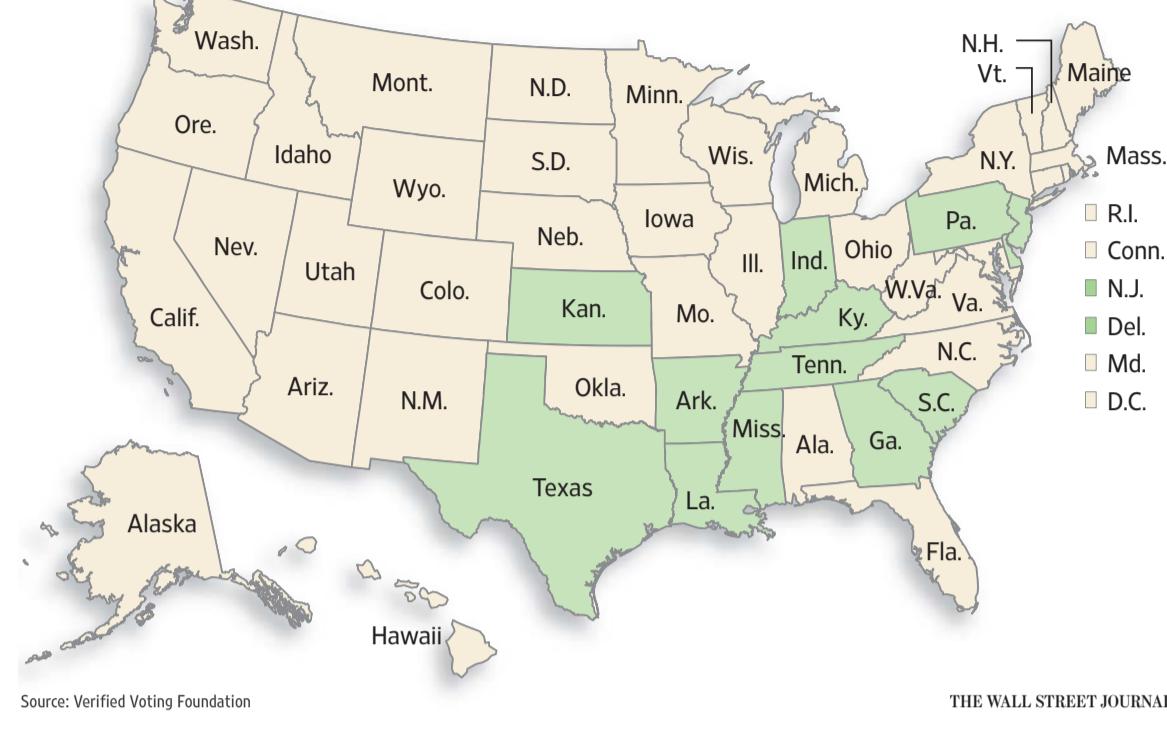
1. Hackers could try to tamper with voter records and potentially sow confusion about who's allowed to vote.

Many states require that voters register in advance and provide information such as name and party affiliation. Those details are stored in voter-registration databases.

The databases generally aren't connected to the machines used to tabulate votes. But some experts worry about whether hackers might try to break into the databases and alter the data, making it seem as though some people aren't allowed to vote—potentially leading to big confusion at polling places.

Voting Without a Net

In 13 states (shaded in green), at least one county plans to use electronic voting machines with no paper backups for most voters in this year's elections



In a bipartisan report issued earlier this year, the Senate Intelligence Committee concluded that Russian-affiliated hackers accessed voter-registration data in a handful of states during the 2016 election cycle. There is no evidence any such data was altered, the report said.

A spokeswoman for the committee declined to comment on its continuing investigation. Moscow has denied hacking and using fraudulent social-media accounts to undermine the 2016 and 2018 elections.

For the midterms, Matthew Masterson, a senior cybersecurity adviser at the Department of Homeland Security, says he's helping state and local officials secure voter data.

Many states are also moving to bolster the security of voter-registration systems. For example, Vermont and Minnesota have added two-factor authentication, which uses a second passcode to enhance security, says officials from both states.

Meanwhile, states have a low-tech alternative available if poll workers can't verify someone's eligibility: The voter fills out a provisional ballot that includes some personal information, and officials figure out the voter's eligibility later, often after Election Day.

Still, some observers worry that there may be a problem with provisional ballots that hackers could try to exploit. Those ballots may take a while to fill out, which could lead to

longer lines at polling places, says Joseph Lorenzo Hall, chief technologist at the nonprofit Center for Democracy and Technology. Some voters may not be able to wait, or may not be willing to provide personal details on the form, Mr. Hall says.

"Say it's a hotly contested midterm election" in a small congressio-

'I do worry that we will never have another uncontested presidential election,' says Connecticut's secretary of state.

nal district, says Mr. Hall. If bad actors were to improperly modify the records for, hypothetically, 10% of a bloc of voters, he says, those people might not complete a provisional ballot and leave without voting—which, he worries, theoretically might swing the race to a certain candidate.

2. Paperless voting machines could fail—and there aren't always paper backups that could provide a paper record of votes cast if technological issues arose.

Paperless machines—which at least one county in each of 13 states

will use for most voters this year, according to the Verified Voting Foundation—were once considered state of the art. But now security experts are recommending paper ballots or machines with paper backups to counteract any potential bad actors who might try to tamper with the machines' software.

"You have to have a way of checking that the software has not been hacked and that there's no errors," says Marian Schneider, president of Verified Voting, a Philadelphia-based nonprofit that has long advocated for a "paper trail" of votes.

The Senate Intelligence Committee's bipartisan report endorsed that idea. Many voting machines "do not have a paper record of votes as a backup counting system that can be reliably audited, should there be allegations of machine manipulation," the report said.

In March, Congress allocated \$380 million for states to upgrade their election systems. And some states are already moving away from paperless machines. Even before that federal funding was available, Virginia fully retired its paperless, touch-screen electronic voting machines ahead of its November 2017 election. Other states, such as Pennsylvania and Louisiana, have begun the replacement process.

Some state election officials emphasize that electronic voting machines generally aren't connected to

the internet and thus are less susceptible to remote hacking. Officials also say it's common to conduct various tests before and after elections on many types of voting machines, along with restricting physical access to the machines and installing protective seals on them.

