

# THE WALL STREET JOURNAL.

## What's News

### Business & Finance

**The U.K. government** tried to reassure investors that it is working to better coordinate with the Bank of England as Truss's tax cuts and energy subsidies complicate efforts to control spiraling inflation. **A1**

◆ **China's currency hit** its weakest-ever offshore trading level against the dollar, with the yuan falling below 7.2 to the dollar for the first time since a separate system for trading the currency outside the mainland was launched. **B1**

◆ **U.S. home prices slid** in July from June, the first monthly drop in years and the latest sign that higher mortgage rates are starting to weigh on prices in many of the biggest markets. **A3**

◆ **U.S. consumers' moods** about the economy improved in September, while a jump in new-home sales and a decline in durable-goods orders in August offered a mixed picture of demand. **A2**

◆ **The Dow industrials fell** deeper into bear-market territory, shedding 0.4%, while the S&P 500 lost 0.2%. The Nasdaq Composite eked out a 0.2% gain. **B1**

◆ **Eleven of the world's largest** banks and brokerages will collectively pay \$1.8 billion in fines to resolve regulatory investigations over their employees' use of messaging apps that broke record-keeping rules, regulators said. **B1**

◆ **Alex Mashinsky**, co-founder and CEO of bankrupt cryptocurrency lender Celsius Network, is stepping down after a resignation request from the company's creditors. **B4**

### World-Wide

◆ **Hurricane Ian bore down** on southwest Florida after pummeling Cuba, with a swath of the state's Gulf Coast in harm's way, including the vulnerable Tampa Bay area. More than 2.5 million people in Florida were under some kind of evacuation order, Gov. DeSantis said. **A1, A6**

◆ **European authorities** are investigating mysterious leaks on two closed Russian natural-gas pipelines to Germany, sparking concerns about the safety of critical energy infrastructure. **A1**

◆ **The U.S. and EU are** poised to adopt new sanctions on Russia, though some EU members are questioning existing restrictions and the economic pain in Europe is growing. **A8**

◆ **Manchin threw in** the towel on including his proposal to speed up permitting of energy projects in a must-pass funding bill, clearing the way for the Senate to advance the legislation needed to keep the government open. **A4**

◆ **McConnell offered** qualified support for a Senate bill that would overhaul a 19th-century law that governs the way Congress counts and ratifies presidential elector votes. **A4**

◆ **Eisai and Biogen** said their experimental Alzheimer's drug significantly slowed progression of the disease in a large study, bolstering the drug's prospects for approval. **A3**

◆ **House Democrats** released their bill to ban stock trading by members of Congress, judges and senior government officials. **A4**

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## Tokyo State Funeral Honors Ex-Leader Abe Amid Protests



**FAREWELL:** Akie Abe, widow of former Japanese leader Shinzo Abe, walks behind Prime Minister Fumio Kishida carrying her husband's ashes. Mr. Abe, whose tenure from 2012 to 2020 was marked by divisions, was assassinated in July. **A9**

## U.K. Seeks To Calm Jittery Investors

Truss government's tax cuts clash with Bank of England's bid to tame inflation

By PAUL HANNON AND MAX COLCHESTER

The U.K. government, after a punishing week for the pound and bond market in London, tried Tuesday to reassure investors that it is working to better coordinate with the Bank of England as Prime Minister Liz Truss's tax cuts and energy subsidies complicate efforts to control spiraling inflation.

U.K. Chancellor of the Exchequer Kwasi Kwarteng said that he was meeting Bank of England Governor Andrew Bailey on a daily basis.

"We are working very closely now," Mr. Kwarteng told a round table of executives from major banks. He also tried to reassure investors that his government, which last week sparked a financial markets selloff by announcing the biggest tax cuts in a generation in addition to new spending, hadn't lost fiscal discipline and had a credible plan to cut debt in years to come. "With close cooperation with the bank," he said, "our approach will work."

The central bank and the government find themselves pulling in different directions on the U.K. economy, a dynamic that has alarmed investors. While the central bank has been raising its key interest rate since December to try to contain a surge in consumer prices, the government has been raising its key interest rate since December to try to contain a surge in consumer prices. **Please turn to page A9**

## Ian Nears Florida Gulf Coast After Pounding Western Cuba

ST. PETERSBURG, Fla.—Hurricane Ian bore down on southwest Florida on Tuesday after pummeling Cuba, with a swath of the state's Gulf Coast in harm's way, including the vulnerable Tampa Bay area.

By Jon Kamp, Cameron McWhirter and Elizabeth Findell

The storm's center is forecast to approach the west coast of Florida on Wednesday afternoon and into Wednesday night, according to the National Hurricane Center.

Rain from the storm began drenching parts of the state Tuesday. Hurricane conditions are expected along the state's Gulf Coast by Wednesday morning.

The Tampa Bay metropolitan region of 3.2 million people hasn't been tested by a direct hurricane hit from a powerful storm like Ian for more than a century. The hurricane center said Tuesday that the latest forecasts have shifted the storm's track south along the coast, but a hurricane warning still covered the Tampa Bay area while stretching south of Fort Myers to the Everglades.

"It's really imperative that people start taking this seriously and start heeding evacuation orders," said Jamie Rhome, the hurricane center's acting director.

More than 2.5 million people in Florida are under some kind of evacuation order, Gov. Ron DeSantis said Tuesday. Schools and colleges across the state canceled classes and closed campuses ahead of the storm. Hotels secured proper-

ties and prepared to shelter staff and emergency workers.

"It's always a nervous feeling when you know a storm is coming," said Yolandra Gibbons, a St. Petersburg resident, while waiting to get sandbags in a line of cars. She said she was hopeful the storm would take a turn.

Ian made landfall early Tuesday in western Cuba near the town of La Coloma as a Category 5 hurricane. **Please turn to page A6**

◆ **Insurers brace for a new challenge** as a surge in consumer prices could hurt the industry. **A6**

## Offensive Threatens Russia's Land Goals

By YAROSLAV TROFIMOV

RUBTSY, Ukraine—The Ukrainian military offensive that ousted Russian troops from the Kharkiv region early this month has now crossed deep into the northern part of the nearby Donetsk region, threatening Russian control over lands that Moscow seeks to annex as sovereign territory in the coming days.

In Rubtsy, a village in Donetsk that Russia captured in late April, advancing Ukrainian forces stream east past burned-out Russian tanks and the bloated bodies of Russian soldiers that remain on roadsides.

The Ukrainian push here aims to encircle the strategic town of Lyman, where street battles have begun, and target the northern parts of the nearby Luhansk region. Russia is wrapping up referendums it is staging in Donetsk and Luhansk, collectively known as Donbas, and two occupied regions of southern Ukraine, aiming to formally incorporate them into Russia as soon as this week.

Demoralized by recent defeats in Kharkiv, Russian soldiers on this front line continue to retreat, despite arriving reinforcements. On Sunday, Ukrainian forces took several prisoners in a nearby village because many of the Russian soldiers were drunk, a Ukrainian soldier said. "The ones who were drunk were the ones who were captured." **Please turn to page A7**

## Fears of Draft Prompt Exodus



**Thousands of Russians have fled to neighboring countries since a broad military mobilization was announced.** **A7**

## Europe Examines Suspicious Leaks In Gas Pipelines

By GEORGI KANTCHEV

BERLIN—European authorities are investigating mysterious leaks on two closed Russian natural-gas pipelines to Germany, sparking concerns about the safety of critical energy infrastructure.

The leaks were detected after pressure in the Nord Stream and Nord Stream 2 pipelines, which connect Russia's prolific gas fields to Germany's industrial heartland, dropped suddenly Monday.

The incidents have no impact on Europe's gas supply because both links aren't in use. Germany halted the Nord Stream 2 pipeline in February over Russia's aggression in Ukraine, while Moscow this month indefinitely stopped flows via Nord Stream. Experts, however, said the gas leaks could hurt the environment.

The Nord Stream pipelines have been at the heart of an escalating economic war between Moscow and the West that has pushed gas prices to records and threatens to hobble European industry. Western officials said the leaks could hurt the environment. **Please turn to page A8**

## INSIDE



**SPORTS**  
Mickelson and three other LIV golfers drop out of suit against the PGA Tour. **A16**



**BUSINESS & FINANCE**  
Lumber prices fall to pre-pandemic levels, pointing to a slowdown in construction. **B1**

## The Texans Who Are Moving To Illinois: Armadillos

Possum-sized creatures creep north, leaving mark on the Land of Lincoln

By JOE BARRETT

CARBONDALE, Ill.—Judy Carver and her husband had been noticing little holes in the grass and mulched areas of their yard since early spring this year, unsure whether it might be deer or chipmunks digging up the wooded lot on a small lake outside this college town.

Then one evening this month as they headed out for a walk, they saw something in the bushes near their front door. It was a critter "about the size of a 10-pound bag of flour," she said, with pointy ears, a ridged brown shell and a long tail. The 67-year-old immediately knew it was an armadillo.

"Believe me. When you see one you know what it is," she said. To Ms. Carver, the creature seemed as afraid of them as they were curious about it. It froze—its head hidden in the bushes—as her husband shined a light on it. "I think he thought we couldn't see him, but we could see the whole body," she said.

The possum-size critters—nearly blind and resembling a cross between an anteater and a giant potato bug—have been creeping north from Texas for decades and in recent years have made a home in the Land of Lincoln, tearing up yards, drawing puzzled looks and littering highways with their droppings. **Please turn to page A2**

## Palantir

The industry leader in artificial intelligence software.

RANK	COMPANY	2021 AI REVENUE
No. 1	Palantir	\$1,392M
No. 2	Microsoft	\$1,252M
No. 3	IBM	\$776M
No. 4	AWS	\$688M
No. 5	Google	\$536M

Source: IDC, Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022)

PALANTIR TECHNOLOGIES INC. — PALANTIR.COM

The information presented in the table above has been compiled and analyzed by IDC using their methodology described in the Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022) report contained on IDC's website (www.idc.com). We have not independently verified, and make no representations as to, the accuracy or completeness of the data contained in this report.



# U.S. NEWS

## Data Offer a Mixed Picture on Economy

BY BRYAN MENA

Consumers' moods about the economy improved in September while a jump in new-home sales and a decline in orders for long-lasting goods offered a mixed picture of demand at the end of the summer.

The consumer-confidence index, which measures American attitudes toward jobs and the economy, rose in September for the second month in a row, in part driven by falling gas prices, the Conference Board said Tuesday. The index, which rose in September to 108 from 103.6, had fallen earlier in the year as energy prices surged and inflation

weighed on the economy. "The improvement in confidence may bode well for consumer spending in the final months of 2022, but inflation and interest-rate hikes remain strong headwinds to growth in the short term," said Lynn Franco, senior director of economic indicators at the Conference Board.

Meanwhile, measurements of demand for goods and new houses diverged in August, according to two Commerce Department reports.

New orders for durable goods declined by 0.2% to a seasonally adjusted \$272.7 billion in August compared with the prior month, the Commerce

Department said Tuesday. Excluding defense, new orders were down 0.9%. Orders fell a revised 0.1% in July.

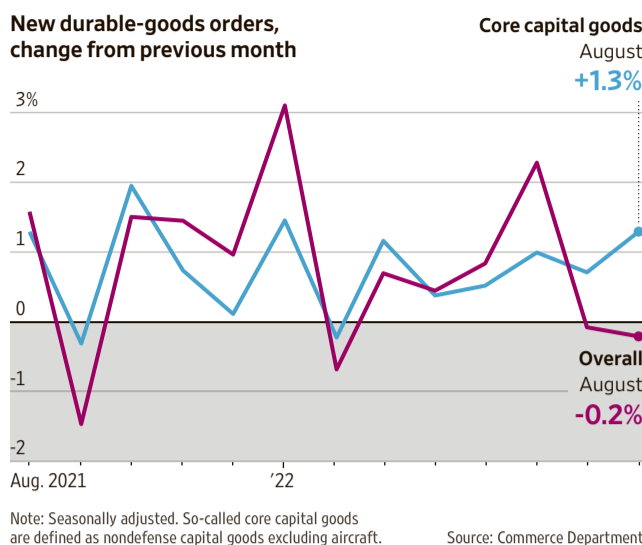
The Commerce Department also reported that sales of new single-family homes rose in August by 28.8% from the month before to a seasonally adjusted annual rate of 685,000, an indicator that demand is holding up. New-home sales figures can be volatile and measure a smaller portion of sales than the National Association of Realtors report on existing-home sales, which fell last month.

Overall orders for durable goods—which include factory equipment, computers and washing machines—have risen

in eight of the past 12 months through August. A rebound in orders for military equipment helped moderate the decline in overall durable-goods orders last month.

The figures reflect continued demand from businesses and consumers—and rising prices. Orders figures aren't adjusted for inflation.

Surveys of purchasing managers by S&P Global and the Institute for Supply Management indicated that economic activity in the manufacturing sector has stalled in recent months. S&P Global's U.S. manufacturing index for September was the second-lowest reading since July 2020.



## Armadillos Heading To Illinois

Continued from Page One

carcasses. In Illinois's southern reaches, they are plentiful.

"How many you want?" asked Jeff Holshouser, 57, an avid hunter who works in the heating and air-conditioning business in the small city of Anna, in the state's southwest corner. Mr. Holshouser said he has seen as many as 10 armadillos in a night using thermal-imaging equipment as he hunts for coyotes on farmers' fields. He said he's shot five in his own yard in recent months. "I see them everywhere."

They have also been spotted recently as far north as Will County, five hours north and on the outskirts of Chicago, where winters are typically much harsher, a testament scientists say, to their adaptability and a warming climate.

One big question: how a small animal with stubby legs and a heavy shell has gotten across the Mississippi River to the west or Ohio River to the south, formidable bodies of water with strong currents, shipping traffic and debris.

"We don't know that yet," said Agustín Jiménez, an associate professor of zoology at Southern Illinois University in Carbondale. Armadillos are surprisingly good swimmers, he said. Even a few arrivals could rapidly reproduce, since each armadillo egg splits into four identical embryos, he said.

Others suspect they are crossing bridges at night or hitching a ride in train cars or the back of a pickup. "There's a lot of speculation and anecdotal reports of some of each," said Stan McTaggart, manager of the wildlife diversity program at the Illinois Department of Natural Resources.



Armadillos have found homes in Illinois, tearing up yards and drawing puzzled looks.

Armadillos, which use their long snouts to sniff out grubs and other insects living just below the surface, crossed into Texas from Mexico around 1850 and have slowly expanded their range northward, said Mr. Jiménez, who studies and keeps tabs on parasites that travel with armadillos. (Armadillos are one of few animals that carry the bacteria that cause leprosy, though no armadillo tested in Illinois has been a carrier, he said.)

The mammals are ill-suited for cold climates, with little fur, a low natural body temperature and a small amount of stored fat, he said. As they continue to expand into central Illinois and beyond, they represent the latest sign that those places are getting warmer, he said.

Karen Schauwecker, a 40-year-old who works in environmental sustainability, said she never saw armadillos growing up in Carbondale but has seen many dead ones in recent years. One warm day in February, she was having a snack and looking out her kitchen window when she saw her first live armadillo. She grabbed her phone and ran outside to take pictures.

"He did not mind me approaching and just kept root-

ing and really sticking its snout in the ground and digging," she said.

Ms. Schauwecker, who ran back inside to share her video with friends, doesn't know quite what to make of the new arrivals. "I'm not sure I would give them the 'cute' label," she said. "They're very bizarre-looking. I mean, they have this really strange snout and this kind of leathery, scaly, turtley sort of skin. For me, it was more interesting and strange."

**'I'm not sure I would give them the 'cute' label,' says one Illinois resident.**

After their first sighting, Ms. Carver and her husband began seeing more damage from the armadillo. One night, he dug about 50 small holes in the yard, she said.

The second time they saw the armadillo, it got spooked when her husband approached, she said. "He hopped in the air a little bit and he went like 'wool!' and he was moving pretty fast" as he ran off into the woods.

An animal lover who regularly feeds a turtle that comes to her back door, Ms. Carver said she is enjoying her encounters with the armadillo, though her husband is getting a little tired of cleaning up divots in the yard.

She said a friend who moved to Texas a few years ago told her she often heard the crackle of gunfire from neighbors shooting armadillos in their yards. "I was like, 'Why would you shoot armadillos?' Now that I see all the digging that they do, I'm not too surprised," Ms. Carver said.

Karrie Ewers, a neighbor down the street from Ms. Carver, saw an armadillo in her yard a few weeks ago as she walked her dogs. "I think we scared it up over here and it just kind of meandered its way along this row of shrubbery," said Ms. Ewers, a 58-year-old bookkeeper, gesturing.

She isn't planning to call an exterminator unless things get really bad, she said. A friend who is a serious gardener had one removed, Ms. Ewers said. "Bunnies, chipmunks and armadillos are all foes of the garden," she said. "If the armadillos would eat the chipmunks, I think everyone would love them."

## Kashkari Wants Fed To Raise Rates Until Inflation Is at Bay

BY HARRIET TORRY

Federal Reserve Bank of Minneapolis President Neel Kashkari said the U.S. central bank needs to tighten monetary policy until underlying inflation is declining, and then wait to see whether it has done enough.

"The one mistake that I'm acutely aware of—that I want to avoid repeating from the 1970s—is when policy makers saw the economy weakening, saw inflation start to tick down, and then they cut rates, thinking they had done the job. And then inflation flared back up again—that, I believe, is a mistake we cannot make and will not make," Mr. Kashkari said Tuesday during an online event hosted by The Wall Street Journal.

The Federal Reserve has raised interest rates aggressively this year to reduce inflation, which remains near its highest rate in 40 years. The central bank last week approved its third consecutive interest-rate rise of 0.75 percentage point and signaled additional large increases were

likely even though they increase the risk of recession.

The Labor Department's consumer-price index rose 8.3% in August from the same month a year before, slowing from 8.5% in July and from 9.1% in June. But underlying, or so-called core inflation, which excludes volatile energy and food prices, climbed to 6.3% in August from its 5.9% rate in both June and July—a signal that broad price pressures strengthened.

Mr. Kashkari acknowledged that there is a "risk of overdoing it" but said he thinks the central bank is "moving at an appropriately aggressive pace" to tame inflation.

Fed officials have often said they want to produce a "soft landing"—slowing economic growth enough to reduce inflation without causing a recession. Mr. Kashkari said he thinks a soft landing is still possible, rather than a recessionary "hard landing."

"We're going to try and achieve a soft landing, but we are going to get inflation back down to 2%," Mr. Kashkari said, referring to the Fed's target of inflation averaging 2% over time.

Mr. Kashkari made the comments during a discussion on the economic outlook with former Treasury Secretary Lawrence Summers.

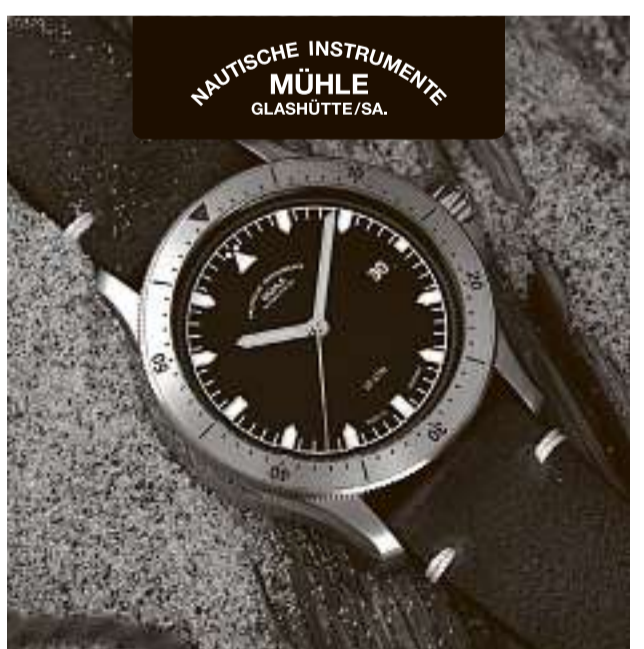
Mr. Summers said a hard landing is more likely than a soft one.

"The likelihood is that the current Fed forecast—which is that both unemployment will peak at 4.5% and that we will get back to 2% inflation within 2½ years—I think the odds that both those things are going to happen together are probably less than 1 in 4," Mr. Summers said.



Neel Kashkari

SHANNON STAPLETON/REUTERS



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## CORRECTIONS & AMPLIFICATIONS

A photograph with a World News article on Friday showed a destroyed Russian infantry fighting vehicle in Ukraine. The caption incorrectly described the vehicle as a tank.

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

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## U.S. WATCH

WASHINGTON, D.C.

### Jury Selection Starts In Oath Keepers Trial

A jury trial begins this week for five members of the Oath Keepers militia, including its founder Stewart Rhodes, in a test for prosecutors seeking to hold leaders of far-right groups accountable for the Jan. 6, 2021, attack on the U.S. Capitol.

Mr. Rhodes will go to trial in Washington along with four other Oath Keepers associates on charges including seditious conspiracy, the most serious crime leveled by the Justice Department in its sprawling investigation of the Capitol breach.

Jury selection started Tuesday and could last through Friday. The trial before U.S. District Judge Amit Mehta could last more than a month.

Mr. Rhodes and his co-defendants, Kelly Meggs, Jessica Watkins, Kenneth Harrelson and Thomas Caldwell, are accused of plotting to use force to block Congress from formally certifying President Biden's election victory.

The defendants have said in court filings that they used bombastic language but didn't have a real plan for any violence. They assert that they went to Washington to help with security and logistics for a Trump rally that took place before the rioting.

More than 900 people have been criminally charged in connection with the Capitol riot.

—Jan Wolfe

VIRGINIA

### Students Protest Transgender Policies

Student activists held school walkouts across Virginia on Tuesday to protest Republican Gov. Glenn Youngkin's proposed changes to the state's guidance on transgender student policies, revisions that would roll back some accommodations. Students streamed out of their classrooms to decry the model policies unveiled this month. If adopted by school districts, the policies would require parental signoff on the use of any name or pronoun other than what is in a student's official record. They also say participation in certain school programming and use of school facilities should be based on a student's biological sex, with modifications offered only to the extent required under federal law.

"We decided to hold these walkouts as kind of a way to... disrupt schools and essentially have students be aware of what's going on," Natasha Sanghvi, a northern Virginia high-school senior and member of the Pride Liberation Project who helped organize the resistance effort, said.

Asked for comment on the protests, a spokeswoman for Mr. Youngkin emphasized that the new guidelines make it clear that when parents are part of the process, schools will accommodate the requests of children and their families.

—Associated Press

WASHINGTON, D.C.

### Medicare Part B Bills Will Fall 3% in 2023

For the first time in a decade, Americans will pay less next year on monthly premiums for Medicare's Part B plan, which covers routine doctor visits and other outpatient care. The 3% decrease in premiums—a saving of \$5.20 for most—comes after millions of beneficiaries endured a tough year of high inflation and a dramatic increase to premiums this year.

"(To) millions of seniors and people with disabilities on Medicare, that means more money in their pockets while still getting the care they need," President Biden said.

The decrease will help to offset last year's \$21.60 spike in monthly Part B costs, driven in large part by a new Alzheimer's drug, Aduhelm, administered intravenously in doctors' offices, was introduced to the market last year with a \$56,000 price tag. Medicare set strict limitations on the drug's use earlier this year and the drugmaker has since cut the medication's cost in half.

Medicare paid less for that drug than it expected this year, helping shore up reserves that allowed the agency to set the Part B premiums lower for 2023, the Centers for Medicaid and Medicare said. Other Medicare services and items were lower than expected, too, but Medicare officials didn't answer questions for details on those savings.

—Associated Press

## U.S. NEWS

## Drug Slows Alzheimer's Progression In Study

By JOSEPH WALKER

Eisai Co. and Biogen Inc. said their experimental Alzheimer's disease drug significantly slowed progression of the memory-robbing disease in a large study, bolstering the drug's prospects for approval. The pharmaceutical companies said their drug lecanemab reduced cognitive and functional decline by 27%, compared with a placebo, over 18 months in a Phase 3 study of 1,800 patients with early-stage Alzheimer's. The drug was also linked to higher rates of brain swelling and small bleeds, though the company said they were rarely symptomatic.

"Today's announcement gives patients and their families hope that lecanemab, if approved, can potentially slow the progression of Alzheimer's disease, and provide a clinically meaningful impact on cognition and function," said Biogen Chief Executive Michel Vounatsos.

The trial data were disclosed by Japan's Eisai in a press release and haven't been published in a peer-reviewed medical journal. The company said it would present more detailed study results in November at an Alzheimer's research conference and publish the results in

### The FDA is already reviewing whether to grant conditional early approval.

a peer-reviewed journal.

"These data are compelling," said Richard S. Isaacson, director of the Center for Brain Health at Florida Atlantic University, though he said he wants to review the full trial results once they are published. "But in the right patient population at the right time and the right dose, this is a treatment that will probably become a part of the standard of care for patients."

The U.S. Food and Drug Administration is already reviewing whether to grant conditional early approval to lecanemab based on the drug's ability to reduce deposits of the amyloid-beta protein, which builds up in the brains of people with Alzheimer's, in a mid-stage, or Phase 2, study. The regulator is scheduled to make an approval decision by Jan. 6, Eisai said earlier this year.

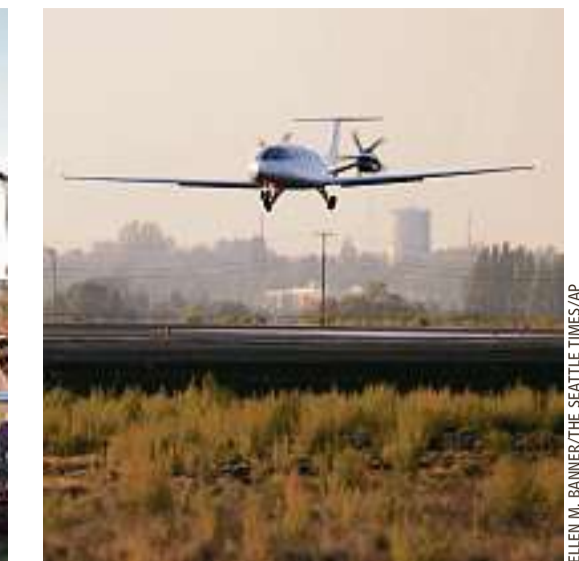
The new Phase 3 study results disclosed on Tuesday are intended to prove that reducing amyloid results in a slower decline in cognitive function from Alzheimer's. Eisai, which is leading the drug's clinical development and regulatory process, said it would use the data to ask for full approval in the U.S., Europe and Japan by the end of March.

The "study results prove the amyloid hypothesis, in which the abnormal accumulation of [amyloid-beta] in the brain is one of the main causes of Alzheimer's disease," said Eisai Chief Executive Haruo Naito.

The late-stage study has been eagerly anticipated by researchers and investors as the first big test for a promising class of Alzheimer's drugs that lost luster after the failed launch of Aduhelm, which was also developed by Eisai and Biogen. Like Aduhelm and other drugs, lecanemab is designed to reduce amyloid deposits, which have been linked to Alzheimer's, though its precise role in driving the disease, if any, is still debated.

In the Phase 3 study, 21.3% of patients receiving lecanemab experienced brain swelling, bleeding or both, compared with 9.3% in the placebo group. The side effects are linked to drugs that target brain amyloid and are usually detected during routine trial monitoring using magnetic resonance imaging scans, or MRIs, of patients' brains.

Eisai said the rates of brain amyloid-related side effects were within its expectations. Doctors have said the side effects are manageable with close monitoring, though patients in the real world might not receive as much attention as they would in clinical trials.



## An All-Electric Airplane Takes Its Maiden Flight

Eviation's 'Alice,' the world's first all-electric commuter airplane, landed, above, at the conclusion of its first flight Tuesday in Moses Lake, Wash. The flight, which was piloted by Eviation's Steve Crane, lasted for eight minutes, with the aircraft rising to as high as 3,500 feet.

# Home Prices Suffer a Monthly Decline

By NICOLE FRIEDMAN

U.S. home prices slid in July from June, the first monthly decline in years and the latest sign that higher mortgage rates are starting to weigh on home prices in many of the country's biggest markets.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures the average change in home prices across the nation, fell 0.3% in July from June, the first month-over-month decline since January 2019. On a seasonally adjusted basis, the national index fell 0.2%. That was the first monthly decline in more than a decade by this measure.

Home prices are still rising on a year-over-year basis, even though the pace of growth has slowed. The national index rose 15.8% in the year that ended in July, down from an

18.1% annual rate the prior month.

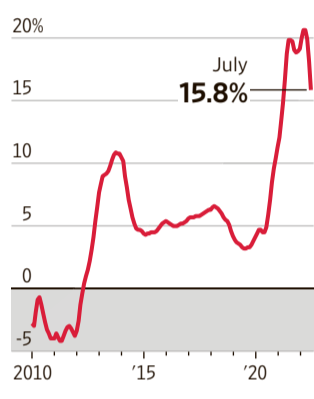
But housing economists expect home-price growth to slow significantly by the end of the year.

"July's report reflects a forceful deceleration," said Craig Lazzara, managing director at S&P Dow Jones Indices. "As the Federal Reserve continues to move interest rates upward, mortgage financing has become more expensive."

In the Case-Shiller 20-city index, metro areas on the West Coast were among the hardest hit. San Francisco, where prices fell 3.5%, and Seattle, down 3.1%, suffered the biggest one-month declines.

The Case-Shiller index, which measures repeat-sales data, reports on a two-month delay and reflects a three-month moving average. Homes usually go under contract a

The S&P CoreLogic Case-Shiller National Home Price Index, change from a year earlier



Source: S&P Dow Jones Indices

The average rate on a 30-year fixed-rate mortgage was 6.29% in the week ended Sept. 22, up from 2.88% a year earlier, according to housing-finance agency Freddie Mac.

Other recent data also show that the surge in borrowing rates is cooling off the on-hot housing market by making homeownership far less affordable. Existing-home sales have fallen for seven straight months through August. The National Association of Realtors' housing-affordability index, which factors in family incomes, mortgage rates and the sales price for existing single-family homes, fell in June to the lowest level in decades before ticking upward in July.

The median existing-home price rose 7.7% in August from a year earlier to \$389,500, according to NAR.

The Case-Shiller 10-city index gained 14.9% over the year ended in July, compared with a 17.4% increase in June. The 20-city index rose 16.1%, after an annual gain of 18.7% in June. Price growth decelerated in all of the 20 cities.

Economists surveyed by The Wall Street Journal expected the 20-city index to gain 17.3%.

On a year-over-year basis, Tampa, Fla., had the fastest home-price growth in the country, at 31.8%, followed by Miami, at 31.7%.

A separate measure of home-price growth by the Federal Housing Finance Agency also released Tuesday found a 13.9% increase in home prices in July from a year earlier and a 0.6% decline from June.

◆ Lumber falls to price levels before the pandemic..... B1

# Group Sues to Block Student-Debt Forgiveness

By JACOB GERSHMAN

President Biden's plan to cancel student debt for tens of millions of borrowers has yet to be officially rolled out, but it is already facing a legal challenge.

The Pacific Legal Foundation, a libertarian nonprofit law firm, has filed a lawsuit in federal court in Indiana asking a judge for an injunction to prevent the Biden administration's loan cancellation from taking effect.

The group claims in its suit filed Tuesday that the president lacks congressional authorization to cancel hundreds of billions of dollars in federal student loans.

The lead plaintiff in the case is Frank Garrison, a Pell Grant recipient and now a public-interest attorney at the Pacific Legal Foundation who says he qualifies for \$20,000 in loan cancellation under Mr. Biden's plan. The lawsuit says he is injured by Mr. Biden's plan because it would force him to incur a state income-tax liability in Indiana of more than \$1,000.

Following more than a year of internal debate, Mr. Biden decided to cancel some debt for borrowers making less than \$125,000 a year because he was convinced that "an entire generation is now saddled with unsustainable debt," he

said in announcing the program last month.

Biden administration attorneys have said the Higher Education Relief Opportunities for Students Act gives the education secretary sweeping authority to cancel student loans to address financial hardship arising out of the Covid-19 pandemic.

The 2003 federal statute known as the HEROES Act gives the head of the Education Department the capability to waive or modify federal student-loan provisions during war or a national emergency. The administration has argued in legal memos that the pandemic is

a national emergency that made it harder for student borrowers to pay back their loans.

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

Republicans have called the cancellation an unfair and unaffordable wealth transfer from taxpayers to educated borrowers who made a choice to finance their education with federal loans.

Critics of the program and a number of legal scholars who have studied the law have expressed doubts that Congress ever gave the executive branch blanket authority to cancel loans on such a vast scale. But

it remains unclear if any plaintiff would be able to show that they suffered a concrete injury as a result of the administration's actions, a requisite for establishing standing to sue.

The Education Department has said it expects debt-forgiveness applications will be available online by early October. The Biden administration has said nearly eight million borrowers may be eligible for automatic debt reductions without an application.

Some other potential legal challengers have been waiting for the Education Department to take official action on the cancellation before filing suit.

# Navy Ex-Engineer, Wife Plead Guilty Again in Espionage Case

By JOSEPH DE AVILA

A former U.S. Navy engineer and his wife have again pleaded guilty to attempting to share secret nuclear submarine technology with a foreign country.

Jonathan Toebbe and his wife, Diana Toebbe, both entered guilty pleas Tuesday to one count of conspiracy to communicate restricted data.

"I conspired with Diana Toebbe to communicate restricted data to another person with the intent to secure an advantage to a foreign nation," Mr. Toebbe, 43 years old, said in court Tuesday.

Ms. Toebbe, 46, admitted to assisting her husband in attempting to share the confidential information.

Both Mr. Toebbe and Ms. Toebbe withdrew guilty pleas in August after U.S. District Judge Gina Groh said she wouldn't accept the plea agreements struck by the defendants and federal prosecutors.

Prosecutors had recommended a sentence of 12½ years to 17½ years for Mr. Toebbe and three years for Ms. Toebbe. Judge Groh said she would deny those requests given the gravity of the alleged offenses.

Mr. Toebbe had national security clearance as a Navy engineer and had access to confidential information related to



A courtroom sketch of Diana Toebbe in a court hearing in 2021.

reactors for nuclear-powered warships, according to federal prosecutors. He admitted Tuesday to reaching out to a foreign government in April 2020 in an attempt to sell access to this information. The foreign country wasn't named in the court documents.

He sent a package to a foreign military intelligence service that April with restricted data and instructions for establishing a covert relationship to purchase additional information, federal prosecutors said. That foreign government turned over the information to the Federal Bureau of Investigation in December 2020, an FBI agent previously testified.

Mr. Toebbe began corresponding with someone he believed to be a representative of the foreign government but who was actually an under-

cover FBI agent, according to federal prosecutors. He then began providing the confidential information to the undercover agent using "dead drops," where the data were left at hiking sites in West Virginia, Virginia and Pennsylvania in 2021, prosecutors said.

In exchange, Mr. Toebbe received hundreds of thousands of dollars in cryptocurrency, prosecutors said.

The former Navy engineer stored the data on SD cards in a peanut butter sandwich, a gum wrapper and a Band-Aid, prosecutors said. The SD cards contained information related to submarine nuclear reactors, prosecutors said.

Ms. Toebbe admitted that she voluntarily helped her husband and acted as a lookout when he left the information at the dead drops.

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## U.S. NEWS

## Senate Advances Stopgap Funding Bill

By KATY STECH FERREK

WASHINGTON—Sen. Joe Manchin (D., W.Va.) on Tuesday threw in the towel on including his contentious proposal to speed up permitting of energy projects in a must-pass funding bill, clearing the way for the Senate to advance the legislation needed to keep the government open.

With the permitting language out, the Senate voted 72-23 to advance the stopgap bill, which would extend current government funding levels until Dec. 16 and prevent a partial shutdown this weekend, when the fiscal year ends. The bill now moves to final passage in the Senate and will also need approval in the House, which returns Wednesday, before heading to President Biden's desk.

The resolution also contains more than \$12 billion in aid to Ukraine to help fortify the country's military with new weapons and support the government in Kyiv as it fights off Russia's invasion.

Lawmakers from both parties have criticized the Manchin proposal, with Republicans saying it didn't go far enough to remove permitting hurdles so that energy projects can be built quickly. Democrats worried that speeding up oil and gas projects could risk damaging ecosystems and compromise the health of nearby residents.

The announcement to remove Mr. Manchin's proposal was made just ahead of a planned vote on the short-term spending bill, which had appeared headed for defeat if the Manchin proposal remained attached. The resolution needs 60 votes in the evenly divided Senate to advance.

Senate Majority Leader Chuck Schumer (D., N.Y.) had put Mr. Manchin's proposal on the resolution to fulfill a promise that he made to Mr. Manchin earlier this year. In exchange, Mr. Manchin agreed to vote for the Democrats' climate, healthcare and tax proposal, which is now law and gave a boost to President Biden's agenda before November midterm elections.

In announcing removal of the permitting language, Mr. Schumer said he wasn't abandoning Mr. Manchin's bill.

"Sen. Manchin, myself and others will continue to have conversations about the best way to ensure responsible permitting reform is passed before the end of the year," he said.

Mr. Manchin said he had asked Mr. Schumer to remove his proposal and that he would continue to work on the legislation.

"It is unfortunate that members of the United States Senate are allowing politics to put the energy security of our nation at risk," he said.

Before he decided to pull his



The proposal aimed at avoiding a government shutdown had included an energy-permitting overhaul from Democratic Sen. Joe Manchin.

## Covid Aid Left Out Of the Legislation

WASHINGTON—Congressional Democrats opted not to include billions of dollars in new funding for Covid-19 and monkeypox in a must-pass government-funding bill, frustrating Biden administration officials who have called new funding

crucial to the federal health response.

The request had faced an uphill fight in Congress, with Republicans largely opposing new money for Covid-19 on top of previous aid and questioning whether it was necessary with cases of both monkeypox and Covid-19 dropping.

The administration heavily lobbied for the funding, saying \$22.4 billion more in pandemic

funding was especially vital for developing more durable, next-generation vaccines that could also help prevent breakthrough infections. They also pressed lawmakers for \$4.5 billion officials said was needed to ensure access to vaccines and treatments for monkeypox.

The supplemental Covid-19 request was less than the \$30 billion the administration unsuccessfully sought in February.

Some Republicans have said the White House should claw back relief funding that hasn't been spent yet by states. Most of the trillions of dollars in Covid-19 emergency funding already has been spent, according to the Committee for a Responsible Federal Budget, a nonprofit focused on fiscal policy impact that has been tracking relief money.

—Stephanie Armour

proposal, he told reporters that he believed 45 to 48 of the 50 members of the Democratic caucus would support the funding bill with the permitting plan. That meant he would have needed at least a dozen Republicans to also back the bill for it to advance.

The White House issued a fresh endorsement of Mr. Manchin's plan late Tuesday, calling it key to U.S. energy security and increasing clean energy production, while blaming Republicans for it being dropped. Press secretary Karine Jean-Pierre said the White House "will continue to work with [Mr. Manchin] to find a vehicle to bring this bill to the floor and get it passed and to the president's desk."

Sen. John Cornyn (R., Texas) said Tuesday that Republicans could negotiate changes to the permitting proposal that secure enough votes for it to pass later this year. Any changes could prove difficult for Democrats to support, however, and Mr. Manchin had warned both parties that his proposal was their best bet for progress on the issue.

Asked about the timeline for negotiating on a permitting measure, Sen. Shelley Moore



Senate Minority Leader Mitch McConnell had opposed the permitting measure, saying it would create more bureaucracy.

Capito (R., W.Va.) pointed to a must-pass annual defense policy bill known as the National Defense Authorization Act as a possible vehicle. "The NDAA is still out there."

Ms. Capito was one of the few lawmakers who had said she was prepared to support Mr. Manchin's proposal, even as she put forth her own permitting proposal that drew GOP backing. She said Tuesday that "when legislating is done via backroom deals and with input from only one party, it is

extremely difficult to garner broad support."

Mr. Manchin said his proposal would reduce U.S. reliance on foreign energy sources, lower energy costs and help project developers bring much-needed electricity generation and transmission infrastructure online. But he struggled to sell the proposal to both Republicans and Democrats despite his assertions that such reform is bipartisan and would advance both parties' agendas. Senate Minority Leader

Mitch McConnell (R., Ky.) called the permitting measure weak and said it would create even more bureaucracy. Some Democrats sided with environmental groups that said faster reviews would lead federal agencies to green-light projects without requiring safeguards for critical ecosystems and neighborhoods.