Still, at the DEF CON computer-security conference in Las Vegas this summer, hackers penetrated some voting machines and other election equipment as part of a demonstration. Some makers of voting machines responded, saying it was unrealistic that malicious actors would have so much access during an election.

State election officials from several states that use paperless voting machines say they are taking post-election security measures.

For instance, Louisiana Secretary of State Kyle Ardoin says officials confirm that the number of people who checked in on Election Day matches the number of votes cast, among other measures. A spokesman for Mr. Ardoin adds there have been very few discrepancies, and that in those cases, officials didn't find any evidence of deliberate tampering.

3. Malicious social-media accounts could spread false voting information online, such as fake instructions on how to vote.

Election officials want to use social media to educate voters—and want the bad guys to stay off it. U.S. intelligence officials, for instance, charge that Russia has used fraudulent social-media accounts to spread divisive political messages during the 2016 and 2018 election cycles.

So, several state election officials say they are beefing up their crisis-communications capabilities. For instance, some officials say that, unlike in 2016, they now have contacts at Facebook and Twitter they can call to report posts containing deliberate disinformation about how to vote.

Spokesmen for Facebook and Twitter say they will work to remove any reported posts that violate their rules, such as deliberately spreading disinformation about how to cast a ballot. In 2016, for example, some Twitter accounts spread messages encouraging Democrats to vote by text, which isn't allowed in any state. Those messages included photoshopped images that looked similar to genuine material from Hillary Clinton's campaign. The company worked to remove those tweets after news reports identified them. It later said those posts didn't have "obvious Russian origin."

Ms. Corse is a former intern for The Wall Street Journal. She can be reached at reports@wsj.com.

How AI Can Help Stop Hackers

Continued from the prior page
so much data out there—it's easier to train the system," says CrowdStrike's director of product marketing, Jackie Castelli.

One big hurdle for this approach to identifying malware is false positives: Currently, some AI systems classify a lot of benign programs as threats, which is a big problem given how many attacks companies face and how much time it can take to investigate each lead. But most security vendors that focus on laptops, mobile phones and other devices are working on the problem, Ms.

Enlisting AI

Few organizations show no interest in deploying AI for cybersecurity

Litan says.

GETTING DETAILED DATA ON USERS

Organizations in a range of fields are trying to keep unauthorized users out of their systems by combining machine learning with biometrics—studying physical information about users, like fingerprints and voices.

With biometric systems, people access services by talking or scanning a part of their body instead of entering a username and password. Machine learning can be used to analyze small differences in these characteristics and compare them to data on file, making verification precise.

For instance, financial-services firms such as **Fidelity Investments**, **JPMorgan Chase & Co.** and **Charles Schwab Corp.** have deployed biometric technology for customer service that scrutinizes hundreds of voice characteristics, such as the rhythm of speech.

Nuance Communications Inc., which develops speech-recognition software used in mobile phones, has started to incorporate behavioral biometric information, such as a person's vocabulary, into its machine-learning algorithms.

When voice and behavioral data are combined, the system is precise enough to tell identical twins apart, says Brett Beranek, director of security strategy at Nuance. That is because characteristics such as vocabulary and frequency of pauses will differ even if people's voices sound the same.

One hurdle for biometric technology is selling users on the idea. Researchers at the University of Texas at Austin's Center for Identity have found that many consumers are wary of biometric authentication because of concerns about privacy, government tracking and

identity theft.

Mr. Beranek says many U.S. consumers haven't been exposed to biometric technology, and recommends organizations that use it address concerns and questions that customers might have. Many banks, for example, offer online explanations about how it works and how they use encryption to protect stored biometric data.

SIFTING THROUGH ALERTS

A typical large corporation receives tens of thousands of security alerts each day warning about possible malware, newly discovered ways to exploit security flaws and ways to remediate threats, according to cybersecurity experts.

So, companies are investing in AI to help determine which alerts are most important, and then automate the responses.

Companies "can't handle all the security alerts, and they're missing things that are really important," says Gartner's Ms. Litan. "If you look at almost all the data breaches that took place in the last 10 years, there's a security alert that notified them, but it was buried at the bottom of the list."

For example, the breach announced by Equifax Inc. in September 2017 was partly blamed on a flaw in the Apache Software Foundation's Struts software program. A patch for the vulnerability was issued several months before the incident at Equifax occurred, but the company failed to address the issue, The Wall Street Journal reported. The breach compromised personal information belonging to about 147.9 million consumers.

A spokeswoman for Equifax said in an email that the company has since hired a new chief information-security officer and chief technology officer, and has increased its secu-

rity and technology budget by more than \$200 million this year.

About three years ago, **International Business Machines Corp.** started training its Watson AI system on cybersecurity, with the goal of helping security teams manage the influx of threat information. The system combs through alerts, recognizes patterns and determines things such as what malware is involved, whether it is related to previous attacks and whether the company is being specifically targeted. That way, security teams can focus on the most likely threats and put the rest aside.

"We want to use AI to do all the investigative work and essentially give the analyst a researched case," says Mr. Lodewijkx, adding that IBM determined that its own security analysts spend about 58% of their time doing repetitive work such as studying alerts.

"We're aiming to take all of that 58% away from the analyst, so they're able to deal with the uniquely human

tasks," he says.

More than 100 companies currently use Watson for cybersecurity.

Companies are using AI to help them determine which security alerts are most important.

Like most AI, the technology took years to develop and encounter bumps along the way. For example, Watson at one point concluded that the word "it" was

the name of the most dangerous malware, because it appeared so frequently in malware research, Mr. Lodewijkx says.

TRACKING DOWN ENEMIES

One common struggle for data-breach victims is figuring out who attacked them, because criminals and nation-state hackers obfuscate their identity. Some cybersecurity researchers and analysts believe machine learning can be used to attribute attacks, which can help defend against them and prepare for future incidents.

Security systems can mine and analyze information on registries and online databases to find clues about the infrastructure that criminals set up to launch attacks, such as do-

main names of websites and IP addresses associated with the devices they use for hacking.

When hackers leave all those traces, "you create a behavior footprint that you leave behind that is unique," says Chris Bell, chief executive of **Diskin Advanced Technologies**.