Sen. Tim Kaine (D., Va.) said he opposed Mr. Manchin's proposal over its requirement for federal agencies to quickly approve outstanding permits for the Mountain Valley Pipeline, a 300-mile pipeline that would move natural gas from shale formations in northwestern West Virginia to southern Virginia that environmental groups opposed.

Sen. Bernie Sanders (I., Vt.), who was the most vocal progressive opponent of the proposal, credited environmental and community groups for building opposition among Democrats.

"The last thing in the world you want is substantially increase carbon emissions by building a pipeline and other fossil fuel projects," he told reporters. "This is a good day for the planet."

—Ken Thomas contributed to this article.

## McConnell Supports Elector Act Changes

By LINDSAY WISE

WASHINGTON—Senate Minority Leader Mitch McConnell offered qualified support for a Senate bill that would overhaul a 19th-century law that governs the way Congress counts and ratifies presidential-elect votes, giving the bipartisan effort a boost.

The House passed its own version last week, 229-203. Both measures are a response to efforts by then-President Donald Trump and his supporters to try to overturn the results of the 2020 election.

"I strongly support the modest changes that our colleagues in the working group have fleshed out after literally months of detailed discussions," Mr. McConnell said on the Senate floor on Tuesday, before the Senate Rules Committee voted to advance the bill. He said he would "proudly support the legislation, provided nothing more than technical changes are made to its current form."

The 1887 Electoral Count Act requires Congress to convene for a joint session after a presidential election, on Jan. 6 at 1 p.m., to count and ratify the electoral votes certified by the 50 states and District of Columbia. The vice president, serving as president of the Senate, has the duty to count the votes. Last year, Mr. Trump pressured then-Vice President Mike Pence to reject some electors unilaterally, which Mr. Pence refused to do.

Mr. McConnell said he was convinced of the need for an update to the law following the "chaos that came to a head on January 6 of last year," when supporters of Mr. Trump overran the Capitol, temporarily halting the ratification of Joe Biden's Electoral College win.

## The senator said he was convinced by the 'chaos' at the Capitol on Jan. 6.

Mr. McConnell also pointed to Jan. 6 of 2001, 2005 and 2017, when some Democrats used the act to try to challenge the election of Republican presidents, without success.

"Obviously, in every case, our system of government won out," Mr. McConnell said. "The Electoral Count Act ultimately produced the right conclusion, certainly finality and the transfer of power to the winning candidate. But it's clear the country needs a more predictable path to that outcome."

## Stock-Trading Ban Meets Resistance

By NATALIE ANDREWS

WASHINGTON—House Democrats released their bill to ban stock trading by members of Congress, judges and senior government officials as they work to gather enough votes to pass legislation through the House before the midterm elections.

The bill text was released late Tuesday and lawmakers hoped to vote on it this week.

Proponents say new rules are needed to eliminate potential conflicts of interest, but they have struggled to iron out the details on the specific language and who should be subject to the restrictions. Critics say that insider trading is already against the law and that new rules would impose unnecessary burdens on lawmakers.

One big hurdle: House Majority Leader Steny Hoyer (D., Md.) has repeatedly stated in private meetings that he will be voting against the bill, according to two people who have been in meetings with him recently. Mr. Hoyer and his staff set the floor schedule for votes, so his opposition makes passing the bill difficult and could also open the door for other members to follow him in dissent.

A spokeswoman for Mr. Hoyer said he would like to see increased penalties for lawmakers who violate insider-trading laws. She said that Mr. Hoyer "has also not seen final

legislation, and will reserve his official decision until that time."

Illinois Rep. Rodney Davis, the top Republican on the House Administration Committee, has criticized the Democratic effort as lacking GOP input. House Minority Leader Kevin McCarthy (R., Calif.) has indicated he would support limiting lawmakers' stock ownership but hasn't delved into details.

Democrats have a narrow majority in the House and can only afford to lose a few votes if all Republicans are opposed.

Democrats expect this week to consider the legislation that would ban senior government officials—including members of Congress, executive branch officials and Supreme Court justices and their spouses and dependent children—from trading stocks or directly holding investments in securities, commodities, futures, cryptocurrency and other similar investments, as well as from shorting stocks. The legislation would also apply to senior congressional staff but not their spouses.

There is an exemption for spouses and children of lawmakers who receive stock from their employers, as opposed to purchasing individual stocks.

The legislation would force lawmakers and government officials to divest themselves of these holdings or place them in a qualified blind trust. Be-



Majority Leader Steny Hoyer

cause a forced divestment could have tax implications, the bill would allow those affected to defer payment of capital-gains taxes, as is allowed for cabinet members who have to divest ownership.

Members would be allowed to hold diversified mutual funds, exchange-traded funds and U.S. Treasuries as well as state and local government bonds.

Some lawmakers, including Rep. Dean Phillips (D., Minn.), have placed their holdings in a blind trust. Mr. Phillips, who set up a blind trust before signing onto bipartisan investment-restrictions legislation by Reps. Abigail Spanberger (D., Va.) and Chip Roy (R., Texas), said the process took months and was complicated. Backers say current rules

requiring regular disclosure of holdings don't do enough to address potential conflicts of interest or potential trading on access to nonpublic information. Lawmakers can be aware of planned legislation or hearings before the information is released to the public, and markets can move depending on how Congress acts.

"Members of Congress should be leaping at the chance to demonstrate that they care more about the people they serve than their own stock portfolios," Ms. Spanberger said.

While initially resistant to the idea, House Speaker Nancy Pelosi (D., Calif.) has backed legislation banning lawmakers and spouses from owning stocks. Her husband, Paul Pelosi, frequently discloses trades, some of which have come under scrutiny.

Mrs. Pelosi has long maintained that she doesn't discuss trades with her husband.

Currently, lawmakers must publicly file and disclose any financial transaction involving stocks, bonds, commodities, futures and other securities within 45 days.

The legislation is unlikely to move forward in the Senate. While some senators, including Sen. Jeff Merkley (D., Ore.) and Sen. Mark Kelly (D., Ariz.), have backed legislation that would prevent lawmakers from owning stock, they have failed to gain consensus on one bill.

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## U.S. NEWS

# Insurers Brace for New Challenge

Big losses from Ian would further push up some of the nation's highest premiums

By LESLIE SCISM

Hurricane Ian will be a serious test of Florida's unusual home-insurance market, where dozens of small to midsize carriers and a state-run insurer of last resort play a leading role in paying claims.

These relatively obscure private-sector insurers and the rapidly growing state-run carrier are backed up by reinsurance companies. There is enough coverage available to handle claims, even if Hurricane Ian lands in Tampa, officials said. But insurers could be hurt by a wave of lawsuits driving up their costs, or by another increase in premium rates charged by reinsurers.

Florida's system was born in the aftermath of devastating hurricanes Andrew in 1992 and Katrina in 2005, when brand-name national carriers such as State Farm and Allstate shrank their presence in the state.

The arrangement held up through major hurricanes Michael in 2018 and Irma in 2017, but the system was already under stress before Hurricane



Mark Turner boarded up his daughter's house in St. Petersburg, Fla., on Tuesday, ahead of Ian.

Ian approached the state's densely populated west coast. Over the past two years, many of the Florida-focused carriers have suffered operating losses not from hurricanes directly, but from what state officials say is excessive litigation over insurance claims and a proliferation of what insurers see as sham roof-related claims.

Those issues have contributed to double-digit rate in-

creases for homeowners. Floridians already pay some of the highest home-insurance premiums in the nation, at an average of \$4,231 this year, according to projections by trade group Insurance Information Institute.

Half a dozen of the smaller carriers have gone into bankruptcy over the past 18 months and many more aren't issuing additional policies, said Barry

Gilway, chief executive of Citizens Property Insurance Corp., the state-run last-resort entity. Citizens' policyholder count has doubled from two years ago, to just over one million, as it has taken on customers from these carriers as well as newcomers moving into the state. It has about 13% market share, it estimates.

Some small carriers were unable to get as much reinsur-

ance as they wanted this year. This spring, reinsurers cut back on the amount of capital they were willing to deploy in Florida, and charged a lot more for it, concerned about the litigation situation and climate change.

"A lot of these [Florida-focused home-insurance] companies are in a tough spot, and obviously any hurricane exacerbates the issue," said Randy Fuller, a managing director who heads the Florida segment for the Guy Carpenter reinsurance-brokerage unit of Marsh McLennan. However, reinsurers could end up assuming most losses, he said.

Citizens itself didn't buy as much as it wanted because of the cost, Mr. Gilway said, but it has \$6.8 billion of assets on hand. It would have to pay out \$2 billion before any reinsurance, totaling billions of dollars, would apply, he said.

"Hurricanes are like real estate: The three most important things are location, location, location," said Karen Clark, whose Boston-based firm runs catastrophe-modeling software widely used in the U.S. insurance industry. A 50-mile difference in the track around heavily populated Tampa, for instance, could make a difference of billions of dollars of insured damage, she said Tuesday morning.

# IRS Erred On Child Tax Credit Payments

By RICHARD RUBIN

WASHINGTON—The Internal Revenue Service sent \$1.1 billion in advanced child tax credit payments during 2021 to people who shouldn't have gotten them, and it failed to send \$3.7 billion to eligible households, according to an inspector general's audit released on Tuesday.

The audit found 1.5 million taxpayers received the payments in error, and the IRS didn't send payments to 4.1 million eligible households. The agency was 98% accurate in sending more than 175 million child-tax-credit payments, made as part of the government's response to the economic challenges of the coronavirus pandemic, the Treasury Inspector General for Tax Administration said.

Congress expanded the child tax credit and authorized monthly payments in the March 2021 relief law signed by President Biden. The payments started that July and ended after December 2021. For the IRS, starting the monthly payments and helping households get them required an enormous information-technology and communications effort.

Some of the improper payments were made for children who were too old to be eligible or in cases where more than one taxpayer claimed the same child, the report said. In its response, the IRS said a computer programming error caused some of the problems and noted that it made changes during 2021 as the inspector general was identifying mistakes in real time.

Many people who received payments they shouldn't have gotten were required to pay the money back on the 2021 tax returns they filed in early 2022. Similarly, people who didn't receive the advanced payments during 2021 could claim the full amounts they were eligible for on their tax returns.

# Trump May Be Shielded From Suit, Court Rules

By JACOB GERSHMAN

A federal appeals court said a law shielding U.S. government employees from tort claims could potentially protect former President Donald Trump from a defamation lawsuit brought by a New York writer.

E. Jean Carroll, a former advice columnist for Elle magazine, claimed in a 2019 book that Mr. Trump raped her in the dressing room of the Bergdorf Goodman department store in the 1990s. Mr. Trump, in various statements to the media, said Ms. Carroll had fabricated the incident to gin up book sales and that she wasn't his type. Ms. Carroll filed a defamation lawsuit in state court in 2019.

In 2020, the Justice Department moved to take over the defense of the case from Mr. Trump's private attorneys, claiming Mr. Trump was acting within the scope of his employment when he responded to Ms. Carroll's claims.

On Tuesday, the Second U.S. Circuit Court of Appeals ruled that Mr. Trump during his term in office was a government employee covered by the Federal Employees Liability Reform and Tort Compensation Act of 1988. But the appeals court didn't decide the crucial question of whether Mr. Trump had acted in his official capacity when he made his allegedly defamatory comments. That question, whether Mr. Trump was acting on the job, should be decided by an appeals court in Washington, D.C., the panel said.

The decision, which came on a 2-1 vote, provided at least an incremental victory to Mr. Trump because it tossed out a 2020 ruling by U.S. District Judge Lewis Kaplan that said Mr. Trump wasn't acting in his official capacity and thus couldn't be represented by the Justice Department.



St. Petersburg, Fla., city employees on Tuesday distributed sandbags to people seeking to protect their homes against the threat of flooding from Hurricane Ian.

# Ian Nears Gulf Coast Of Florida

Continued from Page One

Category 3 storm. Around 50,000 people in Cuba's Pinar del Rio and Artemisa provinces moved into shelters or more stable homes of relatives ahead of the storm. Farmers tried to safeguard the region's tobacco crop, including 33,000 metric tons already in storage, state-run media reported.

Cuba was plunged into a total blackout on Tuesday. It had "zero electric generation," said Lazaro Guerra, technical director of the country's state power company. He said crews would be working all night and Wednesday morning to re-establish power.

Ian's maximum sustained winds were 120 miles an hour on Tuesday, and the storm was forecast to strengthen over warm Gulf of Mexico waters as it headed toward Florida.

Evacuation orders were in effect in the four counties of the Tampa Bay metro region as well as parts of at least five other counties, according to the state's Division of Emergency Management.

Mr. Rhome, from the hurricane center, noted that the projected storm track had shifted south, but urged people in the Tampa area to remain vigilant due to the threat of powerful winds and drenching rains. "Don't get enamored with the track and its recent shifts," he said. Floodwaters are often hur-

ricanes' most damaging and life-threatening effect, and the latest forecasts showed the storm surge could be highest—8 to 12 feet—in a roughly 90-mile area stretching from just south of Tampa Bay to south of Fort Myers.

The surge in the Tampa Bay area could reach 6 feet, down from prior forecasts, the hurricane center said.

That area is expected to see extremely heavy rain from Ian as the storm moves through slowly. The hurricane center said parts of central and northeast Florida could see 12 to 18 inches of rain, with isolated spots seeing as much as 2 feet.

This is a major hazard because the ground is already saturated from rains in the last two months, said Taryn Sabia, an architecture and urban design professor at the University of South Florida, who has studied the vulnera-

bility of Tampa-area housing. Some of the most affluent homes in the area are along the waterfront, but tend to be newer and more resilient. Older homes tend to be on higher ground, but can date to before stricter building codes.

"Those structures may not be able to withstand a significant hurricane," Ms. Sabia said. Flight cancellations mounted as some airports in the state suspended operations or prepared to do so. As of Tuesday evening, airlines had canceled 1,619 flights scheduled for Wednesday at five Florida airports, accounting for most cancellations across the country that day, according to data-tracker FlightAware.

About 40% of the canceled Florida flights Wednesday were arrivals or departures at Orlando International Airport, which said it planned to cease activity at 10:30 a.m. Eastern

time Wednesday. Tampa International Airport suspended operations at 5 p.m. Tuesday.

The area has a large population along the coastline, where a major storm surge poses a threat as floodwaters are pushed into narrower parts of the bay. The counties that make up the Tampa Bay area were home to just 130,000 people a century ago, when a major storm with winds estimated at about 120 miles per hour made landfall in Tarpon Springs, National Weather Service and Census records show.

Even a storm that sidesteps the area without making landfall poses a significant flooding risk, especially if the storm is moving slowly, giving it more time to drench the area, said Christianne Pearce, a meteorologist in the National Weather Service's Tampa office. "At this point, anywhere along the coast is very vulnera-

ble," she said.

Mr. DeSantis, a Republican, has declared a state of emergency for all of Florida. He said the state's National Guard had activated 5,000 guardsmen, with 2,000 more activated and available from neighboring states. He said following evacuation orders can mean just getting to higher ground and safe structures.

The Federal Emergency Management Agency said it was repositioning supplies and personnel ahead of the storm. More than 30,000 workers from at least 23 states were being mobilized to help restore power, according to the Edison Electric Institute, a utility industry group.

CoreLogic, a real-estate data company, issued a report as Ian approached estimating that a Category 3 hurricane hitting the Tampa Bay area could damage more than 300,000 residential properties, with reconstruction costs reaching more than \$69 billion.

The U.S. Geological Survey said a long stretch of Florida's Gulf coastline is expected to see waves and storm surge breach dunes. Cathie Perkins, the Pinellas County emergency management director, said the county was bracing for flooding.

"Our entire county is going to feel some type of impact," she said.

—Anthony Harrup, Micah Maidenberg, Alyssa Lukpat and José de Córdoba contributed to this article.

## Cuba Launches Recovery Effort

Cuban recovery brigades began moving into western provinces on Tuesday after Hurricane Ian ripped across those parts of the island, causing flooding, knocking down trees, ripping off roofs and damaging tobacco facilities.

Ian made landfall near the town of La Coloma early Tuesday as a Category 3 hurricane with winds as high as 125 mph. The most damage was done in Pinar del Rio, according to the Cuban presidency.

"Damage is considerable, with impacts on homes, tobacco barns, roads cut off and fallen



A man carried his children after Ian passed in Pinar del Rio, Cuba.

trees," said Yamile Ramos, a Communist Party official in the province.

The center of the storm crossed a relatively sparsely populated area of Cuba. About 50,000 people in Pinar del Rio and Artemisa provinces moved

into shelters or relatives' homes.

The state-run power company said 48 teams of technicians from across the island were heading to western Cuba to restore power.

—Anthony Harrup and José de Córdoba

## Watch a Video



Scan this code for a video on Hurricane Ian as it made landfall in Cuba.

## WORLD NEWS

## Moscow Set to Annex Ukrainian Regions

As staged vote ends, Putin could announce the annexation on Friday, the U.K. says

By IAN LOVETT  
AND ISABEL COLES

MYKOLAIV, Ukraine—Russia is set to formally annex occupied territories in Ukraine after staging referendums that involved coercion, threats and, in some places, soldiers going door to door and forcing people to vote at gunpoint.

Kyiv and Western governments have described the votes as a sham designed to confer a veneer of legitimacy to Moscow's seizure of Ukrainian land seven months on from its invasion. They could enable Moscow to claim that any effort by Ukrainian forces to recapture the territories, in

the south and east, amounts to an attack on Russia itself.

Residents in the occupied areas said Russian soldiers compelled them to vote, guns drawn, in a choreographed show of support for Moscow's plan to make their regions part of Russia. They said some Russian sympathizers were brought in from other regions to cast their votes at polling places to create the impression that it was a regular vote.

"This referendum, they're doing it in their Russian style, just for pictures," said Serhiy Ivaschenko, head of a district in the city of Kherson, the only regional capital Moscow has seized since the full-scale invasion began in February. He has been going back and forth between Kherson and Ukrainian territory, leaving the city just before the staged voting began, but remains in touch with many people who are still

there. He estimates that about 30% of Kherson's prewar population remains in the city.

"The Russians knock on doors," Mr. Ivaschenko said. "It's usually two women with a ballot box. And of course two soldiers with guns."

Voting in Russian-controlled parts of four regions—Donetsk, Luhansk, Kherson and Zaporizhzhia—began Friday and ended Tuesday afternoon. As was widely expected, the official results claimed to show overwhelming support in the occupied territories for joining Russia, opening the way for Russian President Vladimir Putin to announce their annexation on Friday, when he is slated to address Russia's parliament, said the U.K.'s Ministry of Defense.

According to official results, 93% of voters in Russian-controlled parts of the Zaporizhzhia region checked the box in

favor of joining Russia; in Luhansk, it was 91%; in Kherson, it was 87% in favor. A comparable figure is expected in Donetsk.

The upper house of Russia's parliament will consider formally annexing the provinces on Tuesday, according to Rus-

### The Kremlin hopes to deter the West from sending more military aid to Kyiv.

sian state media.

Secretary of State Antony Blinken said that the U.S. would never recognize the annexation of Ukrainian territory by Moscow and that Washington would impose "additional severe and swift costs on Russia," adding that Kyiv "has the

absolute right to defend itself throughout its territory, including to take back the territory that has been illegally seized one way or another by Russia."

In Beryslav, a village in the southern Kherson region, one resident said soldiers were going door to door with guns, forcing people to vote—in some cases in favor of joining Russia. "I personally saw a man voting at the gate as two men in civilian clothes stood over him."

One resident of Kherson city, whose husband works at a hospital, said Russians came to the hospital Monday in an effort to organize doctors to vote. The hospital director refused, and told the Russians that it would prompt the doctors who remained at the hospital to leave, she said; in response, the Russians took the director away.

Arrangements also were made for some of the estimated 2.6 million Ukrainians who have

fled to Russia since the start of the war to vote. Some are Russian sympathizers, while for others leaving Ukraine was the only way to escape the fighting.

Russian state TV has portrayed the vote as a success, showing interviews with residents of the occupied regions saying how relieved they are that they will be part of Russia.

Kremlin spokesman Dmitry Peskov said, "The Russian legal system and the executive branch are ready for the possible admission of new constituent entities to Russia following the referenda in the respective territories."

By annexing the regions Mr. Putin hopes to deter Western countries from sending more military aid to Kyiv. Ukraine has reclaimed about 3,500 square miles of territory this month after a flash offensive that exposed some of the frailties of the Russian army.