The firm uses machine learning to analyze these footprints, determine who is behind an attack and who their next victims may be.

The technology is still in the early stages, but customers in the aviation, utility and financial-services industries have used it to spot pending attacks and automatically block IP addresses associated with criminal groups, according to Mr. Bell.

Mr. Janofsky is a reporter for WSJ Pro Cybersecurity in New York. He can be reached at adam.janofsky@wsj.com.

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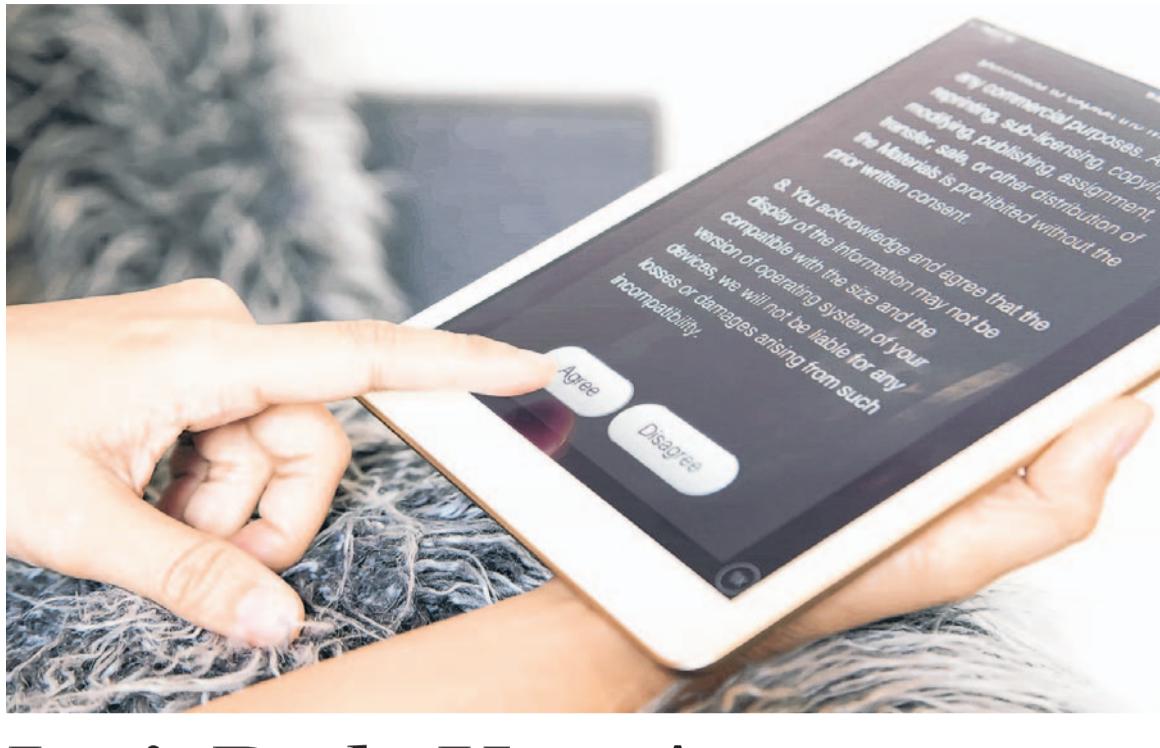


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ISTOCK

Let's Redo User Agreements

We click on them without thinking. It's time to fix that.

BY ALEXANDRA SAMUEL

ACCEPT. AGREE. SUBMIT.

I've lost count of how many times I've clicked on buttons like these, agreeing to online terms of service that I haven't actually reviewed. I'm hardly unusual: According to a 2017 survey by Deloitte, 91% of consumers routinely accept online service agreements without actually reading them.

What might seem like a sensible way of saving time turns out to be a big problem when we suddenly discover what we've agreed to. Cambridge Analytica's abuse of Facebook users' data took the public by surprise in part because so few people knew that Facebook's terms of service allowed third-party developers to access not only their data, but their friends' data too.

With so much of our personal data, communications and creative output now flowing through online services, failing to read user agreements amounts to giving up control over both our privacy and our content. Online services have little incentive to develop policies that are in their users' interests when they know that most users aren't even glancing at their terms of service.

As essential as it is for us to start reading user agreements, that is only going to happen if service agreements are restructured so that they're easier for us to digest and absorb—and if we have ways to opt out of the most problematic provisions. That means rethinking the entire terms-of-service model—and prioritizing what's good for consumers.

Here are my ideal solutions for companies to make their terms of service comprehensible and consumer-friendly.

No all-or-nothing agreements

Right now, user agreements are an all-or-nothing, take-it-or-leave-it proposition. If you've concluded that you must get access to a specific platform (like LinkedIn) or online service (like Google Drive), there is

no point in reading every paragraph of the user agreement. Even if you disagree with parts of the agreement, your only option is to opt out of using the service altogether. Few of us are willing to do that.

A better approach would be to make agreements modular, so that we can opt out of specific provisions. Suddenly, we'd have a reason to read through agreements in their entirety, so we could decide which parts we do and don't want to accept. Even more important, our decisions would give companies feedback on their policies, so that they could organize their business models around users' actual preferences on key questions.

Write like a human

Even modular service agreements will go unread if they are written in the impenetrable legalese that is still the norm in most terms of service. These documents need to be rewritten so that they're readable by non-lawyers, or at least offer a readable explanation for every provision. Europe's General Data Protection Regulation helps, because it requires that

privacy policies be written in plain language. Now we need to ensure that every part of a service agreement adheres to that standard.

For instance, YouTube asks us to "affirm, represent, and warrant that you own or have the necessary licenses, rights, consents, and permissions to publish Content you submit; and you license to YouTube all patent, trademark, trade secret, copyright or other proprietary rights in and to such Content for publication on the Service pursuant to these Terms of Service." Instead, it might simply say, "You guarantee that this content is yours to post, and you're allowing us to display it on our site." (YouTube declines to comment.)

Some third-party software is trying to fill the gap for now. Terms of Service; Didn't Read provides a browser extension that offers an analysis of terms of service from about a hundred sites such as Facebook, YouTube and SoundCloud. Once you install the extension, you'll see a little colored beacon in your browser bar whenever you visit one of the sites the extension has rated, letting you know you can click for an explanation and rating of that site's terms. I'd like to see an expanded version that can explain any terms of service that pop up on my screen.

Learn from the past

A modular approach would also make it easier for people to read terms of service if we knew which provisions we've agreed to in the past and which we've rejected.

Imagine this: You find a new social network that you want to join, and it has the usual three-page, 40-clause user agreement. But you're reviewing this agreement using a browser extension that records the parts of agreements you accept and which ones you veto.

So, as you're looking over this social network's deal, any provision that is substantially similar to something you've previously approved is presented in green, and anything that is similar to something you've previously rejected is marked in red. If there are provisions that don't look like anything you've seen before, those are highlighted in yellow—so you can focus your attention on those. It is far more realistic for people to read terms of service when

they can concentrate on the few parts that really deserve their attention.

Find friends with similar tastes

Just as Amazon and Netflix can suggest what you'd like to buy or watch based on what users "like you" are doing, a smart terms-of-service system would be able to anticipate your preferences based on how similar people respond to specific agreements and provisions.

Whenever we visit a site, a third-party data-collection service would track which clauses in a terms-of-service agreement we agree to, and which we reject. (Before you worry about privacy concerns: The collecting would be handled by a disinterested nonprofit with no stake in selling user information.)

Then the collection service would figure out which other users are similar to us based on choices we've made. From there, the service might tell us that "Other people who chose not to share their location data rejected this clause about getting updates by email." It would make the work of reading terms-of-service agreements a lot easier.

How to get there

Creating a system of modular, customizable, readable and responsive agreements is a big job, and it will require big changes to the legal, technical and customer-service approaches used by online platforms.

But the Cambridge Analytica scandal has made it clear that companies face huge public-relations and financial risks when users don't have a clear picture of how their data is being used, and users will never get that clear picture as long as terms-of-service agreements remain long and unreadable.

Offering better user agreements could and should become a competitive advantage for companies. Indeed, there is no better way for companies to show they care about users than to give them direct and granular control over what they agree to. That is something I'd sign up for.

Ms. Samuel is a technology researcher and the author of "Work Smarter with Social Media." Email reports@wsj.com.

Hackers' Prime Target: Your Mind

'Social engineering' attacks get employees to give up valuable information

BY ROBERT MCMILLAN

OFTEN IT BEGINS with an innocuous-seeming email from an internet domain that closely resembles the victim's. The message may appear to come from the company's chief executive or another senior executive. "Are you at your desk?" it asks. "I need your help with something."

Only after the conversation has begun will scammers ask for what they really want—a transfer of money. But by then it is often too late. The victim believes he's emailing his boss and makes the payment.

Security pros call this social engineering, and it is replacing malicious software as the weapon of choice for cybercriminals. Social engineering is a bit of a catchall phrase, but it is happening anytime hackers trick employees into sharing intelligence that helps the hackers find vulnerabilities in company systems and carry out attacks. In addition to increasingly personalized phishing emails, it often involves phone calls in which the criminals trick employees into handing over private information or account passwords. Some employees have been tricked into wiring millions of dollars to offshore bank accounts controlled by the thieves.

"Social engineering is essentially the easiest tool in the hacker's toolkit," says Kathryn Sherman, a supervisory special agent with the Federal Bureau of Investigation. "All the information they need is available to them free online," she says, because corporations have put more of our personal data online. "Less-technical hackers are using it to gain access to companies and are defrauding our economy for billions of dollars."

Today about a third of all cyberattacks start with social engineering, according to research by International Business Machines Corp. and the Ponemon Institute. Five years ago the number was 19%.

Social-engineering attacks that include a detailed fraudulent business email are responsible for \$12.5 billion in losses, the FBI says.

Behind the push

A few things are pushing social engineering to the forefront of online fraud. Companies like Apple Inc. and Microsoft Corp. have invested billions in improving the security of their products, and consumers have moved much of their data to cloud computing services, making conventional hacking less effective.

"Over the past five years they have made hardware and software really difficult to break," says Chris-

topher Hadnagy, chief executive of **Social-Engineer** LLC, a consulting company that helps companies understand these techniques. "Where we're seeing the big vulnerabilities is in social engineering."

Ken Bagnall, a vice president at the computer-security company FireEye Inc. says one reason these types of attacks are so effective is their use of what he calls psychological authentication.

"If you have the name of their boss in an email, people will have a huge emotional response," he says. "And all social engineering is based on emotional response." The criminals are masters of techniques like these, Mr. Bagnall says. Phishing emails, for example, have 10 times the click-through rate of marketing emails, he says.

Def Con demonstration

At the Def Con computer-security conference in Las Vegas in August, hackers made a sport of their social-engineering techniques. In front of an audience in a Caesars Palace conference room, they called and conned their way through the call centers of a variety of large companies, probing for security weaknesses, says Mr. Hadnagy, the organizer of this particular event.

The contest is meant to raise awareness about the problem, not to do anything malicious, says Mr. Hadnagy. "We demonstrate social engineering by actually making calls to people and getting random strangers to give you pieces of information they should never give you," he says.

During the event, he says, hackers asked their marks a range of things. Who is the company's caterer? What

operating system is on the employee's computer? Will they click on a webpage provided by the social engineer? Most of the callers pretended to be a co-worker calling in for some help. Some pretended to be with the company's IT support group. One said he was a reporter working on a story.

Everyone who tried succeeded in fooling the company they called to some degree, Mr. Hadnagy says. And more than half of the contestants managed to con employees into visiting websites that they shouldn't have, he says.

Companies are getting wise to social engineering, however. At **FACC** AG, a maker of aircraft parts and systems that lost millions in an attack, education about social engineering is now a priority, says Andreas Perotti, a company spokesman.

The company's IT department regularly sends out information on new scams and takes steps to educate new hires on this topic too, he says. "It is important to incorporate this education in the daily work life," says Mr. Perotti.

Other companies are starting to factor social-engineering training into their compensation plans, says Dave Burg, a cybersecurity executive with the professional-services company Ernst & Young LLP. Employees who do well in phishing tests, for example, get paid bonuses. Those who consistently fail them can face sanctions or even termination, he says.

Mr. McMillan is a reporter for The Wall Street Journal in San Francisco. He can be reached at robert.mcmillan@wsj.com.