## Offensive Threatens Land Goals

Continued from Page One

who were sober ran away, and the ones who were drunk didn't even realize that the village was being attacked, and got caught," he said.

The soldier showed off two recently captured Russian T-80 tanks that had been towed to his position, the Russian tactical sign "Z" on their armor painted over with the white cross marking Ukrainian armor on this front. One only needed a battery change, he said. The other would require more intensive repairs because the retreating Russian crew threw a grenade into the barrel. "We'll fix them and use them against the Russians," he said.

In addition to the offensive in northern Donetsk, Ukrainian forces in recent days expanded their foothold east of the Oskil river in the area of Kupiansk, the seat of Russian administration for the roughly 3,500 square miles of the Kharkiv region that Ukrainian forces liberated this month. That defeat forced President Vladimir Putin of Russia to mobilize hundreds of thousands of reservists and to call the annexation referendums. A separate Ukrainian push south of Lyman this month reclaimed the town of Svyatohirsk that Russian forces seized as recently as July.

Ukrainian forces remain on the defensive in other parts of the Donetsk region, such as the city of Bahmut that Rus-

sian troops have been trying to storm for over two months, and Avdiivka near the regional capital. Russia controls about two-thirds of the region.

Here in northern Donetsk, Ukrainian forces are pursuing the remains of the Russian army that retreated from the city of Izyum in southern Kharkiv region on Sept. 10. That pullback, described by the Russian Ministry of Defense as a deliberate redeployment to better protect Donbas, was far from orderly, as judged by a large quantity of burned-out Russian armor along the road east of Izyum and in the pine forests surrounding it.

Russian soldiers fleeing Izyum scattered in small bands during the retreat, said the commander of a Ukrainian army company that established an outpost in Rubtsy three days ago. "Many are still hiding in the woods, some with weapons, some without weapons," the commander said.

With no electricity or cell-phone service in the area, many of the remaining residents of Rubtsy, a village with the prewar population of 1,500 people, flock to the commander's outpost, using its Starlink terminal to communicate with relatives and friends elsewhere in Ukraine and abroad. There is no other Ukrainian government presence here so far.

"Mostly old people have remained in the village," the commander said. "They come for help, and we help with whatever we can—especially medication."

Shortly after the Russian invasion began on Feb. 24, Anatoly Khutornoy and his wife Tetyana moved to Rubtsy from the city of Sloviansk, which remains under Ukrainian control, hoping to sit out



Military equipment was abandoned by the Russian army and recovered by Ukrainian troops in the Donetsk region in recent days.

the war in what seemed like remote countryside. Instead, they have had to live through two battles, first when the Russians seized the village on April 26, and then when Ukrainian forces reclaimed it this month. "We thought it would be quiet here, and it turned out quite the opposite," Mr. Khutornoy said.

His wife, still rattled by the recent fighting, said she was relieved the Ukrainian army was back. "This day couldn't have come soon enough."

Under Russian rule, the so-called Donetsk People's Republic, a proxy statelet that Moscow established since

occupying parts of the Donetsk region in 2014, created its own administration in Rubtsy, naming a new village mayor. These officials and other collaborators all escaped as the Ukrainian army arrived, said Vladimir Gurenkov, a retired miner from Donetsk city who moved here in 2010.

He recalled, pained, the day when the Ukrainian army retreated under fire in April. "I am so glad Ukraine is back now," Mr. Gurenkov said. "Putin wanted to show his strength here, and he just lost. The Russian world has collapsed."

In the nearby village of Lovozov, secured by Ukrainian

forces on Saturday, 17-year-old Ivan Buddenyi was giddy. "We have been waiting for this day ever since these animals came in," he said as he examined his school, which served as an outpost for Russian forces. Its windows were blown out. "We couldn't live normally as long as they were here," he said, shouting "Glory to Ukraine."

Villages like Rubtsy have survived the two changes in control with relatively limited damage, except for the main square, which bears the traces of Russian aerial bombing in March. But others, such as the village of Yatskivka, are nearly destroyed.

One of a handful of remaining residents in Yatskivka, a retired woman, tried to extinguish a lingering fire in a bombed-out building next to the remains of her home. She brought bucket after bucket of water from a swimming pool in a former resort across the street that was used by Russian troops.

"I have lived here all my life, happy with everything Ukrainian, and Putin just came and brought here his Russian world. Now everything is burned down, nothing is left here," the woman said. She said she was afraid to give her name. "If they come back," she said, "they could execute me."

## Russian Exodus to Avoid Draft Swells

By ANN M. SIMMONS

MOSCOW—Nearly 100,000 Russians crossed the border into Kazakhstan in the days following Russian President Vladimir Putin's announcement of a broad mobilization to generate new troops to fight in Ukraine.

The flow is part of an exodus of Russians who have headed to countries such as Armenia, Georgia, Mongolia and Nordic nations in recent days, and comes as uncertainty mounts about whether the Kremlin might mobilize additional manpower to complement the more than 300,000 reservists that were called up on Sept. 21.

The exact number of Russians who have left the country since what the Kremlin called a "partial mobilization" was declared isn't known. Kremlin spokesman Dmitry Peskov said he didn't know the number of departures, and directed requests for comment to Russia's border-guard agency. Officials at the agency didn't respond to a request for data on the number of Russians who have left the country in the past week or how the figure compares with departures since early September.

But data published by nations that Russians don't need a visa to enter or where they can stay for a short period without such documentation show that thousands have entered these countries in the past week.

The head of Georgia's interior ministry said Tuesday that the number of people entering the country from Russia has almost doubled in recent days, jumping from 5,000-6,000 to 10,000 peo-



The number of people entering Georgia from Russia has nearly doubled in recent days, officials say.

ple daily. At one of eight border crossings into Mongolia, some 3,000 Russians departed between Sept. 21 and Sept. 25, said border authorities. About 1,000 people usually cross this border each day, said local media.

Some Nordic countries also have seen an uptick in entries by Russians in recent days. On Sunday, 8,314 Russians entered Finland via the land border, according to data posted on the Finnish Border Guards website. Some 5,068 Russians left the country the same day. A rising number of Russian men also are crossing into Norway through the town of Storskog, one of the northernmost border posts on Earth. Some 243 Russians transited there Sunday, a

slight increase from previous weekends, border officials said.

Many of the Russians who crossed into neighboring countries departed for other destinations, data show. In Kazakhstan, for example, Aslan Atalykov, acting chair of the Migration Service Committee at Kazakhstan's interior affairs ministry said Monday that some 40,000 Russians left Kazakhstan in recent days, heading south to neighboring Kyrgyzstan and Uzbekistan. And almost 6,000 Russians left by air. Of the 896 foreign citizens who applied for a residency in Kazakhstan between Sept. 1 and Sept. 24, about 10% were Russians, Mr. Atalykov said.

Kazakh President Kassym-Jomart Tokayev ordered his

government to help Russians entering his country, because "most of them are forced to leave because of the current hopeless situation," he said in a meeting of community activists. "It is a political and a humanitarian issue."

Mikhail Delyagin, a political analyst and Russia's State Duma deputy, said Tuesday that the mobilization "exacerbated public anxiety about the material support of our armed forces."

"Reports are multiplying about self-equipping mobilization first-aid kits, sleeping bags, shoes, clothes—almost everything except weapons," he said on his website. "In a number of places, there's a shortage of relevant goods."

## Kremlin Tied Up and Blindfolded Diplomat, Japanese Officials Say

By ALASTAIR GALE

TOKYO—Japan said one of its diplomats was blindfolded and tied up by Russian authorities in the city of Vladivostok before being interrogated and then given 48 hours to leave the country.

Russia's Federal Security Service said the diplomat, whom it named as Consul Tatsunori Motoki, was caught on Monday paying for classified information about Moscow's cooperation with a country in the Asia-Pacific region, according to a statement published by the state news agency TASS.

The TASS report added that the diplomat also paid for restricted information about the effects of Western countries' sanctions on Russia's Far East.

Japanese Foreign Minister Yoshimasa Hayashi said Tokyo was informed on Monday evening that the diplomat had been declared "persona non grata," giving him 48 hours to leave Russia.

"There is absolutely no evidence that the said consulate staff member has engaged in illegal activities as alleged by the Russian side," Mr. Hayashi said.

"The official was blindfolded from beginning to end, his hands and head were held down, and he was taken away in a state of immobility and subjected to intimidating questioning. It is extremely regrettable and unacceptable," he said.

Tokyo summoned the Russian ambassador to protest, and Mr. Hayashi said Japan would consider a further response.

Japan has joined international sanctions on Russia following the invasion of Ukraine, leading to a sharp deterioration in ties between Tokyo and Moscow.

Former Prime Minister Shinzo Abe had sought to develop a personal relationship with President Vladimir Putin in the hope of resolving a territorial dispute between the countries.

Russia declared an end to talks about the group of islands in its far eastern region that it controls and Japan claims following Tokyo's move to impose sanctions on Moscow.



Russia accused Japanese Consul Motoki of espionage.

## WORLD NEWS

## New Moscow Sanctions Readied

Some EU members question existing curbs as European economy continues to suffer

The U.S. and European Union are poised to adopt new sanctions on Russia, though some EU members are questioning existing restrictions and the economic pain in Europe is growing.

By Laurence Norman  
in Berlin and Ian Talley  
in Washington

The European Commission, the EU's executive body, is likely to propose new import and export controls on Russia as soon as Wednesday, officials involved in the talks said, including an import ban on some Russian diamonds. It will also propose placing additional Russian officials and pro-Kremlin separatists on its sanctions list in the coming days, in a modest new package of measures to increase pressure on the Kremlin.

The Biden administration, meanwhile, is preparing its own new series of sanctions, looking to tighten the financial cordon around Russia's economy. Potential targets include government-linked Russian financial institutions critical to the country's economy, U.S. of-



Hungarian Prime Minister Viktor Orban, in front, wants to unwind the bloc's economic sanctions.

officials said, including the Russian Deposit Insurance Agency, which is intended to protect Russians' bank accounts, and the National Payment Card System, or Mir, an electronic funds-transfer system. The U.S. suspects Moscow is using those institutions to evade Western sanctions on its banking system, the officials said.

Two other institutions under consideration as potential sanction targets are the government-linked intermediaries for the financial and securities markets, the Central Counterparty National Clearing Center and the National Settlement Depository, the officials said.

The administration is also reviewing potentially cutting off more Russian banks from the Swift global financial-messaging system, adding export controls on a wider range of goods the economy needs to function, and sanctioning more state-run companies, they said.

A final decision on which entities and goods will be targeted by the U.S. hasn't been made, officials said, as the Treasury and other agencies involved in the process often prepare a range of potential targets for the White House to consider.

Any decision, however, will take into account what Western officials say is a dangerous

escalation by Russian President Vladimir Putin in his call for a new troop mobilization, threats of using nuclear weapons and his latest efforts to annex parts of Ukrainian territory.

The discussion in Brussels has brought to the fore growing rifts within the EU over sanctions policy that are prompting officials to tread carefully as they look to punish the Kremlin for its invasion of Ukraine. Approval looks unlikely before this weekend but will likely come by the time EU leaders meet in Prague next week, the officials involved in the talks said.

New EU sanctions, which would be the first since July,

come as Europe faces the threat of a recession, sparked by Russian energy-supply cuts that have stoked inflation and reduced growth prospects across much of the continent.

The winter will be a critical period in the economic war between the West and Moscow. Russia itself faces a significant recession from deepening Western sanctions, which include a ban on sales of microchips and an EU oil embargo set to take effect by year's end.

EU officials say the sanctions are inflicting serious damage on Russia's economy and military while unified EU action on energy prices and economic assistance will soften the blow of Russia's energy countermeasures on Europeans.

Yet the economic blowback in Europe has impeded major new initiatives since the oil embargo was proposed in May and is prompting dissent within the EU. Hungarian Prime Minister Viktor Orban is ramping up his campaign to unwind the bloc's economic sanctions, which are up for renewal in January.

Others, including Poland and the Baltic states, say that only by ratcheting up economic pressure will Russia's ability to fund its war be stifled.

The Russian Embassy in the U.S. and the Russian institutions didn't respond to requests to comment.

## U.S. Bill Adds Funding For Kyiv

By LINDSAY WISE  
AND NANCY A. YOUSSEF

WASHINGTON—Senate Democrats have included another \$12.3 billion in economic and military aid for Ukraine in a must-pass government funding bill, a proposal that would bring U.S. spending on Kyiv's efforts to repel Russia's invasion to more than \$65 billion this year.

Congress has until Friday, the end of the fiscal year, to pass the bill and keep the government funded through Dec. 16.

Like past Ukraine aid packages, this proposal is expected to draw bipartisan support on Capitol Hill, although some Republicans have expressed concern about continuing to spend heavily on a foreign conflict.

The bill includes \$3 billion for training, equipment, weapons and other support—such as salaries and stipends—for Ukraine's military and security forces, and \$4.5 billion in budgetary support for Ukrainian government operations. It also dedicates \$1.5 billion to replenishing U.S. military stockpiles and those of foreign allies who sent supplies to Ukraine at America's request, as well as \$540 million to increase production of critical munitions, and \$2.8 billion to bolster Defense Department operations in support of Ukraine.

Also included in the bill is \$35 million, which lawmakers' summary describes as intended to "respond to potential nuclear and radiological incidents in Ukraine, assist Ukrainian partners with security of nuclear and radiological materials, and prevent illicit smuggling of nuclear and radiological material."

The conflict has included intense fighting in and around Europe's largest nuclear-power plant, and Russian President Vladimir Putin last week threatened to use all of the nuclear superpower's weapons systems if Russian territory is attacked.

Some of the weapons that the U.S. has delivered so far, such as long-range rocket launchers known as HIMARS, were critical in Ukraine's retaking of more than 3,500 square miles of its territory from Russia, which appears to be an inflection point of the war.

In his nightly address to the nation Monday, Ukrainian President Volodymyr Zelensky said his nation's troops are fighting to take back territory in the Donetsk and Luhansk provinces in the eastern Donbas region.

Unconfirmed reports this week described Russian lines collapsing in some areas of Lyman in the eastern Donetsk region.

In recent months, there have been signs of fractures among Republicans over whether the money could be better spent elsewhere, such as addressing threats from China or improving the U.S. economy. When Congress passed the last \$40 billion Ukraine aid package in May, 57 Republicans voted against it in the House and 11 voted against it in the Senate.

## Internet Army of 'Fellas' Fights Russian Trolls

By DANIEL MICHAELS

Ukraine has received more than 1 million tons of military equipment from NATO countries, including tanks, howitzers and ammunition. It also has received tons of support from NATO in the form of sarcasm, ridicule and fundraising.

NAFO—the North Atlantic Fella Organization—has no relationship with the North Atlantic Treaty Organization, other than playing on its name. It is an ad hoc collection of cybernauts, amateur artists and donors. They post on social media to back Ukraine and channel contributions to causes that buy equipment for soldiers, such as the Georgian Legion of volunteers, or support humanitarian-aid campaigns like the Saint Javelin website.

The effort probably has encouraged more than \$1 million in donations, estimates one of the founders of the fellas.

There is no command structure. Participants flood social-media platforms to mock Russia and its supporters while cheering for Ukraine, frequently turning pro-Russian commentary on its head. Images often are rough collages involving dogs clad in military gear, superimposed onto war photos. Commentary is flecked with Russian words like "vatnik," a pejorative for Kremlin fanatic, and co-opts poor English from Russia supporters' posts, like the phrase "What air defense doing?"

Ukrainian Defense Minister Olexii Reznikov and Estonian Prime Minister Kaja Kallas are NAFO fellas. Lithuanian Foreign Minister Gabrielius Landsbergis recently toured the Ukrainian port city of Odessa in a "NAFO FAN" T-shirt. Trevor Reed, a former U.S. Marine who was imprisoned in Russia for nearly three years, wore a similar shirt in an interview on MSNBC.

Western intelligence agen-



Ukrainian soldiers snap pictures of a mural titled Saint Javelin dedicated to the U.S. shoulder-fired antitank weapons that helped Kyiv.

cies have accused Moscow's troll forces of having links to the Kremlin and trying to sway elections and foment controversy. But those posts are often stiff and humorless. NAFO is intentionally absurdist.

"It is really a way of calling out the insanity of Putin's propaganda," said Rep. Adam Kinzinger (R., Ill.), a self-declared fella. "It is great to see effective pushback."

A NATO official said the two organizations have no connection, but "we share the goal of supporting Ukraine and calling out Russian disinformation."

NAFO emerged in the spring from social-media discussions among Ukraine's supporters and from arguments with pro-Russian posters. A Twitter ex-

change in June with a Russian ambassador became a rallying point for Ukrainian partisans. Ukraine's supporters took one of the Russian diplomat's tweets in the thread—"You pronounced this nonsense. Not me."—and made it a motto that now appears on T-shirts.

"A lot of it is spur-of-the-moment and things just click," said one of NAFO's founding members, a Pole who posts under the name Kama.

Looking for a new Twitter avatar early this year, Kama picked a furry Shiba Inu dog and edited Polish military togs onto the photo. The iconography clicked and soon Shiba Inus and other dogs—in all kinds of attire—were being cropped into anti-Russian im-

agery across the internet.

At about the same time, Kama addressed a fellow online Ukraine supporter as a fella. That spawned a chat about the friendly moniker, Kama said, from which emerged a mashup with NATO. A groundswell grew around the name and the mascot.

For Kama and other fellas in parts of Europe once dominated by the Soviet Union, NAFO channels a Cold War tradition of mockery that for many people was the sole form of defense against repression.

NAFO fellas make jokes out of Kremlin conspiracy theories. Many list their social-media profile location as Langley, Va.—the Central Intelligence Agency's headquarters—to

poke fun at frequent Russian allegations of CIA plots. The Twitter profile of Mr. Reed, the ex-Marine, says, "Not making \$10k for Psyops"—military shorthand for psychological operations—with a wink emoji.

"You can't fight with somebody you can't reason with, so we won't fight with them—we just ridicule them," said Kama. "I like the idea that people like the Russian ambassador see a dog and still engage."

More materially, the fellas support Ukraine's war effort via Saint Javelin and a limited number of other causes. Saint Javelin is named in honor of the U.S. shoulder-fired antitank weapons that helped defend Kyiv from Russia's attack early this year.

## EU Probes Breaches To Pipelines

Continued from Page One  
Kremlin has weaponized its gas deliveries to Europe to punish governments for their support for Ukraine. Russia blamed Western sanctions for its closure of Nord Stream, the biggest gas pipeline linking Russia to Europe.

"There are initial reports indicating this may be the result of an attack or some kind of sabotage, but...we haven't confirmed that yet," said U.S. Secretary of State Antony Blinken.

On Tuesday, the Swedish Maritime Administration said it detected a total of three leaks in both pipelines in Swedish and Danish waters in the Baltic Sea. The administra-

tion sent navigation warnings that ships should stay 5 nautical miles away from the area.

It is unclear what caused the leaks, authorities said, but the incident raised fears about a possible sabotage operation, and prompted questions about the security of Europe's energy infrastructure.

Prime Minister Mette Frederiksen of Denmark told public broadcaster DR that "There are three leaks, and therefore it is difficult to imagine that it could be accidental."

European Commission President Ursula von der Leyen wrote on Twitter that she spoke with Mr. Frederiksen about what she called "the sabotage action" against Nord Stream, and she called for an investigation. "Any deliberate disruption of active European energy infrastructure is unacceptable and will lead to the strongest possible response," she wrote.

Moscow called the incident "an unprecedented situation requiring urgent investiga-

tion." Dmitry Peskov, a Kremlin spokesman, said the destruction of the Nord Stream pipelines might be a result of sabotage, though it was impossible to know until the results of the investigation are released.

Seismologists at the Swedish National Seismic Network said they registered two powerful tremors in the areas of the leaks on Monday.

"We are pretty sure that the two events were blasts. They are not earthquakes," said Michael Roth, seismologist at the Seismic Network.

German geological research center GFZ also said it detected two tremors at the same time and location that couldn't be earthquakes.

In response to the incident, Denmark is raising the level of preparedness for the electricity and gas sector.

"Breakage of gas pipelines is extremely rare, and therefore we see reason to raise the preparedness level," said



Gas leak at the Nord Stream 2 pipeline off a Danish island.

Kristoffer Böttzauw, director of the Danish Energy Agency. "We want to ensure thorough monitoring of Denmark's critical infrastructure."

Simone Tagliapietra, a senior fellow at Brussels think tank Bruegel, said that a sabotage operation could be either directed against Russia or perpetrated by Russia. Moscow might be seeking to "create further stress in the EU gas market, even as flows through Nord Stream have already been cut off," he said. "Or as a signal that Russia is breaking forever with

Western Europe and Germany."

The incidents come as a new gas pipeline between Norway and Poland was inaugurated Tuesday. A sabotage on Nord Stream around the launch of that new connection would be symbolic, he said.

"In any case, this is a stark reminder of the exposure to risk of Europe's gas infrastructure," he said.

Analysts said an investigation would take a long time because it would involve submarines exploring the seabed where the pipelines are laid.

German and Danish authorities said the incidents had no impact on the security of supply.

The German economy, which depended for more than half of its gas imports on Russia before the Ukraine war, has since come under pressure as Moscow has limited supplies. Still, Germany's gas stores are about 91% full, providing a safety cushion ahead of winter.

While the pipelines aren't in use, they contain gas under

pressure. Experts don't see a significant environmental danger for the seabed because the gas isn't poisonous and would mostly bubble up to the surface. Nearby populations also aren't at risk, Danish officials said.

From there, however, methane, the largest component of natural gas, could escape into the air and contribute to global warming. "There's reason to fear that significant quantities of the very potent greenhouse-gas methane have already leaked into the atmosphere," said Sascha Müller-Kraenner, executive director of Environmental Action Germany.

Footage released by the Danish Armed Forces on Tuesday showed bubbles rising to the sea surface from one of the leaks. Denmark has sent a navy frigate and a pollution-control vessel and helicopters to the area, the military said.

The Nord Stream pipelines are laid mostly along the seabed, and each is more than 750 miles long.



WORLD NEWS

# Iran Pressures Celebrities

By **Benoit Faucon**

As protests in Iran over the rights of women expand, the Islamic establishment is now attempting to suppress the voices of the most visible supporters of a movement that so far has been leaderless: celebrities.

Many prominent Iranian actors, directors, artists, poets and sports professionals have publicly backed those protesting the Islamic Republic's morality laws, after the death of 22-year-old Mahsa Amini in police custody for allegedly violating the country's strict dress code.

The demonstrations, which started after Ms. Amini's funeral on Sept. 17, have spread across the country, with a large number of Iranians mobilizing daily via word-of-mouth and posts on social-media networks. The moves against celebrities are an extension of an often violent crackdown on protesters that has left more than 40 dead, hundreds injured and hundreds more arrested.

Authorities accuse these celebrities of fomenting the unrest by supporting the protesters' cause and condemning the government's harsh response.

Agencies linked to the hardline government have threatened to take criminal action against the celebrities if they don't stop supporting the protests. Other threats include the suspension of their licenses to work and seizure of their assets. Some famous Iranians have already seen lucrative contracts, including prime television slots, either canceled or moved without reason.

Days after Ms. Amini's death, Katayoun Riahi, an Iranian movie star, removed her headscarf, or hijab, on Instagram—where she has over 900,000 followers—in an apparent display of support for Ms. Amini. Many women have since removed their headscarves in defiance while

walking past riot police.

Ali Karimi, a former star Iranian soccer player who once played for Bayern Munich and has over 12 million followers on Instagram, came out in support of the demonstrations. "Don't be afraid of strong women. Maybe the day will come when they are your only army," Mr. Karimi, once dubbed Asia's Maradona who now lives outside Iran, wrote on Twitter for his almost 600,000 followers.

Authorities have heavily restricted access to the internet in recent days, tightening blocks on platforms such as Instagram and WhatsApp that protesters have relied on to express dissent and rally support.

On Tuesday, authorities said they have identified some protesters from CCTV footage, in an apparent threat to stop people from coming out to demonstrate.

Mohammad Mahdi Esmaili, the minister in charge of culture and Islamic guidance—which includes the country's strict Islamic dress code—said actresses showing their hair should change jobs, a threat from a regime that often suspends the licenses to work for minor criticisms of its domestic policies.

In Tehran, the authorities took down billboards promoting a series and a movie featuring Shahab Hosseini, a popular actor who starred in Iran's first Oscar-winning movie, "A Separation," after he condemned the government crackdown. Messrs. Hosseini, and Karimi and Ms. Riahi didn't return a request to comment.

"My name is free from the system's control and not being used anymore in favor of 'you,'" Mr. Hosseini said, referring to the government.

—Aresu Egbali and David S. Cloud contributed to this article.

WORLD WATCH



Akie Abe, center right, carried her husband's ashes as she arrived at slain leader Shinzo Abe's funeral Tuesday in Tokyo.

JAPAN

### State Funeral Held For Ex-Leader Abe

World leaders and successors of Shinzo Abe paid tribute to Japan's longest-serving prime minister at a state funeral, while thousands of people protested the event nearby.

The send-off for Mr. Abe, who was killed by an assassin's bullet in July, reflected the divisions that also marked his term in office. Vice President Kamala Harris remembered Mr. Abe as a champion of the U.S.-Japan alliance, and his allies mourned the loss of a leader they said devoted his life to improving Japan.

Some of the groups that protested his steps to strengthen Japan's military were back at the parliament building for a valedictory anti-Abe rally.

Mr. Abe's funeral was only the second state funeral for a post-war prime minister after Shigeru Yoshida, who signed the 1951 treaty ending the U.S. occupation of Japan after World War II.

—Alastair Gale

UNITED KINGDOM

### Charles's Portrait to Be on Currency in '24

Currency with the image of Britain's new King Charles III won't circulate until the middle of 2024, the Bank of England said.

One of the changes that comes with the new sovereign is rebranding the U.K.'s bank notes, which for the past seven decades have featured Queen Elizabeth II. The Bank of England said that once the currency featuring the king is released, it will circulate alongside bank notes with the queen's portrait. King Charles is expected to face left on the notes, keeping with tradition that new monarchs face the opposite direction from their predecessor.

To limit environmental and financial impacts, bank notes that have already been printed with the queen's portrait will still be issued into circulation, the bank said. Currency with her image will be taken out of circulation only if they become worn or damaged.

—Alyssa Lukpat

SAUDI ARABIA

### Prince Mohammed To Be Prime Minister

Saudi Arabia's King Salman named his son, Crown Prince Mohammed bin Salman, as prime minister on Tuesday, boosting the profile of the 37-year-old day-to-day ruler of the kingdom as he tries to end years of international isolation over a journalist's killing.

Prime minister, a title traditionally held by the Saudi monarch, will extend Prince Mohammed's tight grip on power, as he already oversees the country's most sensitive portfolios—the economy, defense and oil.

The U.S. intelligence community concluded that the prince approved an operation to capture or kill journalist Jamal Khashoggi in 2018. The Saudi government initially denied involvement in Mr. Khashoggi's death but later acknowledged that government officials carried out the killing and said the crown prince wasn't personally involved.

—Summer Said

CHINA

### Meta Shuts Down Influence Operations

Meta Platforms Inc. said that it has removed separate networks in China and Russia that were running covert influence campaigns related to U.S. politics and the war in Ukraine. In a post on its blog, the Facebook parent company said it has taken down a small network that originated in China and operated across multiple social-media platforms, targeting U.S. voters on both sides of the political spectrum ahead of the 2022 midterm elections.

The network also pushed anti-government sentiments related to the Czech Republic's foreign policy toward China and Ukraine, Meta said.

The company said it has removed a large network that originated in Russia and operated across a sprawling network of more than 60 websites that were made to look like legitimate European news organizations.

—Dean Seal

# U.K. Seeks To Calm Investors

Continued from Page One prices, the government tax cuts will stimulate consumer demand, undermining the central bank.

"Clearly, there is a fundamental conflict between the Truss government's so-called growth program of large-scale spending and the bank's need to reduce inflation," said Adam Posen, president of the Peterson Institute for International Economics and a former BOE policy maker.

Efforts by both the government and central bank to calm markets Tuesday had mixed results. The pound closed largely unchanged after one of its largest two-day declines on record, a drop that will further stoke inflation by raising the price of imports. But borrowing costs for the U.K. government continued to rise, with the yield on the benchmark 10-year U.K. bond rising 23 basis points to 4.51%.

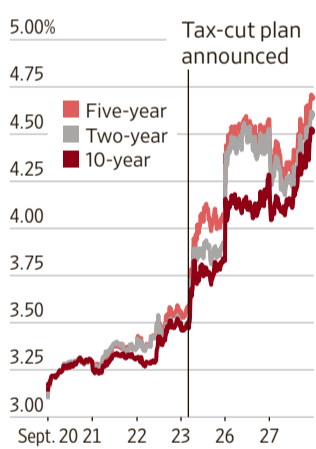
The International Monetary Fund said on Tuesday it was closely monitoring the situation in the U.K. It said that, given high global inflation, "we do not recommend large and untargeted fiscal packages at this juncture, as it is important that fiscal policy does not work at cross-purposes to monetary policy."

In a sign of how the market turbulence is affecting the economy, at least six U.K. mortgage lenders stopped offering some loans or briefly suspended lending to home buyers altogether on Tuesday, uncertain about how the turmoil will affect interest rates, according to UK Finance, an industry trade group.

Unlike in the U.S., where mortgages with a 30-year fixed rate are prevalent, most households in the U.K. pay a fixed annual interest rate for only two or five years, after which their loan resets to pay a floating rate linked to benchmark borrowing costs.

Most economists now believe the central bank will have to raise its key interest

### U.K. government bond yields



Source: Tullett Prebon

rate further and faster than it had previously thought likely. In a statement Monday, Mr. Bailey signaled that policy makers are likely to announce a larger increase than in any of the seven it has implemented since December.

On Tuesday, the bank's chief economist, Huw Pill, underscored the point.

"We have seen significant fiscal news," Mr. Pill said in a speech to investors. "That has had significant market consequences as well as significant

### The central bank and the government have been pulling in different directions.

consequences for the economic outlook. I think it's hard not to draw the conclusion that this will require a significant monetary policy response."

Sharply higher interest rates will damp the boost to the economy that the government was hoping to deliver through a cap on energy prices and the tax cuts. Higher interest rates also make it more expensive for businesses to invest, and make the improvements to productivity that the government says it seeks, many economists said.

"There is concern about a lack of coordination" between the BOE and the Treasury, said Raoul Ruparel, a former U.K. government adviser and director for Boston Consulting Group's Center for Growth.

"No one knows which one is going to win out and that causes anxiety," he said.

The big question is how high rates must rise to control inflation. If the key benchmark rate rises to around 3% or 4% from a current 2.25%, that might not dramatically impinge growth, Mr. Ruparel said. If rates go up to 6% or higher, then the housing market could crash and the economy could be pushed into recession.

For former central bankers, the government is the clear source of the current market anxiety. In an interview with the BBC, former Bank of England deputy governor Charles Bean said the government should have started with reforms to boost economic growth and cut taxes only when that growth materializes.

"The sequencing here that the government chose is wrong," Mr. Bean said. "It now costs the U.K. more to borrow over 10 years than Italy or Greece, who we've traditionally thought of as being weaker performing sovereign entities."

The surge in inflation around the world since early 2021 has made it more difficult for governments and central bankers to push in the same direction. Governments want to help households weather the surge in energy prices without hardship, but any help they give risks keeping inflation higher for longer. The policy clash marks a fresh setback in the relationship between the government and the central bank that began to sour around the U.K.'s vote to leave the European Union in 2016.

During her campaign to become leader of the Conservative Party, Ms. Truss frequently criticized what she called "treasury orthodoxy" and said she might review the BOE's inflation-targeting mandate. Since becoming prime minister, her tone has softened, with her chancellor Mr. Kwarteng saying he still endorsed the BOE's independence.

"I think it would be completely wrong for me as a politician to say what I wanted interest rates to be and to countermand the Bank of England," she said earlier this month.



## WATER LILIES AT GIVERNY CLAUDE MONET

Master painter. Iconic subject. Luminous color.



This original oil on canvas by Claude Monet features the revered Impressionist's most beloved subject: the water lilies at Giverny. Entitled *Nymphéas*, this fragment displays intense color harmonies and emotive brushwork, characteristic of Monet's mature oeuvre. Monet

leans into the abstraction of the fluid, floating shapes, creating an immersive experience for the viewer. Circa 1917-19. Canvas: 18" h x 22 1/8" w; Frame: 26 1/2" high x 30 5/8" w. #31-5363

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THE WALL STREET JOURNAL.

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By ALEX JANIN

**M**oving high-school start times later could help teenagers cope with mental-health issues coming out of the pandemic, say a growing number of sleep researchers and psychologists.

Teens have a biological need to go to bed and wake up later, because of hormonal changes that occur during puberty, research indicates.

However, U.S. public-high-school start times have been inching earlier over the past 15 years, and an increasing percentage of U.S. teens are getting less than the minimum eight hours doctors say they need.

High-school students who attend schools with later start times are more likely to get sufficient sleep, according to a recent study with more than 5,000 student respondents published in the journal *Sleep*.

### Some school districts have moved start times later, citing in part benefits to students.

Teens who don't get enough sleep are at heightened risk of mental-health and behavioral challenges, researchers and mental-health professionals say.

"Shorter sleep makes it harder to regulate your emotions, which are already going through intense fluctuations during the adolescent period," says Jessica Hamilton, who researches adolescent sleep, social media and suicide risk at Rutgers University. "We are in a teen public-health crisis and sleep is a major risk factor."

Between 2007 and 2017, the share of public U.S. high schools that started before 7:30 a.m. increased to 10.4% from 8.8%, according to the National Center for Education Statistics.

The percentage of U.S. high-school students who don't get enough sleep—less than eight hours—grew to 78% from 69% between 2009 and 2019, according to the Centers for Disease Control and Prevention.

When adolescents enter puberty, their circadian rhythms start to shift later. Hormonal changes delay the daily secretion of melatonin, a hormone that promotes sleep. The shift, known as a "sleep phase delay," also results in the slower buildup of pressure that makes people feel sleepier as

## Earlier Starts Put Students At More Risk

Researchers say teenagers who get insufficient sleep are likelier to face mental-health challenges



the day progresses.

The circadian rhythm continues to shift later over the course of puberty and peaks in "lateness" between age 18 and 22 depending on sex, sleep experts and researchers say.

If school start times don't shift with the circadian rhythm of adolescents, the window of sleep they can get effectively shortens, making them less likely to get the

eight to 10 hours they need, says Tiffany Yip, a developmental psychologist at Fordham University.

Dr. Hamilton believes that delaying school start times could help reduce teen suicide rates over time.

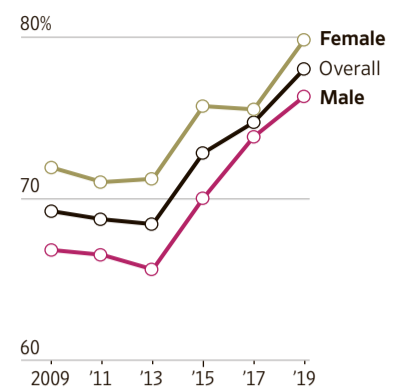
A recent study she co-wrote found that, among a population of young adults experiencing depression, shorter sleep during one night led to a greater likelihood of

suicidal ideation the next day.

Some school districts have moved start times later, citing in part the potential benefits to teens' mental and physical health.

In a law that went into effect this summer, California became the first state in the country to require all of its public middle and high schools to begin no earlier than 8 a.m. and 8:30 a.m., respectively. New Jersey and New

### U.S. high-school students getting less than eight hours of sleep a night



Source: CDC National Youth Risk Behavior Survey (YRBS), 2009-2019

York are considering similar legislation.

Violetta Mordock, a 14-year-old freshman at Tesoro High School in Orange County, Calif., describes herself as "not an early riser—at all."

Her school shifted to a 8:30 a.m. start time this year. The change grants her only about 15 more minutes of sleep each morning, but still makes a difference in her mood, she says.

She says she feels more upbeat and inclined to catch up with her friends. And she has stopped nodding off in the class before lunch period, and has time to eat breakfast before school, she adds.

"I think we're just happier in the mornings than we would normally be," she says.

Tim Seymour, the superintendent of Lake Placid Central School District in upstate New York, says he has noticed lower rates of discipline and suspension and higher rates of attendance since pushing the start time to 8:05 a.m. from 7:20 a.m. this fall.

A similar shift in New Canaan, Conn., means students are no longer being picked up by school buses in the dark, New Canaan Public Schools superintendent Bryan Luizzi says.

"In the morning, the cafeteria has more kids in it who are sitting and talking together," Dr. Luizzi says. "They seem more alert and attentive and ready to be engaged."

Nicole Christian-Brathwaite, a child psychiatrist in Boston, says she has occasionally negotiated with schools for exceptions to early start times on behalf of some young patients.

"I've seen plenty of children with sleep deprivation who present with symptoms that mimic ADHD, depression and anxiety," Dr. Christian-Brathwaite says. "Often, when we are able to get them into an effective sleep cycle, many of those symptoms decrease."

## Travel Apps Court Users With Perks That Pay Off

By JACOB PASSY

**W**ould you check a travel app almost every day, even if you traveled only a few times a year? What if the app paid you to do so?

Some travel providers are looking to answer those questions as they try to build customer loyalty and stand out from the dizzying number of options for booking trips online. App-based online travel agency Hopper and the Oyo hotel chain are adding games and other features. Some companies are even compensating users for opening their apps when they're not in trip-planning mode.

Changing people's travel-shopping habits is hard, says Lorraine Sileo, senior analyst at Phocuswright, a travel-research company. "We know that travelers will always look for the lowest price, and that's what they ultimately buy," she says.

The travel industry spends big on advertising to win customer loyalty, Ms. Sileo says. The ultimate goal for many companies today is to get travelers to use their apps and book with them directly, rather than paying fees for a referral from Google. And while someone might visit multiple websites to comparison shop for a vacation, they aren't likely to download several apps, she says.

Hopper is eschewing traditional advertising in favor of a rewards program designed to encourage people to visit its app even when they're not planning a trip. Its customers have redeemed \$50 million in rewards, vouchers and flash deals over the past 12 months, a company spokeswoman says. That number exceeds Hopper's external marketing budget over that time.

Hopper became the most-downloaded travel-booking app in the U.S. last year, surpassing Booking.com's app, according to a report from analytics firm Sensor Tower. It still held



that distinction as of the first half of 2022, though Expedia and Booking.com's apps have outpaced Hopper's in downloads recently.

The company is testing new programs that compensate users for opening the app more frequently, inviting others to the app and even playing games on it.

The strategy is modeled on the success of e-commerce apps in Asia such as Pinduoduo, which have used social and gaming features to fuel growth, Hopper chief executive and founder Frederic Lalonde says. Pinduoduo has integrated various features that reward people for spending time on the app.

In one Pinduoduo game, a person can water a virtual fruit tree. Once



Hopper is testing games that allow users to earn rewards they can use when booking trips.

the tree is fully grown, the company ships the player a free box of fruit.

Some of Hopper's new features are already widely available. The app has a Daily Gift feature that rewards people for opening the app each day. After seven consecutive days, they earn \$10 in Carrot Cash, the in-app currency akin to reward points or miles that customers can use to lower the price of flights, hotels and car rentals. As of late August, Hopper has made it available to 40% of users.

Other features still in testing stages are even more gamified. One lets users earn Carrot Cash for completing tasks such as adding account information. Another includes mini games akin to Pinduoduo's tree-watering game.

Hopper users also earn rewards for booking travel on the app. Carrot Cash currently can't be combined with other discounts such as vouchers and flash deals, a company spokeswoman says, and has a six-month rolling expiration period.

Early findings suggest that the games and rewards are working in getting people to engage with Hopper's app more frequently, Mr. Lalonde says.

When in trip-planning mode, a person may open Hopper once a week, he says. Otherwise they engage with the app far less frequently. The open rate for the Hopper app is five to 10 times higher among people engaging with new games and features, he says.

"If I give you a fun reason to launch [the app] every day, you're going to launch every day," Mr. Lalonde says. "And you don't have a reason to launch a travel app every day."

Other travel companies are trying similar features. India-based Oyo launched games in its mobile app this year. IHG Hotels and Resorts formed a partnership with mobile-gaming platform Playstudios. Members of IHG's loyalty program can earn points by playing mobile games and then put those points toward discounted stays at

IHG hotels.