Don't Be Fooled

The three most common social-engineering techniques, according to the FBI



SIM Hijacking

Scammers posing as you convince a mobile phone carrier to transfer your phone number to a SIM card they own. With control of your number, they can gain access to many of your accounts. They could, for example, drain your online bank accounts.



Payroll Diversion

Scammers send you a phishing email to get you to give them the username and password for your corporate payroll portal. They log into the payroll portal and divert your payments to a bank account they control.

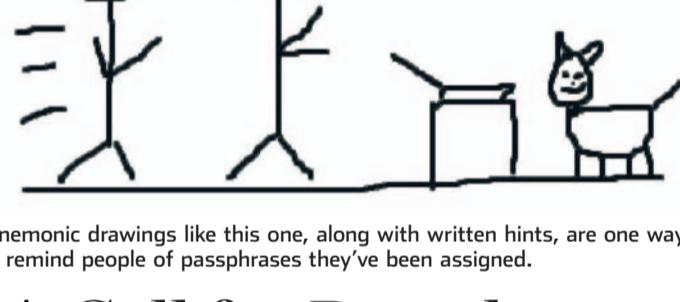


Business Email Compromise

Pretending to be the CEO or CFO of your company, or one of the company's suppliers or business partners, scammers send an email or make a phone call requesting an urgent wire transfer to pay what appears to be a legitimate bill.

Source: WSJ reporting

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KEVIN JUANG

Mnemonic drawings like this one, along with written hints, are one way to remind people of passphrases they've been assigned.

A Call for Passphrases

Two researchers have a way to make them a reality

BY HENRY WILLIAMS

Part of that strength comes from the system choosing the words for you

Each passphrase is 24 characters in length. A sample passphrase from their research was "weak parade of chemistry."

"There are probably multiple people who would have said, 'I love Ariana Grande' as their passphrase, if asked to create their own," says Dr. Greenstein, now an associate professor emeritus at Clemson. "Hackers could take advantage of the predictability."

Making a passphrase random is only half of the solution, though. The other half is making the phrase easy to remember at log-in. Many websites obscure the user's password as it is typed, which makes it that much harder both to remember and to type it correctly.

"The physical act of typing in the passphrase is a huge issue," says Dr. Juang, who now works for SunTrust Banks as a user experience research manager.

To help people remember their passphrases, the researchers recommend that websites give their users hints. One way to do that is to reveal several passphrases, letter by letter, as the user begins to type. The user will recognize which of the passphrases is correct and then be able to remember the rest.

Another hint that websites can offer is what Dr. Juang calls a visual mnemonic—a simple drawing that suggests to the user what their passphrase is. The picture would pop up as the user starts logging in.

As an additional layer of security, Drs. Juang and Greenstein suggest using their passphrase system in combination with a password manager, a service that stores multiple complex passwords for its customers.

Mr. Williams is a deputy editor for The Wall Street Journal in New York. He can be reached at henry.williams@wsj.com.

Why You Need a VPN—and How to Choose One

Everybody's snooping on your internet traffic. Here's how to stay hidden.

BY DAVID PIERCE

ON THE INTERNET, you never know who's watching. So maybe you should assume it is *everyone*: hackers, Google, your internet provider, the person next to you at Starbucks. The eyes are everywhere.

Your best defense? Camouflage. By using a virtual private network, or VPN, you can keep your activity and data far more secure. Once used mostly for remote workers to access their office networks, VPNs have become a tool more and more people use—or should use. A VPN can protect you from snooping hackers on public Wi-Fi networks in places like airports or coffee shops, and even keep your service providers from accessing and selling your web-browsing and app-usage data.

You don't need it on all the time unless you're Jason Bourne or if everything you do is classified. If you're careful to use secure websites and apps, you don't have to turn it on during those times, either. And since Netflix, Hulu and other streaming services often block VPNs, you'll likely leave yours off by default.

But privacy matters more when communications involve sensitive health, family or financial matters. In those cases, it is better to be overly cautious and turn on the VPN—just clicking and disappearing from view.

A secure line

Imagine you're in a coffee shop, connecting to its open Wi-Fi network to get some work done while you sip a dirty chai. As you browse, everything you do is being sent through the cafe's router, which anyone in that coffee shop could be watching. It is shockingly easy for a hacker to tap into a public network and intercept the bits flowing through it. They can even inject malware onto your device by intercepting your internet traffic before it gets back to your machine.



if you can think of an obvious reason why a company would use your data, it probably is.

Mr. Walkiewicz recently led a comparative study of popular VPN products and picked a handful of best options. Hotspot Shield Elite from AnchorFree, which costs between \$3.50 and \$13 a month, scored well across the board. (AnchorFree commissioned the study, though Mr. Walkiewicz says that didn't change the results.) The AV-Test team also praised Private Internet Access, a particularly anonymity-focused product from London Trust Media that costs between \$3 and \$7 a month; NordVPN, a feature-rich option for \$7 to \$12 a month; and Freedome VPN, a simple and secure option from F-Secure that costs about \$4 to \$7 a month.

These products are increasingly part of broader security suites, which can also help store passwords and block malicious websites. Dashlane,

which began as a password manager, now includes a VPN powered by AnchorFree. Similar McAfee-powered tech is built into recent Samsung smartphones as well, offering a small amount of free usage before charging \$1 a day or \$2 a month. Router maker Eero includes a VPN from Encrypt.me as part of its \$99 annual Eero Plus plan, which makes using a VPN at home even simpler since it happens in your router. The best VPN is the one you'll actually remember to use.

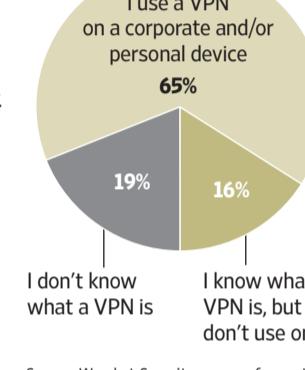
Think of a VPN like the curtains in your house. Mostly they're open, the light streaming in, but when you need them closed you're glad they're there. As we spend ever more of our life and work online, we need a way to close the curtains anytime. With a good VPN, all that takes is a tap.

Mr. Pierce is a Personal Technology columnist for The Wall Street Journal. He can be reached at david.pierce@wsj.com.

Spotty Coverage

Most Americans surveyed by Wombat Security use a VPN on some device, but for any particular type of device fewer than half use a VPN

Do you use a VPN?



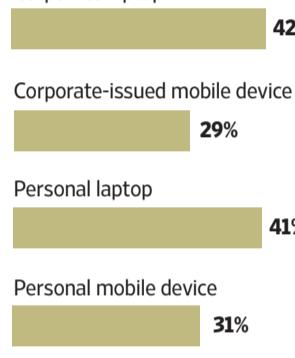
Source: Wombat Security survey of more than 1,000 adults in the U.S., conducted in May 2017

tickets, since airlines and other vendors can use your location and profile to set prices.

Using a VPN doesn't mean you can eschew all other good security practices, of course. You should still set strong passwords and change them often, use multifactor authentication, access secure HTTPS websites, and everything else you'd normally do to keep yourself safe online. If you visit a shady website and give it your credit-card info, your VPN can't stop you.

You should be rigorous in choosing a VPN, too, because even though other sites can't find out where you are or what

On what devices do you use a VPN?



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you're up to, your VPN provider can. No matter which one you choose, you're placing your faith in the company's ability to keep your activity private. Some VPN makers promise to store only essential data, but that word is often used loosely. Others sell your data, trying to make advertising dollars. You want a VPN that stores as little of your in-

formation as possible—ideally none at all.

Choosing your camo

VPN options abound, all promising more or less the same thing. And if all you care about is avoiding the airport or coffee-shop snoop, most will serve you. But a few simple rules will help you narrow the field considerably.

You want a VPN that works on all of your devices, including your phone. And avoid ad-supported VPNs. They might operate like Facebook's Onavo Protect app, which was recently removed from Apple's App Store because it was collecting users' smartphone activity.

"Pretty much all VPNs claim they store no data," says David Walkiewicz, director of test research at AV-Test, an independent IT-security research firm based in Germany. But to some degree, he adds, "all companies store data."

Indeed, sometimes companies collect a little bit of data but don't associate it with you. Other times they're collecting tons of data and selling it to advertisers—or selling ads against it. As a rule of thumb,

Wanted: Cybersecurity Skills

Three ideas for solving the shortage of employees who can do the job

BY JANAKI CHADHA

A Costly Gap

The effects of the cybersecurity skills gap cited most by cybersecurity professionals

Increasing workload on existing staff

63%

Hiring and training of junior employees rather than people with the appropriate level of cybersecurity skills

41%

Cybersecurity staff time is spent disproportionately on high-priority issues and incident response, with limited time for planning, training or strategy

41%

Source: Survey by Enterprise Strategy Group and the Information Systems Security Association of 343 cybersecurity professionals and ISSA members, conducted in August and September 2017

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for years of military service.

In a cyber ROTC, college students in computer science and related subjects could attend tuition-free in exchange for a few years' service in public-sector areas that need a large cyber workforce, says Ms. Flournoy, now a fellow at Harvard University's Belfer Center for Science and International Affairs. This could help bring in young people who might otherwise see a role in cybersecurity or computer science as far out of reach, she says.

Financial incentives

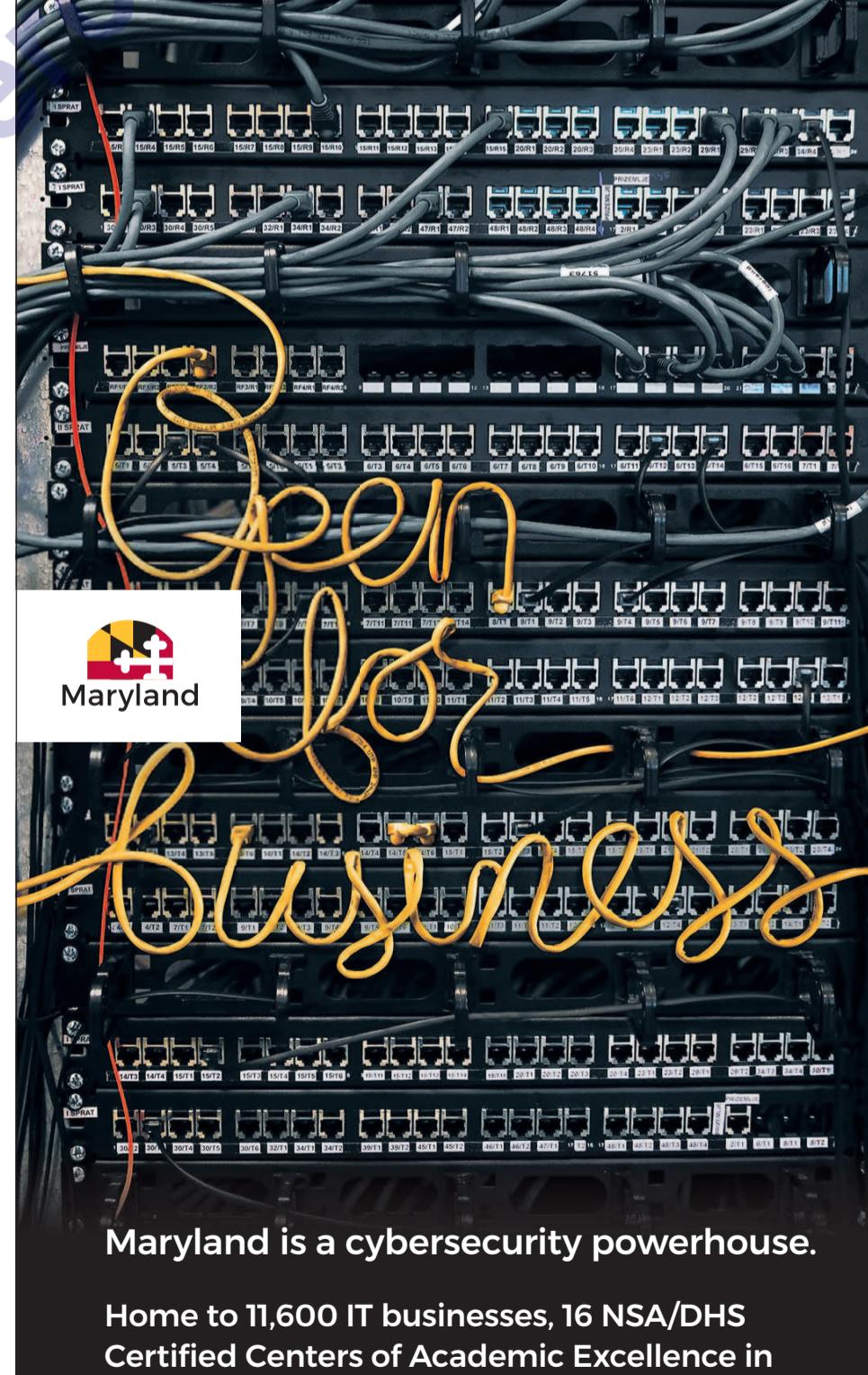
A bill introduced in Congress in 2017 aims to establish tax breaks for employers that develop training programs for cybersecurity jobs. Companies are increasingly setting up their own programs to train workers in cybersecurity jobs, many of which require certification in skills that aren't taught in college.