Jonathan Barsky, an associate management professor at the University of San Francisco, says the large audience for social casinos—apps or websites that feature casino-like games but don't involve betting actual money—suggests these features could prove enticing. The social casinos have around 80 million daily active users globally, he says. Popular examples include Big Fish Casino and Slotomania.

Chiazam Mbelu, a 29-year-old from Los Angeles, says she likes Hopper's app because it's easy to use and lets her track flight

prices. She has used Carrot Cash to save money on flights before, which she said was fairly easy to do. But the way the app displays Carrot Cash and vouchers was confusing, she says.

Carrot Cash is stored in a wallet that also houses vouchers and deals that can be used only on certain purchases, such as hotels or car rentals. The app's wallet distinguishes between the two categories when you open it, though it does also give a total amount combining the two amounts. At times Ms. Mbelu says she thought she had more Carrot Cash at her disposal than she actually did. (A Hopper spokeswoman says it was possible that Ms. Mbelu had confused the two amounts.)

While Ms. Mbelu isn't one of the beta testers for Hopper's newest features, she says she would give them a shot. "Flight tickets are getting so expensive these days that any kind of discount is really valued," she says.

## PERSONAL JOURNAL.

By LAURA CASEY

# Companies Face the Fact That People Hate Surveys

Overall, would you say you're satisfied, somewhat satisfied or dissatisfied with customer surveys? Odds are you won't answer.

Instead of asking customers directly, U.S. companies are finding other ways to gauge their feelings, marketing executives and business professors say. Customers would likely never notice many of these methods.

Companies can now apply machine learning to analyze the language used in transcripts of calls and chats. They say they can evaluate how happy or angry customers are, or why they are calling. From there, companies hope to more quickly and accurately decide on actions to improve their service.

It's a technological solution companies say they hope will help boost their responsiveness and get ahead of complaints that get amplified across Twitter and Instagram. The question is whether consumers are willing to continue to trade some degree of privacy for quicker assistance or potentially better service by letting an algorithm evaluate their words on calls, chats or public social-media posts.

For industries that track customer-experience feedback closely—including retail, travel, healthcare, finance and the auto industry—surveys have long been the standard. They pop up everywhere: as an option at the end of a call to purchase plane tickets, in your email after a doctor's appointment, even as a scannable QR code in the lobby of your bank asking you to rate your visit.

However, companies say few customers fill them out and that survey-only data is limited in its ability to discern a consumer's feelings or surface new problems.

The technology that allows companies to capture and analyze large amounts of data to measure the consumer experience "has fundamentally changed in the last five years," says Bill Staikos, a senior

vice president at Medallia, an experience-management firm. Such firms use data to help clients track and improve experiences of those who use their products and services.

To help launch a chatbot in 2020, Miami International Airport used the experience-management firm Qualtrics to mine publicly available data from social-media platforms and customer reviews. That aided the airport's social-media team by answering questions in English and Spanish, the airport says.

Instead of posting on social media, travelers first took questions to the chatbot. Inquiries on social channels were quickly reduced by almost half, airport representatives say, allowing employees time to handle more complex help requests. By 2021, the airport says, it reduced its overall customer-resolution time to 10 minutes, from as high as 90.

Tech advances have significantly changed how customer experience is measured. Executives

## 86%

Americans in a 2021 survey who said data privacy is a growing concern

from experience-management companies say they rely more on tracking data digitally without using third-party cookies. State and international laws have limited cookies in recent years, but public posts on social-media platforms are open for them to review.

Some who study this field remain unsure about the limitations of the algorithms. "I would not say that they're identifying emotions. I would say that they are attributing emotions, because I feel like a lot of this technology is highly questionable," says Frank Pasquale, a Brooklyn Law School professor who serves on the

U.S. government's National Artificial Intelligence Advisory Committee. He asks whether data sets across the industry reflect the bias of the people who wrote the algorithms, and even if machine learning can currently identify human emotion at all.

Many consumers have shown a reluctance to having their behavior tracked online. A 2021 KPMG Advisory survey of 2,000 U.S. adults showed that 86% of American adults "say data privacy is a growing concern for them." Only 17% would willingly give up personal data, even "to help businesses create better products and services."

Customer-experience management companies say they take the concern seriously, and that it is reflected in their data-collection strategies. They also say their analysis of calls and chats is effective and lets them react to customer needs in near real time.

If a company can quickly read complaints on the same topic, it

can fix it more quickly. Sentiment analysis also allows companies to intervene almost instantly to retain someone's business by offering an unhappy customer an in-app discount.

Some consumers worry that a machine-learning algorithm could misinterpret them. "What if you're just a loud person by nature?" asks Abi Serkanic, an accountant in Zion, Ill.

Others like Logan Lockner, a writer and editor from Atlanta, say they are more willing to accept changes in technology and more observation of their behavior by companies if it makes for a smoother experience. "I'm not necessarily proud that is my answer," he says.

Ben Nayyar, a telecommunications program manager in Edison, N.J., says he appreciates the technological advances that make him feel heard by companies. "I think that's why consumers like myself—and I've seen a lot of others—are going through the route of social media, so that you get that attention from them," he says.

Companies plan to expand use of these tools in the near future. Qualtrics has a product in the works that will analyze calls in real-time. Among other features, it aims to instantly pull up information that service agents need to solve a customer's problem to reduce time spent on hold.

None of this means the survey is approaching extinction, says Brad Anderson, Qualtrics's president of products and services. The company says that its analysis of speech records has surged since 2018. Its use of surveys has also grown over that time, though at a slower rate. Momentive, which owns SurveyMonkey and GetFeedback, continues to incorporate surveys in some form in about 90% of its analyses. Medallia says it still uses them 20% of the time.

"I think if you were to ask a lot of customers, they would say if we could get the feedback and learning without asking a question, [they] would love to do that," Mr. Anderson says. "But I think you'll always have both."

PHOTO ILLUSTRATION BY CHAVA HOWELL/THE WALL STREET JOURNAL. ISTOCK




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## Morning-After Pill Gets a Rebrand

By CHAVIE LIEBER

With TikTok videos, bright colors and sleek packaging, the morning-after pill is getting a rebrand—one aimed at Gen Z consumers.

Amid widespread efforts to step up digital marketing for morning-after pills, more female-focused healthcare companies are turning to TikTok campaigns that encompass a mix of education and humor. Though the methods of companies like Get Stix Inc. and Hey Favor Inc. are unusual within the drug market—including memes, viral audio clips and upbeat explainers—they are becoming more common as brands across industries aim to reach Gen Z shoppers now coming of age.

Now Julie, an emergency contraceptive pill out this week, will launch with a TikTok-video campaign and influencer promotions—the clearest sign yet of blurrier marketing between female-health pharmaceuticals and other lifestyle products.

"What we heard from women is that there is a second walk of shame," said Amanda E.J. Morrison, a Julie co-founder, of buying emergency contraception.

Hours after the Supreme Court's June 24 decision to end federal constitutional protections for abortion, morning-after pills were in limited supply or sold out at major retailers. Pharmacies and e-commerce sites, including Amazon, eventually put a cap on the number of pills a customer could purchase to prevent stockpiling.

The pills, which are legal in every state, prevent pregnancy primarily by stopping ovulation and can be purchased by consumers of any age at major pharmacies without a prescription.

The Julie brand will be sold at 4,500 Walmart loca-



Julie's Amanda Morrison wants customers to feel less shame.

tions across the U.S. and on Walmart's website, the retailer says, in addition to Julie's site. A Walmart representative declined to comment.

Packaged in a blue box with bright pink lettering, the Julie pill will sell for \$42.44, priced below some competing brands but above generics.

Ms. Morrison said that in its use of TikTok, Julie intends to combat misinforma-



tion about sexual health and will create content with the help of its medical advisers: "We want it to be fun and shareable." Her co-founders are Brian Bordainick and Julie Schott of skin-care brand Starface, whose cartoonlike pimple patches are designed to be worn in public.

Hey Favor, a direct-to-consumer provider of morning-after pills, birth-control pills, menstrual-care products and more, which does business as Favor, promotes a mix of educational and entertaining content on TikTok, which has more than one billion

monthly active users, through its internal social-media team and influencer partnerships. "We know that our patients and our target patient is really spending most of their time on TikTok," said Sarah Abboud, the company's director of communications.

When Get Stix, which does business as Stix, launched its Restart emergency-contraception pill this year, a promotional video from a news-focused TikTok account was viewed five million times and yielded thousands of product sales in a day, said Jamie Norwood, a co-founder of the company.

"TikTok is the most used search engine for Gen Z, so we rely on the app to increase access to sex education that young folks can trust and rely on," Ms. Norwood said, adding that the company works with board-certified physicians to vet the information in its videos.

Rachelle Schwarz, a primary-care doctor with Hackensack University Medical Center in New Jersey, cautioned that young people may see emergency contraception as an alternative to other forms of birth control.

"They're risking pregnancy every time, and they're also risking STDs, which the morning-after pill does not protect against," she said. "You'd have to give a lot of information to the patient, which I don't think would come across in something like a Facebook or an Instagram ad."

## ARTS IN REVIEW

TELEVISION REVIEW | JOHN ANDERSON

## 'Blonde': More Marilyn Mythologizing

Ana de Armas captivates as Marilyn Monroe in Andrew Dominik's adaptation of the 2000 Joyce Carol Oates novel

The public's endless fascination with Marilyn Monroe might not be exhausted, finally, by "Blonde," but the viewer will be. At two hours and 47 minutes, Andrew Dominik's pseudo-biography is one long slog into sadness and more-than-predictable tragedy, despite a touching portrayal by Ana de Armas and the deliberately artful and often startling filmmaking of Mr. Dominik. If you're wondering if men are swine, they are, at least according to his adaptation of the Joyce Carol Oates novel.

So no—not a date movie. But not dismissible either. Mr. Dominik has made a handful of films, each fascinating in its own idiosyncratic way, among them the hyper-violent cult movie "Chopper" (Eric Bana's breakthrough) and the meditative anti-western "The Assassination of Jesse James by the Coward Robert Ford." With "Blonde," Mr. Dominik seldom lets us take our eyes off Ms. De Armas, who isn't a Monroe lookalike, exactly, but is similarly arresting, the way Monroe was in "The Asphalt Jungle" or "All About Eve"—in other words, before Hollywood decided we *had* to look at her. In some ways, Monroe was the human exemplar of the observer effect in physics: When we look at a thing, the thing changes. No one in the history of Hollywood has been looked at more intensely than Monroe.

But did she change? Or did she simply fulfill a destiny laid out in her early childhood, when her paranoid schizophrenic mother (Julianne Nicholson) tried to drown her in a bathtub? And did that even happen? Watching "Blonde," an audience will be reaching regularly for its collective cellphone to Google this or that event because they're often



astoundingly cruel, or odd or contrary to received wisdom.

And therein lies the core problem with "Blonde," which was also a criticism of the book when it was published in 2000. The foundation of the Monroe mythos is truth. She might have become a metaphor—

the thing too beautiful to last, too delicate not to be crushed by a brutish world—but she was a real person to whom damaging things happened. As with Princess Diana, Monroe's chief competition for sensationalized TV storytelling, the reality needn't be embellished. In

fact, the story loses impact the moment it departs from nonfiction. Ms. Oates stuck mostly to the facts of Monroe's life, but also invented characters, speculated about others and by doing so created a character named Marilyn Monroe—which is also how the movie's Norma Jeane views her public persona, as a kind of Frankenstein creation. But a fictional Norma, or Marilyn, doesn't have the same impact as the real one, despite Ms. De Armas immersing herself in a re-creation marked by beauty, pathos and the breathy delivery of the child-woman we know from the movie roles.

None of the men in her life give Mr. Dominik's Monroe credit for much, not the Ex-Athlete (Bobby Cannavale) or the Playwright (Adrien Brody) or the President (Caspar Phillipson) who are meant to be Joe DiMaggio, Arthur Miller and JFK. All mistreat her, eventually, as do her two early gay lovers, Cass and Eddy (Xavier Samuel and Evan Williams), who are based on Charles Chaplin Jr. and

Edward G. Robinson Jr., neither of whom, by any account I could find, was gay or engaged in a ménage à trois with Marilyn Monroe. But their scenes with Marilyn are certainly titillating and probably are what led to the movie's NC-17 rating (along with a JFK-inspired scene near the end of the film that prefaces Monroe's "suicide").

"Blonde" is a beautiful thing to look at and listen to. (The sound is first-rate; use headphones.) Ms. De Armas is glorious and the cinematography of Chayse Irvin, shifting between color and black-and-white to disequilibrating effect, aids and abets Mr. Dominik's art-film intentions, which create a world similar to ours but different, just as the Marilyn of the movie (and book) is Monroe-adjacent rather than the real woman who became myth. There is much to be said for the notion that fiction can be more honest than reality. It doesn't quite apply to "Blonde."

**Blonde**  
Wednesday, Netflix

Mr. Anderson is the Journal's TV critic.



Ana de Armas and Adrien Brody, left; Xavier Samuel, Ms. De Armas and Evan Williams, top

## CULTURAL COMMENTARY

## When Russia Said 'Da' to Jazz

BY JOHN EDWARD HASSE

This year marks the 100th anniversary of jazz in Russia. It's an occasion loaded with irony, given that jazz—a musical form whose emphasis on improvisation and individuality makes it emblematic of human freedom—was introduced under Joseph Stalin.

Propaganda at least partially explains the paradox. Initially, the state welcomed jazz, promoting it as the music of an oppressed people: black Americans. Nonetheless, under Stalin, jazz was variously suppressed, censored and embraced. To mark the anniversary, on Oct. 1 a celebratory concert will be performed at Moscow's Bolshoi Theater.

The story begins just four years after the first jazz record was made in New York, when dancer-poet Valentin Parnakh heard a black American jazz band in Paris and was thunderstruck. He purchased a set of instruments, returned to Moscow and founded the Valentin Parnakh Jazz Band, which performed its first concert, in Moscow, on Oct. 1, 1922.

In 1926, two black American bands toured Russia: Sam Wooding's performed a revue featuring six of Duke Ellington's songs; Frank Withers's ensemble included the audacious clarinetist Sidney Bechet, the genre's first great soloist. In his 1988 memoir, "Jazz From The Beginning," Wooding bandmate Garvin Bushell wrote that "The people loved us in Russia. [It was] the first country I'd ever been in where I was considered a human being." These acts brought authentic African-Ameri-

can jazz, but in Russia prior to World War II, the word "jazz" signified not so much a musical genre as a type of band, one with saxophones, trumpets and trombones, that might play what we call jazz, or folk songs, waltzes or popular dance tunes.

Interest in jazz spread, but by the late 1930s, the official newspaper *Izvestia* was pillorying the music as an example of bourgeois culture even as the state was supporting several dozen radio and military jazz bands. Once World War II erupted, the State Jazz Orchestra of the U.S.S.R. was renamed the People's Commissariat of Defense Exemplary Orchestra and sent to the front lines to rally Soviet troops. Unfortunately, most of the band perished there.

**Jazz is just as important to the country today as it was when it arrived there 100 years ago.**

Eddie Rosner, a Jew who fled Hitler's Germany for the Soviet Union in 1939, led the State Jazz Orchestra of the Byelorussian Soviet Socialist Republic from 1940-46, a big band that became one of the most popular in the U.S.S.R., touring and recording extensively. It thrived on American swing material such as Ellington's "Caravan" and W.C. Handy's "St. Louis Blues."

But Rosner got caught up in the post-World War II Soviet crackdown



Russian jazz saxophonist Igor Butman performing in Sochi in 2017

on Western culture, when saxophones were all but banned and propaganda read "Today he plays jazz, tomorrow he'll betray his country." He was arrested and sent to the gulag. However, the leader of the camp liked his music and allowed him to establish a new band to entertain inmates and guards. He was released in 1954 and continued touring and recording almost to the end of his life.

After the war, composer Oleg Lundstrem and his big band, the Oleg Lundstrem Orchestra, were performing in the provincial city of Kazan, but when Moscow officials heard his arrangements of Russian and Tatar music, the band was granted the new status of the All-Russia Touring and Concert Authority's Variety Orchestra, and from the 1970s on, it toured extensively to Europe and the U.S.

In his 2018 essay, "Russia: Ninety-Five Years in Search of an Identity," Russian jazz historian Cyril Moshkoff writes that there was very little jazz in the U.S.S.R. between 1947 and 1955

because the authorities indiscriminately suppressed everything Western. "Leonid Utyosov's jazz band was forcibly renamed Russia's 'State Variety Music Orchestra,'" he writes, "and he had to hide the saxophones behind a newly-hired large strings section which was placed in front of the reeds."

During the Cold War, the United States pursued "jazz diplomacy," sending Benny Goodman to perform in 1962, Earl "Fatha" Hines in 1966, Ellington in 1971, and the Thad Jones/Mel Lewis Orchestra in 1972. Ellington's band performed 22 concerts in five Soviet cities, reaching 126,000 people, to a tumultuous response from jazz-starved fans. One yelled "We've been waiting for you for centuries!"

American records were extremely difficult to obtain during the Cold War, but the U.S. sent jazz via short-wave radio on the Voice of America. The Soviet government tried to jam the signals but some got through, educating musicians and fans alike. In 1962, tapes of VOA jazz broadcasts sold for as much as \$40 (\$375

in 2022) on Moscow's black market.

Once the Soviet Union dissolved in 1991, artistic freedom expanded, and jazz then had to survive in the market economy. Record releases and festivals declined sharply at first, but later rebounded. The biggest success in modern Russian jazz

came to be saxophonist Igor Butman. Born in Leningrad, he studied at Boston's Berklee College of Music in the late 1980s and became friends with Wynton Marsalis and other jazz luminaries. In 1996 he returned to Moscow, where he now helms his own ensemble, the Igor

Butman Big Band, organizes "The Triumph of Jazz," an annual festival held in multiple cities across Russia, and owns two nightclubs.

It is he who is organizing the anniversary celebrations. The Bolshoi concert will reconstruct the original 1922 program, while additional commemorative concerts will take place in 16 other cities across the country and 30 master classes will be held in 17 regions. In the world's largest country by geographic area, all these attest to a healthy jazz scene replete with festivals, recordings, radio programs and an authoritative online magazine, *Jazz.ru*.

With Russia once again in the grip of authoritarian rule, there could not be a better time for its people to be exposed to jazz and its lessons.

Mr. Hasse is curator emeritus of American music at the Smithsonian's National Museum of American History. His books include "Beyond Category: The Life and Genius of Duke Ellington" (Da Capo) and "Discover Jazz" (Pearson).



## OPINION

## If Politics Is a 'Joke,' Voters Get It



**BUSINESS  
WORLD**  
By Holman W.  
Jenkins, Jr.

Washington Post book critic Carlos Lozada. His piece is that delicious. He picks up on a long-running theme of this column, Donald Trump's bottomless cynicism about the game of politics and the people who play it.

Mr. Trump's big election lie, Mr. Lozada writes, "is yoked to an older deception, without which it could not survive: the idea that American politics is, in essence, a

### The public is forced to learn the symbolism of Trump and Democratic hoaxes.

joke. . . . When politicians publicly defend positions they privately reject, they are telling the joke. When they give up on the challenge of governing the country for the rush of triggering the enemy, they are telling the joke. When they intone that they must address the very fears they have encouraged or manufactured among their constituents, they are telling the joke."

What gives Mr. Lozada's piece a richness he doesn't

intend is that he himself is engaged in joke telling, in which all this is the work of Republicans, the Democratic election denials of 2000, 2004, 2016 and 2018 don't exist, the manufactured Russia collusion lie doesn't exist, Mr. Biden doesn't play up the white supremacist menace for own benefit, he and his allies don't flog a climate apocalypse found nowhere in the science.

The joke continues. See the oddly similar treatment in the Washington Post and New York Times last week of news of the winding down of special counsel John Durham's investigation, which both papers measured and found wanting against the standard of (wait for it) Mr. Trump's own hyperbolic and self-interested rhetoric.

Since when is Mr. Trump the measure of all things? Only when it serves the purpose of ignoring Mr. Durham's accomplishment in getting to the bottom of the collusion fraud, which the press declined to do. Example: His detailed allegation that the sex scene in a Moscow hotel, which the media reveled in for two years, was completely made up, attributed by a paid Democratic "investigator" to a source who refused his call.

The joke is present in both Mr. Trump's and the media's delight in the New York attorney general's 214 pages of not alleging any crime in Mr. Trump's exaggeration of his wealth for bank loan reviewers who, among all people on earth, knew exactly who they were dealing with (unlike the



Trump in Ohio Sept. 17.

public that accepted at face value the media's Russia reporting only to find out later it was a Lozadian "joke.")

Mr. Lozada's joke metaphor captures the arch cynicism of contemporary political fabulizers (except those on his side) but perhaps doesn't give the public enough credit. If my interactions are any indication, voters have made fast progress in decoding the turn toward absurdity in our politics, as something akin to the inexplicable waves of high fashion, and yet they still grasp how the underlying fight for power touches on things they care about like jobs, crime and education.

The real source of the trouble—or maybe just the real joke—is a news industry no longer interested in evidence for what it says, only how it can be used. The pretense is of a modernizing impulse, in which traditional standards of "objectivity" are put aside for higher, consequentialist pur-

poses. But there's a reason the press's motto used to be "Tell the truth no matter whose ox is gored." We don't and can't know how the future will play out. Take the simple matter of being honest about the Russia hoax. By acknowledging the truth, do we strengthen Mr. Trump—or do we show his voters that the media and government elite are not irremediably corrupt and perhaps can be trusted at least some of the time?

To their credit, a couple of premier columnists in the Post and Times have charted bold new courses recently by recognizing the collusion fraud's corrosive effect on public trust. In 2020, I suggested Joe Biden do the same; by endorsing the Durham investigation, he could have gone a big step toward fostering the reconciliation he preached. Listen to his speeches now and you realize he was never interested in reconciliation. He was "telling the joke" in Mr. Lozada's sense. Mr. Biden's interest lies in stoking Trumpian acrimony as his best bet for prolonging his own strut across the stage.

There are wisps of hope, such as signs that CNN's new owner wants to clean up its act, but comfort yourself also that time is a fixer of many problems. Today's reporters and editors will retire and go to their ultimate rewards. As the late Steve Jobs said in a Stanford commencement address, the main reason hope springs eternal for mankind is the possibility of renewal that comes from the fact that all of us will become victims of the mortality tables eventually.

**BOOKSHELF** | By James Romm

## The Trouble Came From Persia

### The Harvest of War

By Stephen P. Kershaw  
(Pegasus, 458 pages, \$32)

The history of classical Greece is largely defined by divisions, both within and between city-states. Revolutions and coups, shifts in alliances and alignments, and nearly continuous balance-of-power wars—among them the ruinous Peloponnesian War between Athens and Sparta—make for a story that's often hard for modern readers to follow, as compared with the more unilinear tale of the rise of Rome.

One episode of Greek history, though, offers a clear narrative through-line. The invasions of Greece by the Persians forced rivalrous city-states, even Athens and Sparta, to unite against an outsider, and the tenuous unity produced a miraculous win. Though defeated at Thermopylae, the Greeks went on to two victories, first at sea off the island of Salamis in 480 B.C. and then on land near the city of Plataea the following year. The Persians retreated in tatters and never



returned to mainland Greece.

The Greek historian Herodotus was probably only a child when this drama played out, but as an adult he decided that its story had to be told. Out of many diverse threads, including accounts of the lands conquered by Persia, he created a war narrative on an epic scale, the first-ever work of "history." (Our word comes from his use of *historiē*, Greek for "inquiry," in his opening sentence.) His work has captivated readers ever since and has led to modern

spin-offs, including, in recent decades, the graphic novels of Frank Miller and Zack Snyder's two "300" movies.

So the Persian Wars make a great story, but does it have heroes and villains? The "300" versions found that question easy to answer, pitting buff, virtuous Spartans against a monstrous Persian horde and its freakish, androgynous leader, King Xerxes. This presentation ignores the moral complexity of Herodotus, who found much to admire in Persian culture and, conversely, much that was wrong with the Greeks. Ultimately of course he feels that the Greeks have the gods on their side, but his work has been called "the tragedy of the downfall of the East" because of its concern, even sympathy, for Persian losses.

In his thoroughly researched, engagingly written "The Harvest of War," Stephen Kershaw is critical of the good-versus-evil approach of the "300" franchise, but he is not immune to the lure of triumphalism, as revealed by his subtitle's reference to "the epic battles that saved democracy." That said, his accounts of those battles do indeed bring across their "epic" importance and explain their surprising outcomes.

After a rapid survey of the millennium that preceded the Persian Wars, Mr. Kershaw investigates the murky Battle of Marathon in 490 B.C., where Athenian troops somehow drove off a more numerous Persian-led force. Ten years later, the Persians returned in far greater numbers, forcing the pass of Thermopylae against unyielding Spartan resistance. Xerxes, their king, had all the odds on his side but moved too rashly toward a naval showdown at Salamis in 480 B.C. Having lost control of the sea, he left the conquest of Greece to his land army, but that force too came to grief at Plataea the following summer, exactly 2,500 years ago.

The author of numerous books and an instructor at Oxford, Mr. Kershaw is one of those rare creatures who combine expertise in the classical world with narrative flair. In "The Harvest of War," he offers insights into the mechanics of ancient warfare on land and sea, supplying riveting details about weapons, logistics and tactics. He is well-versed in the primary sources but often goes beyond what these can tell us, for instance by calculating the amount of feces and urine produced by the Persians' pack animals at Thermopylae (very much to the Persians' discomfort).

### King Xerxes set out to conquer Greece but was thwarted and repelled in a series of epic battles. Was democracy saved thereby?

Beyond his skill in historical research, Mr. Kershaw brings to his tale a gift for poetic accent very much in the ancient Greek style. He quotes from Greek tragedy and from the epics of Homer to evoke the pathos of his story. To give his readers a fuller sense of the Persians, he imports passages from the Persepolis Fortification Archive, a trove of administrative documents from the years 509 B.C. to 493. This tapestry of quotations and facts makes his book a rewarding deep dive from which even a specialist can gain new insights.

To take one example, Mr. Kershaw debunks the popular notion that Spartan shields bore the capital letter *lambda* (our "L"), standing for "Lacedaemonian," the term by which the Spartans and their near neighbors were known to the Greeks. He traces this notion to a Byzantine lexicographer, Photius, who seems to have misunderstood a line he had found in the works of a comic playwright. Mr. Kershaw thinks that the "lambdas" the playwright mentioned referred not to Lacedaemonians but to Lesbians (people from the isle of Lesbos), who were thought to be partial to oral sex (an abnormal act to the Greeks). If *lambda* was ever displayed on a shield, he suggests, it might have been meant as an obscene command to one's foe.

By casting democracy, embodied by Athens, as the hero of his story, Mr. Kershaw takes an approach that resonates in the current political moment. But it also oversimplifies the historical record and the view of events taken by Greeks of the time, Herodotus in particular. Herodotus uses the word only once—to describe a system instituted not by Greeks but by Persians. A Persian general named Mardonius, he says, "ousted all the tyrants of the Ionians [Greeks on the coast of Turkey] and set up democracies in their cities." Clearly the Greco-Persian clash was less an ideological struggle than this book represents.

It's true that Herodotus, in a passage Mr. Kershaw quotes, claimed that Athens had tipped the scales of the war by choosing to fight against Persia, but his point is that this was no obvious choice. He shows Athens threatening to join the Persian side and gives no indication that this was an unlikely outcome. The Spartans, by contrast, were unwavering in their commitment to keeping Greece free of foreign conquest, and it is their moral strength, not that of democratic Athens, that Herodotus most celebrates.

Mr. Romm's latest book, "Demetrius: Sacker of Cities," will appear in November.

## Right-Wing Populism May Rise in the U.S.



**POLITICS  
& IDEAS**  
By William  
A. Galston

Democrats, take notice, because the U.S. could be next.

In France, Marine Le Pen received 41.5% of the popular vote in her April presidential runoff with Emmanuel Macron, up from 33.9% in 2017. Earlier this month the Sweden Democrats, once a fringe anti-immigrant party, received 20.5% of the vote and became the largest party in the new center-right majority. This past weekend, the Brothers of Italy, whose origins trace back to the Italian Social Movement, founded by ex-Fascists after World War II, won 26.3% of the vote, according to provisional results, to become Italy's largest party, a startling gain from 4.4% only four years ago. The party's leader, Giorgia Meloni, will likely become prime minister.

These countries' populists have been lifted up by dynamics that span the Continent. In recent decades, many less-educated, blue-collar voters have lost jobs, income and status. Small-business owners have struggled under the burdens of taxes and regulation, and inflation has worsened their plight. Despite massive assistance from the European Union, many

smaller communities in "peripheral" areas have languished.

There's widespread discontent with the status quo, which presents an opportunity for parties willing to invoke nationalist themes and scapegoat immigrants as a threat to their countries' economies and cultures. Populist politicians trace surges of crime and drugs to unchecked immigration and lax law enforcement by previous governments, and they link these trends to the EU's internationalist orientation and pervasive cultural liberalism.

Take Ms. Meloni, who has proposed a naval blockade to halt illegal immigration and has repeatedly denounced "ethnic substitution." That's her term for an alleged plot by George Soros and left-wing parties to "replace" Italian citizens with immigrants. Along with her more-than-hawkish stance on border security, she has long espoused a tough position on abortion, as well as traditional views on family and transgender issues.

Republicans hope to ride to victory this November on trends similar to the ones that have propelled European populists. The GOP holds a huge advantage over Democrats on crime, and Republican leaders—including presidential aspirants—are competing to dramatize their opposition to illegal immigration and a porous southern border.

Some Republicans want to expand these stances into a full-blown national populist strategy. Last year, Rep. Jim Banks (R., Ind.), a leading

contender for a position in GOP House leadership, sent a hard-hitting memo to House Minority Leader Kevin McCarthy urging him to seize the opportunity created by Donald Trump to transform Republicans into the party of the working class.

Forget about Wall Street and big corporations, he argued, which have taken on far-left values. Instead, support small businesses and blue-collar interests. Characterize measures to restrict trade and slow China's rise as a defense

### If Democrats won't compromise, they'll lose working-class voters for good.

of working-class jobs. Oppose both illegal immigration and expanded legal immigration as threats to blue-collar Americans. "Contrary to past conventional wisdom, support for tighter immigration restrictions and support from Hispanic voters are compatible," he advised. The evidence suggests he may be on to something there.

Mr. Banks argued that Republicans also need to oppose "wokeness" across the board. "Defund the police" is an affront to working-class Americans, he wrote, regardless of race. So are efforts to redefine sexuality. If Republicans simply say no to the radical values of cultural and economic

elites, they will find copious support.

He may be on to something there, too. As Democrats have gained a majority among college-educated voters, they've embraced those voters' distinctive outlook. The question now is whether Democrats can moderate these views enough to regain the support of the less-educated but more numerous voters who decide elections in states national Democrats can't afford to lose.

In an interview, Republican anti-Trump activist Sarah Longwell urged me not to underestimate the threat populist Republicans pose. The Trumpists are "coming for your voters," she said, and Democrats aren't doing enough to win back the working-class supporters who were once the party's base. The failure of the Biden administration to develop a coherent immigration policy creates a huge opportunity for Republicans. More broadly, she argued, Democrats' emphasis on college-educated voters over the working-class is in the long run a "bad trade." Fewer Americans have graduated from college than haven't, and the Electoral College gives an advantage to states with greater concentrations of working-class voters.

Powerful forces in the Democratic coalition oppose crafting the sort of moderate policies that could win back these voters. But if Democrats refuse to compromise, the alternative may be something like the recent right-wing populist surges in Europe.

## The Justices Can Restrain the Taxman

By Travis Nix

The Internal Revenue Code is riddled with excessive penalties for what are often honest mistakes. This year, taxpayers must prepare to deal with a newly emboldened Internal Revenue Service, to which Congress allocated an additional \$46 billion for enforcement. The Supreme Court has the opportunity to protect taxpayers by hearing one of three cases that could rule the most punitive IRS penalties as unconstitutional violations of the Eighth Amendment's Excessive Fines Clause.

Heavy IRS fines can turn a simple tax mistake into a financial nightmare. For Americans living paycheck to paycheck, these penalties can be devastating. For businesses, fear of penalties can slow productive transactions.

Companies that misprice their internal transactions

with subsidiaries often face penalties of 40% of what the IRS determines to be a "mispriced" amount for failing to conform to the notoriously ambiguous "arm's-length standard" imposed on all internal transactions. For large corporations, this can amount to billions of dollars

### Apply the Excessive Fines Clause to the IRS and state revenue collection authorities.

in penalties. Independent contractors have it just as bad, as they can face nasty penalties for filing their taxes annually instead of quarterly. Because of newly enacted reporting thresholds, many Americans are attempting to comply with this rule for the first time and will receive a

hefty fine if they misstep by filing on tax day.

The Supreme Court has three cases before it that—if it chooses to hear them—could put an end to the worst IRS fines and protect taxpayers from state revenue agencies.

The first is *U.S. v. Toth*, which concerns a \$2 million foreign bank-account penalty the government imposed against an 82-year-old woman who failed to fill out a one-page form disclosing her foreign bank account.

The other two involve state property-tax schemes that confiscate private homes for a few thousand dollars in unpaid taxes and return none of the excess proceeds to the former homeowner. In *Fair v. Continental Resources*, a Nebraska statute empowered a private developer with no interest in the property to seize a home for \$5,200 in unpaid property taxes and fines. In *Tyler v. Hennepin County*,

Minnesota sold a property for \$40,000 and kept the entire amount when the owner owed only \$15,000 in taxes and fines.

The justices should hear at least one of these cases and reaffirm the importance of the Eighth Amendment's Excessive Fines Clause, which protects a fundamental right dating back to the Magna Carta. The court has been slow to apply this doctrine, especially to protect taxpayers. One of the first times the court ruled a fine to violate the Excessive Fines Clause was in 1989, and the clause wasn't applied to state governments until 2019. It is long overdue for the Supreme Court to reassert this principle, and provide a needed check against greedy revenue agencies at both the federal and state levels.

Mr. Nix is studying tax law at Georgetown University Law Center.



## OPINION

## REVIEW &amp; OUTLOOK

## Hooray, a Student Loan Plaintiff

The Biden Administration has to know it lacks the authority to unilaterally cancel a half-trillion dollars in student debt, but it may have calculated that no one could demonstrate the injury needed to bring a legal challenge. Well, maybe someone can.

An Indiana borrower on Tuesday filed a federal lawsuit to block the President's student loan write-off. He makes a strong case that he is harmed by the loan cancellation and that it's illegal. Federal courts only hear cases and controversies. As a threshold matter, plaintiffs must show that they have suffered a concrete and particular injury.

Individual taxpayers aren't directly harmed by the write-off, even if they will ultimately bear the cost. The cancellation is unfair to Americans who repaid their loans or didn't go to college, but they haven't suffered a concrete injury. Frank Garrison argues he will be harmed owing to quirks in federal loan repayment plans and Indiana tax law.

Mr. Garrison is enrolled in the federal Public Service Loan Forgiveness program, which limits his monthly payments to a share of his income and discharges the remaining debt after 10 years of payments. The President's loan forgiveness will immediately cancel \$20,000 in debt. But this won't reduce his monthly payments since they are already capped.

However, it will require him to pay more than \$1,000 in state tax on the canceled debt this year. Indiana doesn't tax Public Service Loan Forgiveness, so he wouldn't face a state tax liability several years from now. Thus he won't receive an "additional benefit from the cancellation—just a one-time additional pen-

alty," according to his suit.

He can't avoid this hit since the Education Department says it will automatically cancel loans for eight million borrowers for which it has income data on file, namely those in income-based repayment plans. Mr. Garrison's injury is also imminent because the Department said it plans to begin canceling debt for borrowers by early October.

White House legal memos claim the 2003 Higher Education Relief Opportunities for Students (Heroes) Act, which was intended to help veterans, authorizes the Education Secretary to "waive or modify" any statutory or regulatory provision of student aid programs when "necessary in connection with a war or other military operation or national emergency."

Since Mr. Biden says Covid is a national emergency, the Administration says it can waive the obligation to repay debt. This means there is no limiting principle to the executive's power to cancel student debt. Mr. Biden could declare climate change a national emergency as a pretext to discharge more debt.

Mr. Garrison's lawsuit says loan forgiveness also violates the Administrative Procedure Act because the Administration didn't even attempt to show that its relief is necessary to redress harm caused by the pandemic emergency—perhaps because it can't. The Department also failed to conduct a formal rule-making, including notice and comment.

Mr. Biden's loan forgiveness is the biggest executive usurpation of Congress in modern history. Credit to the Pacific Legal Foundation for representing Mr. Garrison and the forgotten taxpayers.

### A man hurt by Biden's illegal forgiveness sues to block it.

## The 'Food Insecurity' Racket

The White House wants to change the subject from the troubled economy ahead of the November elections, and so arrives President Biden's modest promise this week to "end hunger in America" by 2030. He's holding a conference at the White House Wednesday on the subject, which will no doubt be full of high-minded intentions. But the food problem in American life isn't a matter of deprivation, and the government already spends tens of billions of dollars on food.

The White House on Tuesday rolled out its National Strategy on Hunger, Nutrition and Health. "Transformative programs, policies, and system changes are needed" says the strategy document, including improving "food access and affordability." Toward that end, the White House promises to "work with Congress to expand access" to the Supplemental Nutrition Assistance Program (SNAP), better known as food stamps, and one idea is letting college students sign up.

But insufficient public benefits aren't a problem. More than 41 million Americans participated in food stamps each month on average in 2021, up from 35 million in 2019. In 2021 the Agriculture Department increased the benefit by more than 20%, rejiggering the formula ostensibly so recipients could afford more and better food like eggs and produce.

That fillip was separate from a temporary 15% bump in benefits as part of pandemic relief. States have also been allowed to waive whatever modest work and verification requirements once existed. The net effect has been an enormous taxpayer blowout: The feds spent

\$114 billion on SNAP in 2021, up from \$60 billion in 2019. Any residual hunger in America isn't the result of stingy government.

The Congressional Budget Office has estimated the new benefit formula alone will cost \$250 billion to \$300 billion over a decade. As the American Enterprise Institute's Angela Rachidi pointed out this month, a gusher of spending hasn't been accompanied by a significant drop in "food insecurity," which has replaced "hunger" as the justification for more government programs.

Food insecurity is a gauzy measure that overstates how many Americans don't consume enough calories. One irony is that ferocious grocery-store inflation may be driving Americans to eat more fast food, which is more affordable but often less healthy. How about making food more affordable by reducing the 11.4% annual pace of food inflation?

The White House nutrition document is a long list of half-baked ideas, from recycled calls to expand the child tax credit to promises of increasing "procurement of local foods in federal prisons." Why not a farmer's market in the prison yard? Nearly all of these ideas involve government spending more money or using government to change human behavior it has never been able to change.

Like welfare in general, food stamps were once intended as temporary help for people down on their luck. But over time the program has expanded to become a large and growing entitlement that breeds dependence on government but nonetheless hasn't managed to solve "food insecurity." Maybe dependency is the real problem.

### The feds spend \$114 billion on food stamps. Biden wants more.

## Bostic Belly Flops on Britain

You'd think the people who delivered the worst inflation in 40 years and may now cause a recession to cure it would refrain from criticizing anyone else's economic policy. But self-reflection isn't common at the U.S. Federal Reserve, as Fed Bank of Atlanta President Raphael Bostic demonstrated on Monday.

Mr. Bostic was asked about the market response to the tax cuts and deregulation proposed on Friday by new British Chancellor Kwasi Kwarteng, and if that increases the odds of a global recession. "It doesn't help it," he replied in an online discussion hosted by the Washington Post.

"What we have seen in the reaction to the proposed plan is a real concern, a fear that the new actions will add uncertainty to the economy," Mr. Bostic added. "The proposal has really increased uncertainty and really caused people to question what the trajectory of the economy is going to be."

Now that takes nerve. No one has done more to introduce economic uncertainty around the world than the Fed. First it dismissed emerging inflation as "transitory." Once it finally caught up to reality, the Fed was indecisive in confronting inflation. Now it is finally tightening money in earnest, contributing to the strong

dollar that is hurting the British pound among most other global currencies.

The chart nearby tracks the pound-U.S. dollar exchange rate since the start of this year. The British currency was worth as much as \$1.37 in early January, but by late February it was beginning a gradual decline. By last Thursday, Sept. 22, it was down to \$1.13 before Mr. Kwarteng laid out his tax proposals on Friday. The pound had already lost about 17% of its value this year. It fell another 5% or so on Friday and Monday in the mini-panic over British finances before stabilizing on Tuesday.