The New Collar Jobs Act, if successful, could increase available training and enlarge the workforce. It would also offer student-debt relief for people choosing cybersecurity jobs. For example, the bill would cancel as much as \$25,000 in loans for people who hold a cybersecurity job in an "economically distressed area" for at least one year.

The bill also would establish a tax credit of up to \$5,000 per employee for companies that support the cost of academic degrees or industry-approved certification programs for workers. Companies that use these tax credits also would get a bump in evaluation scores used for allocating government contracts.

Cyber ROTC
A similar idea, from Michèle Flournoy, a former senior official in the Defense Department, is to create a kind of cyber ROTC program, modeled after the Reserve Officers' Training Corps, in which prospective commissioned military officers go to college tuition-free in return

Ms. Chadha was a reporting intern for The Wall Street Journal. She can be reached at reports@wsj.com.



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Open.Maryland.gov/cyber

Facial Recognition Goes Mainstream

Restaurants, airlines and others want to use the technology in everyday commerce. If, that is, customers let them.

BY KATHERINE BINDLEY

AT CALIBURGER in Pasadena, Calif., the fast-food franchise restaurant is testing out a new way for customers to pay: having their picture taken.

When they're ready to complete their order, they step in front of a large screen at a kiosk to let a facial-recognition system snap their picture. If the system recognizes them, the payment goes through.

CaliBurger is one example of how facial recognition is beginning to make its way out of the realm of security applications—such as searching for bad guys or unlocking our phones—and into bricks-and-mortar retail and other areas of real-world commerce.

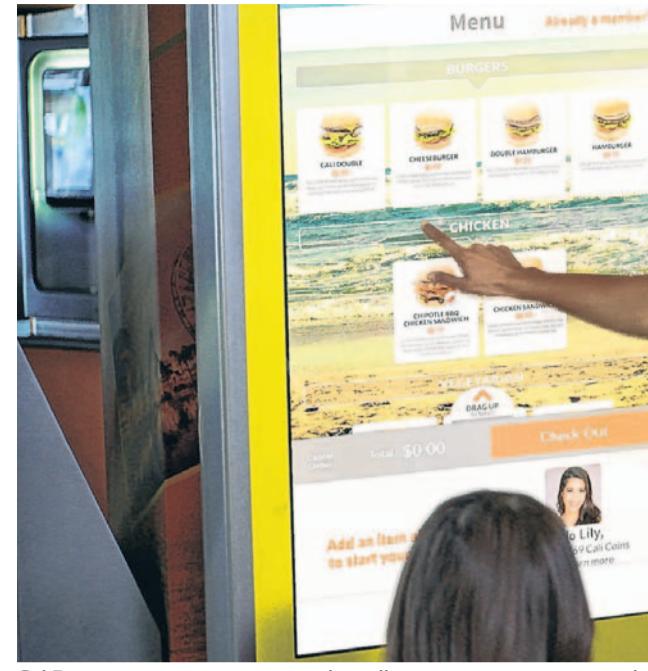
Entertainment venues want to speed customers through the gate by scanning their faces. Airlines are looking to smooth out passengers' travel by letting them check bags and do other tasks by taking a selfie. Retailers want to send a salesperson over to help customers if a camera reads their expression and suggests they look annoyed.

But the technology faces a big hurdle: consumer concerns. Brendan Miller, a digital-business analyst with research firm Forrester, says most retailers he speaks with are still too nervous about the privacy issues associated with facial recognition and similar technology to personalize things too much yet.

"That's why we're very much still in beta modes, because of the concern and the creep factor around tracking," he says. "The technology will enable it, but consumers aren't caught up to the technology yet."

Say cheese!

Big tech companies have been putting resources toward facial recognition for years: Facebook has long used it to suggest who should be "tagged" in photos. Amazon has sold its facial-recognition platform to law-enforcement agencies and others. Apple introduced Face ID with the iPhone X last year and in 2016



CaliBurger is testing a system that allows patrons to pay at a kiosk that uses facial-recognition technology.

purchased a startup called Emotient that uses artificial intelligence to read people's expressions.

Now bricks-and-mortar companies see an opportunity to take that technology and apply it in a new way—making real-world retail more effective.

One area they're working on is personalization. Stores might use the technology for opt-in loyalty programs so that a salesperson could greet customers by name when they walk in, tell them what discounts they're eligible for, what new products they might like based on previous purchases or speed them through checkout by letting them pay by taking their picture.

Some airlines are working on a similar plan to make travel more frictionless and convenient. NEC Corp. is working with carriers on a system that lets travelers check in, check their bag, access a lounge or board their flight, all with a face scan, says Raffie Beroukhim, a senior vice president.

A variation of that face-based check-in technology, also from NEC, will be used at the 2020 Tokyo Olympic Games. Athletes, employees, volunteers and the media will

be able to enter venues by having their faces scanned. (NEC is also working with a unit of CaliBurger's parent company to conduct the restaurant's facial-recognition test.)

Another way real-world re-

NEC is working on a system that would let air travelers check in, check their bag and more with a face scan.

tailers want to use facial recognition is to figure out what shoppers want when the stores don't know who they are. So, a camera and software combination would analyze people's appearance to glean details about

them—such as approximate age, gender and where they go in the store—and then use that data to entice them with special offers.

For instance, a facial-recognition system might be built into a digital display at the front of a store so that when an older man walks in, it could showcase items he might be interested in, like button-down dress shirts, as opposed to a selection of prom dresses, which might be shown to a teenage girl.

Intel is joining with retail-



page

ers and software developers to offer such technology, according to Joe Jensen, vice president of the company's IoT Group and general manager of the Retail Solutions Division.

"It's really how physical bricks-and-mortar retailers can start to understand better what patterns of behavior shoppers have in their store, so they can bring them better offers," says Mr. Jensen.

"We're really just trying to understand the behavior of an anonymous shopper, versus trying to figure out if it is Suzie and Suzie did A, B and C."

But facial recognition has to deal with a major issue: privacy. In China, facial recognition is already playing out in a very intrusive way. The technology is so widespread that its uses range from providing

order suggestions at KFC to catching jaywalkers to monitoring how much toilet paper people use in public bathrooms. One popular park in the capital uses face-scanning dispensers that limit each person to a two-foot length of paper every nine minutes.

'Mission creep'

But the problem isn't only a potential Big Brother monitoring us everywhere. Privacy advocates say our face prints could ultimately be tied to personal profiles that are shared among companies and data brokers.

Even potentially benign data collection has the potential for "mission creep," says Adam Schwartz, a senior staff attorney with the Electronic Frontier Foundation, a nonprofit group focused on digital privacy. After companies collect data for a certain purpose, they do "new and unexpected things with it," he says.

For instance, a company using biometrics to give employees access to a building could later sell that information to a

broker, where it could end up being used by any number of organizations. An insurer might buy the data and use it to determine things about a person's health and potentially deny them coverage.

"It is likely that some of the data that we have provided in the past will come to haunt us," says Arun Ross, a professor in the department of computer science and engineering at Michigan State University. "We will discover it is providing insights into our lives that we never thought possible."

For its part, Cali Group, the owner of CaliBurger, is still working on its privacy policy and terms of use. The company doesn't have either yet, but Chief Executive Officer John Miller says it won't share facial-recognition data with third parties: "We're taking a long time to test it and think through all these issues."

NEC's Mr. Beroukhim says that in its airport facial-recognition system, fliers would opt in, and there would be some privacy controls.

For now, whether companies can acquire your biometric data without first asking for consent—and what kind of biometric data they're allowed to collect—depends on where you live. The only states with some requirements for permissions are Illinois, Washington and Texas, according to Mr. Schwartz of the Electronic Frontier Foundation.

Dr. Ross says that especially following the adoption of Europe's General Data Protection Regulation, he wouldn't be surprised if more companies and states adopt policies to enhance privacy when it comes to biometrics.

"I think companies are becoming increasingly aware that privacy is important," he says.

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Anatomy of a Cryptojacking

How criminals are using hijacked computers to earn cryptocurrency

BY CHRIS KORNELIS

MANY CYBERCRIMINALS are beginning to move on from ransomware attacks in favor of something called cryptojacking—taking over the processing power of hijacked computers and using it to earn cryptocurrency.

According to a McAfee Inc. report released in June, cryptojacking is becoming a favorite among cybercriminals because it's "simpler, more straightforward and less risky" than ransomware or stealing data.

Hijackers use a network of hacked computers to earn bitcoin or other cryptocurrencies. These currencies use large ad hoc networks of computers to process transactions. In exchange, they award computers on those net-

works newly minted digital currency, a procedure called mining. But to earn that award, a network has to be the first among many working on processing the same transactions to solve a complex math problem.

Mining requires huge amounts of computing power and energy. Cryptojackers avoid the cost of running powerful server farms by tapping the processing power of the systems they hack—including personal computers, game consoles and corporate servers.

Here, Donald Patterson, a professor of computer science at Westmont College in Santa Barbara, Calif., breaks down how cryptojacking works.

Mr. Kornelis is a writer in Seattle. He can be reached at reports@wsj.com.

Netting a Profit | Cryptojacking step by step

STEP 1

Break In, Steal Processing Power

Cybercriminals entice users to download malware that contains specialized crypto-mining software. The software runs in the background, tapping idle processing power to run the problem-solving algorithm. Hackers can also use compromised websites to tap into visitors' computers.

STEP 2

Connect Devices in a Network

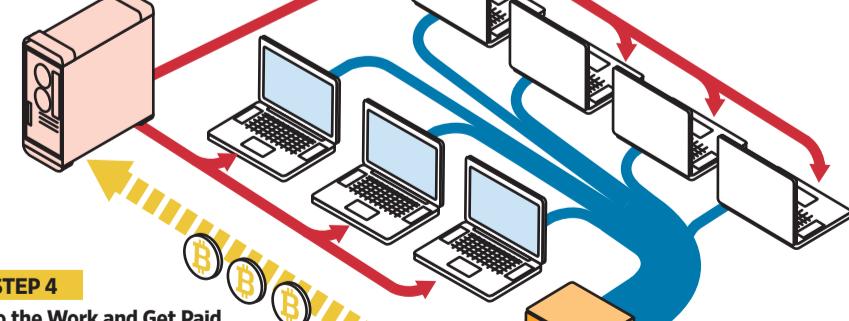
The malware is then used to connect the machine to a network of hijacked computers. A single PC might never solve the math problem; pooled together in massive numbers, they can match the processing power of specialized crypto-mining computers.

STEP 4

Do the Work and Get Paid

A new block of bitcoin transactions is processed about every 10 minutes. If the cryptojacker is the first to solve the problem, he gets paid for processing the transaction. Payment for a single job is 12.5 coins. Bitcoin is trading at about \$6,400—an \$80,000 payout. Cryptojackers typically pool their resources into a large network that splits these proceeds, plus much smaller transaction fees.

Source: WSJ reporting



The network of cryptojacked computers is put to work solving the mathematical code. This can be difficult to detect; slow computer performance or a constantly running fan can be signs that a machine is in the hands of a cryptojacker.



Every second Unisys monitors thousands of potential threats to critical infrastructure like drinking water supplies around the world. Which means parents can focus on more important things, like spending quality time with their children. Find out more at Unisys.com/Security.

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