In other words, the pound was falling long before the supply-side economic proposals were introduced. The British package, if it passes, should increase investment in the U.K. over time, which would help the pound. The Bank of England could also help by raising interest rates in tandem with the Fed, but BOE Governor Andrew Bailey prefers to make a scapegoat of the new government to cover his dovish inflation record.

At least Mr. Bailey is British. Mr. Bostic is an American central banker who has enough problems of the Fed's own making to worry about. Regarding British tax policy, maybe Mr. Bostic should sit this one out.



## LETTERS TO THE EDITOR

## The Travesty of Transgender Surgery for Kids

I applaud the thorough explanation of transgenderism by Colin Wright in "Every Tomboy Is Tagged 'Transgender'" (op-ed, Sept. 23). As a psychiatrist who works with children, adolescents, young adults and families, this is the most tragic medical trend I have encountered in my four decades of practice. Frontal lobotomies and thalidomide come to mind.

We know that brain development isn't complete at age 16, 18, or even 21. Development is often not complete until 25 years of age.

Several years ago, I was asked by the medical director of a health insurance company to develop criteria for sex reassignment surgery for the health insurance program of a major employer. My major recommendation was based on the age-25 criterion.

Is it right for parents and physicians to take important decisions away from the adult versions of the child for whom they are now caring? We should allow children to become who they are destined to become, not what adults believe they should become.

Decisions that involve irreversible changes should be left to competent fully mature adults themselves, not their parents.

DOUGLAS A. KRAMER, M.D.  
Middleton, Wis.

It is astonishing the number of influential national organizations which refer to "sex assigned at birth."

Sex is determined at the moment of conception by chromosomes. It may be recognized at birth, or even before that event, but it isn't "as-

signed." Institutions claiming the mantle of science which promote the canard of "assigned" sex betray their preference for social policy over science and deserve to lose credibility.

Gender does not mean sex, and those sensitive souls who prefer to use it rather than mention sex violate our language and display their ignorance.

ANTHONY J. ADOLPH, M.D.  
Austin, Texas

Between the ages of three and eight I wanted to be a boy, refused to play with dolls, asked people to call me "Steve," and played baseball with neighborhood boys. Then in fourth grade I realized being a girl was pretty nice when a boy asked me to be his girlfriend. Thank goodness I hadn't been rushed off to therapy or transgender treatment. My husband would agree. We're about to celebrate our 50th anniversary.

SUSANNA HOFMANN MCSHEA  
Orlando, Fla.

Had I been a kid today, I could have been misdiagnosed with social or psychiatric problems. I never had an interest in sports and was involved in dance and flower arranging.

I was asked if I wore a tutu, but smiled and sloughed it off because being the only straight guy in ballet class was more fun than being tackled on a football field by big sweaty men. And I still don't know who won the game yesterday so quit asking.

DAVID GOODWIN  
Birmingham, Ala.

## The Private Sector Courts Military Personnel

Increased emphasis on veteran hiring will both provide opportunity to a skilled but underutilized talent pool and exacerbate a military brain drain that has only worsened in the past decade and a half ("New Aid to Veterans," Journal Report, Sept. 19).

The U.S. military broadcasts a desire for innovation and novel ideas, yet its rigidity and focus on sacrifice signal an entirely different message to those in uniform. Couple this mixed messaging with renewed interest in veterans as valuable members of many corporate teams, and you have a recipe for a national-security crisis.

Amid the biggest military-recruiting shortfall in years, capable service members are leaving the military in droves. Uninhabitable military housing, tainted water supplies on bases,

gross neglect from leadership responsible for quality of life—these things in the aggregate take a colossal toll on military families.

While the same companies that are putting a new emphasis on veteran recruiting are increasing compensation and benefits to attract talent in a tight labor market, the U.S. military is struggling to provide compensation that affords tens of thousands of military families a decent standard of living, let alone a competitive wage commensurate with a military member's value.

When will the Defense Department shift its focus away from service to country via personal sacrifice and move toward investing in personnel, its most strategic asset?

MAJ. ALEXANDER HILLMAN, USAF  
Cambridge, Mass.

## The Persistent Myth of Dollar-Cost Averaging

In my pantheon of investment advisers, Burton G. Malkiel sits beside John Bogle, and he is quite right to urge investors "Don't Give Up on the Stock Market" (op-ed, Sept. 22).

Unfortunately, he repeats a misleading canard about dollar-cost averaging by claiming that it can produce positive returns in a volatile market, even when the average price of equities does not rise. That appears to be so only because the comparison is apples to oranges—cash at the begin-

ning and a bundle of equities at the end.

Dollar-cost averaging can appear to work against investors when they try to convert equities back into cash. When calculating returns from a movement between asset classes, it is important to complete the round trip before drawing conclusions.

Dollar-cost averaging does have some value. It allows investors to diversify the timing of their stock purchases or sales in order to reduce the risk of timing the market badly, but there is no magic profit to be found with the strategy.

BRIAN MANNIX  
Gainesville, Va.

## Profiting From Oil Releases While Refilling Reserves

In "Biden's America Is Running on Empty" (op-ed, Sept. 23), Alexander Zemek takes issue with President Biden's releases of oil from the Strategic Petroleum Reserve. Of course, we should have plenty of oil in the reserve. But timing is everything. The price of oil came down significantly the day the op-ed was published. At the time of the withdrawals, the price of oil was nearly 50% higher than today's price. If Mr. Biden could top up the SPR at today's prices without moving the market too much, Treasury would pocket a tidy profit.

Sound too good to be true? It is. Mr. Zemek reports that the White House plans to release another 10 million barrels in early November. Instead of buying back the oil at lower prices, the government will be selling more.

S. PAUL POSNER  
New York

## East Coast Beats West Coast

Regarding your editorial "The DeSantis-Newsom Debates" (Sept. 19): Let's remember that both governors have already held office for almost four years. Based on the latest census data, citizens of California, Florida and elsewhere have already settled the debate between the two states—with their feet.

SCOTT R. CUELLAR  
Naples, Fla.

## The First Step to Golf's Ruin

Greg Norman has finally gotten his revenge against the PGA by using a mountain of Saudi cash ("Competition Comes for the PGA Tour," op-ed, Sept. 16). It's a first step in ruining the great game of golf. Soon there will be loud music on every tee box and stupid comments during swings, like halftime at the Super Bowl or between points in tennis tournaments. Two great sports destroyed for the almighty buck. This isn't what people want. Bobby Jones and Bill Tilden must be rolling in their graves.

PAUL J. MODARELLI  
Howey-in-the-Hills, Fla.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"On the plus side, you won't spend all that money on sending him to college."

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## OPINION

## ESG Threat Goes Beyond BlackRock

By Paul H. Tice

Larry Fink can't catch a break. He's chairman and CEO of BlackRock, the largest investment manager in the world, with \$8.5 trillion of assets under management. In the battle over sustainable investing and the spread of environmental, social and governance policies across Wall Street, both sides are gunning for him.

Red-state governors and Republican attorneys general—many from oil- and gas-producing states—have attacked Mr. Fink as the leading industry spokesman for ESG, which they view as an elaborate cover for the climate-change movement and a backdoor means of reducing carbon emissions by starving the energy industry of investment capital. Using a shoot-the-messenger approach, 19 states have publicly called BlackRock on the carpet with regard to ESG. Texas and West Virginia are already starting to claw back state business from the company.

**Activists want to codify their agenda in financial regulations. That's where the fight should be.**

But BlackRock also sits squarely in the sights of ESG advocacy groups such as the United Nations-supported Principles for Responsible Investment, or PRI. It would like nothing better than for BlackRock to issue a company press release forswearing oil and gas companies in all the funds it manages. Turning Mr. Fink on this point has become PRI's strategic mission because of the obvious domino effect it would have on Wall Street.

Clearly, Mr. Fink agrees with the ESG argument. His annual missives to the business community reflect his personal beliefs. He sits on the board of trustees of the World Economic Forum, and his family foundation helps fund the Center for Sustainable Business at the NYU Stern



DAVID KLEIN

School of Business. He puts his time and his money where his mouth is on ESG.

Since sustainability policy is pushed down from the corporate suite at every firm on Wall Street, it would be simple for Mr. Fink to direct BlackRock portfolio managers to stop buying oil and gas investments in their respective funds. He hasn't done so. Why?

Roughly two-thirds of BlackRock's assets are composed of passive index and exchange-traded funds, where the firm has no call on security selection and can't screen out oil and gas names. On the active side, though, energy investments remain well-represented in the firm's debt and equity mutual funds. Pulling the plug on fossil-fuel investments would pose a serious competitive threat to the buy-side behemoth that Mr. Fink and his co-founders have built for 30 years.

Consider what would have happened had BlackRock instituted such a ban at the beginning of 2022. With oil and gas prices sharply higher since February, many of its benchmark funds would have meaningfully underperformed both the broader market and the competition in the year-to-date period. It would take 10 years for such bad numbers to drop out of the company's track record.

Everybody on Wall Street approaches ESG differently. Despite the

marketing hype, most firms are in the same camp as BlackRock and still adhere to their fiduciary responsibility by placing a priority on generating returns for their clients. But unlike BlackRock, where the ESG concept is embraced, many investment management firms aren't toing the sustainability line willingly. They aren't following BlackRock's lead so much as being pushed in the same direction by activist groups.

PRI currently has more than 5,000 member signatories, demonstrating the power of moral suasion—even on Wall Street—plus the futility of targeting a single firm like BlackRock, even if it is the industry leader.

With PRI membership comes a prescribed system of ESG conformity predicated on pressure and surveillance. Asset managers strong-arm the companies they invest in, while asset owners (such as public pension funds) hold the feet of their investment managers to the fire. Similarly, every buy-side account leans on all of its counterparties for ESG compliance, particularly investment banks and investment consultants.

A lot of capital has been raised for sustainability-targeted funds, including more than \$500 billion at BlackRock alone. As a stand-alone investment strategy with risks fully disclosed, including the potential loss of financial performance, ESG funds aren't an issue. The problem

arises when ESG is used as the means to the end of creating a sustainable global financial system, where capital flows are directed, societal outcomes are targeted over returns, and asset prices are effectively controlled—all of which are the stated goals of the U.N.'s PRI.

ESG isn't yet choking off capital to energy companies, but this will happen once financial regulations are put in place that codify the PRI agenda by requiring climate and other sustainable disclosures, establishing ESG mandates and redefining fiduciary duty. At that point, it won't matter if an investment manager is a true ESG believer or a conscientious objector because compliance won't be optional.

This process is already happening in Europe and the U.K. The Securities and Exchange Commission is following suit by proposing new rules that would require public companies to provide detailed reporting of their climate-related risks, emissions and net-zero transition plans. This is the tomorrow war that the ESG opposition needs to start waging today, rather than picking a personal and political fight with Mr. Fink and BlackRock.

In addition to more legal push-back on the regulatory front, there needs to be greater scrutiny of the undue influence that sustainability-focused nongovernmental organizations such as PRI exert on the financial markets. Specifically, how is it that PRI, a nonprofit registered in England and Wales, is able to dispense ESG-related investment and legal advice in the U.S. and lobby government officials over sustainable-finance regulations?

The battle to keep ESG in the specialized investment box where it belongs and limit its systemic spillover is larger than any one firm or individual. It isn't a barroom brawl to be won by knocking out the biggest guy in the place.

*Mr. Tice is an adjunct professor of finance at New York University's Stern School of Business. His forthcoming book on ESG and sustainable investing will be published by Encounter Books in 2023.*

## A Western Surge Could Counter Putin's

By Adrian Karatnycky

Throughout Russia last week, tens of thousands of men were called up for military training and service in the Kremlin's war on Ukraine. They are part of a mobilization that could see as many as one million fighters thrown into the fray. This is Vladimir Putin's surge.

Based on assessments of many military experts, the new fighters will receive rudimentary training, will be armed with Soviet-era equipment, and will be sorely lacking in morale. In months or weeks, they will be prime candidates for cannon fodder, a role primarily played so far by fighters mobilized from Russia's poorest and most remote regions.

Most frontline casualties on Russia's side thus far have been fighters dragooned into service from Russian-occupied Donbas, or volunteers recruited from among Russia's poor and marginal. Many are from Asian and Siberian minorities or mercenaries from Russia's private armies or criminals recruited from Russian

**His 'mobilization' is a sign of weakness and risks turning public opinion against the Ukraine war.**

prisons. They will now be replaced in part by a broad cross-section of fighters from European Russia and its more prosperous metropolitan areas, such as Moscow, St. Petersburg, Yekaterinburg and Rostov-on-Don.

Already Russian protesters have taken to the streets of Moscow and other cities. Several military recruitment stations have been torched and one attacked by a gunman. Anger and anxiety will grow once men are killed or return permanently maimed due to Mr. Putin's folly. The call-up means the war will enter the homes of most Russians in a way that Mr. Putin has heretofore avoided.

In this context, the best answer to Mr. Putin's surge is a Western surge in lethal military assistance to Ukraine, including tanks, fighter aircraft and long-range missiles. That assistance should have two aims. First, help Ukraine swiftly recapture territories in Kherson and Donbas before the effects of Mr. Putin's surge are felt and Russia can mount a new offensive.

If Ukraine recaptures some of its occupied territories in coming weeks, it will be able to defend larger swaths of Ukrainian-controlled territory. The Ukrainian forces will exact far greater cost in blood and treasure if Russia, not Ukraine, is on the offensive. As a rule, military offensives yield more casualties as attackers cover open terrain to target well-prepared and fortified defending forces.

The second aim is to reverse Mr. Putin's reckless and destructive policies by galvanizing Russian citizens committed to ending his war. Sadly, the only way to achieve such a citizen movement is by inflicting painful losses for all of Russian society to see. To date, Russians have in the main supported Mr. Putin's aggression against Ukraine, largely because the costs, mayhem and destruction have been kept from them by their controlled media. This will soon no longer be possible.

Throughout this war, Mr. Putin and Russia's military have blundered. They erred when they believed many Ukrainians would welcome them as liberators. They were wrong in expecting Ukrainian forces to collapse under Russia's initial blitzkrieg in February. They miscalculated in thinking Russia had superior weapons and military skills that would result in a slow but inexorable expansion of their invasion. They were mistaken in thinking that a divided West would respond meekly and weakly. And they were wrong to think that they would break the will of the Ukrainian people through rape, torture, and attacks on civilian infrastructure.

Now, by universalizing the war, Mr. Putin has committed his greatest blunder. This is the moment to respond with a new order of magnitude of lethal military support, including a vast increase in multiple launch rocket systems, longer-range missiles, tanks, aircraft and anti-aircraft systems. Such a U.S.-led surge not only will strengthen Ukraine, it also will send shock waves throughout Russia, which can ultimately shake Mr. Putin's regime and end his aggression and genocide.

*Mr. Karatnycky, a senior fellow at the Atlantic Council, is author of the forthcoming "Battleground Ukraine: From Independence to the Russian War."*

## The College Board's Racial Pandering



**UPWARD MOBILITY**  
By Jason L. Riley

Ever wonder why Democrats push so hard to expand the mission of K-12 public education even while the system continues to underperform in its core tasks?

Even before the pandemic, a majority of fourth- and eighth-graders were unable to read or do math at grade level, and outcomes are even worse for minority students. New York City Schools Chancellor David Banks said last year that 65% of his black and Hispanic students never reach proficiency on standardized tests and then quipped, "If everybody in the Department of Education went home and all the kids went to school, you could get those same results."

Nevertheless, Democrats from President Biden on down advocate for "universal" prekindergarten programs, even though studies have shown little to no evidence that they improve test scores. Progressives also want explicit sex education in earlier grades and have fought successfully to introduce racial propaganda into curricula via the controversial New York Times Magazine "1619 Project."

The latest evidence that reading, writing and arithmetic are secondary concerns comes by way of the College Board, the nonprofit organization that runs the Advanced Placement program. AP courses are offered to nearly three million students in more than 22,000 high schools across the country. Students who complete the courses take a final exam, graded on a 5-point scale, and those who score a 3 or higher can be eligible for college credit.

Last month, the College Board announced that it will begin offering a course on African-American

studies. In recent years, gifted-and-talented programs and exam schools have increasingly been attacked by political progressives for their lack of racial balance. The AP program hasn't escaped similar criticism, because many low-income minorities who complete the courses don't score high enough to receive college credit. The best way to address this achievement gap would be to direct help at struggling students. Instead, the program has decided to lower its standards and pander to black kids.

**Rather than directing help at struggling students, it establishes a new course in African-American studies.**

The College Board declined to release a sample syllabus of the new course but did allow on its website that students will "look at the history, politics, culture, and economics of North American people of African descent." It also explained that students will "examine the hardships African-Americans faced during their history" and "dive into the difficult issues, such as unequal educational opportunities, they deal with today." There is nothing wrong with high schoolers learning about America's past treatment of blacks, from enslaving them to legally segregating them to twice electing one of them to the White House. It's all part of our history.

But if the College Board description is any guide, expect ideology to trump pedagogical concerns. The course is likely to punctuate white mistreatment of blacks in the past and uncritically cite it as the only plausible explanation for social and economic inequality today. Jews and Asians also faced "hardships" in the

past that included lynchings, internment camps and "unequal educational opportunities," yet today both groups outperform white Americans academically and economically and have for decades. What are the chances that the new AP African-American studies course will provide that sort of context?

We shouldn't be surprised that these developments have coincided with the ascendance of the progressive left. In the late 1960s, under similar pressure from liberal radicals in general and black separatists in particular, the first black-studies programs began appearing on college campuses, and higher education has never been the same. Like the AP program today, colleges were acting out of expediency. If schools wanted a more diverse faculty and student body, it was much easier to establish black-studies programs with weak standards than it was to incorporate blacks in established academic disciplines.

Yet not all black intellectuals at the time signed on to this approach.

## A Canonized Saint Who Began as an Everyday One

By Mike Kerrigan

I am apparently called to be a saint. That was a somewhat disconcerting revelation for a cradle Catholic in his late 40s. But according to a homily during Mass some years back, this is the purpose for which I was born.

With further reading, I learned this vocation doesn't require me to be declared a capital-S Saint by the Catholic Church. I just need to be holy, or set apart for God—a lower-case-s saint. It's no simple task, though, to close the gap between who I am and who I am called to be. This is where the wondrous St. Thérèse of Lisieux, or the "Little Flower," has shown me a way.

Before dying of tuberculosis in 1897 at 24, the cloistered Carmelite nun pledged to spend her time in heaven doing good on the earth. So solicitous a saint seemed worth getting to know better if only because nobody tires of calling the friend who picks up every time.

The Little Flower left assurance for all who feel, as she did, they lack the heroic excellence in their own littleness. She looked at the saints who went before her and felt herself a grain of sand in comparison to the towering mountains of their lives. St. Thérèse of Lisieux needed another way to get to heaven, so she prayerfully came up

J. Saunders Redding, the first black faculty member at an Ivy League school, wrote in 1970 that the "concept 'Black Studies,' conceived in frustration and bitterness by an articulate and highly emotional minority, is of questionable validity as a scholarly discipline." The civil-rights activist Bayard Rustin, a confidant of Martin Luther King Jr., was also highly critical of these programs and posed some pointed questions about their intent. "Is black studies an education program or a form of ideological indoctrination?" he asked in a 1969 essay. "Is it designed to train qualified scholars in a significant field of intellectual inquiry, or is it hoped that its graduates will form political cadres . . . ?" And "finally, does it offer the possibility for better racial understanding, or is it a regression to racial separatism?"

Excellent questions. And they apply equally to the latest effort to turn students who haven't even learned to read and write into social-justice warriors.

with one: the "Little Way."

Perfecting her Little Way to sanctity amounts to remembering that "our Lord does not so much look at the greatness of our actions, or even their difficulty, as the love with which we do them." The occasion to do great deeds, after all, may never come to pass, or when it does it may find us wanting in courage. Small deeds, on the other hand, are everywhere, and when done with great love, they cease to be small.

**St. Thérèse of Lisieux did small tasks with great love, an example for us all.**

How fitting the saint with a child-like love of God would intuit that the contrast between big and small has a different meaning to man, who is limited by time and space, than to God, who isn't.

Doing small things with great love made the Little Flower an everyday saint, and then it made her an official canonized saint. Her life proves what we do with the ordinary can make us extraordinary. There is nothing little about that way.

*Mr. Kerrigan is an attorney in Charlotte, N.C.*

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## Dow, S&P Fall After Mixed Data

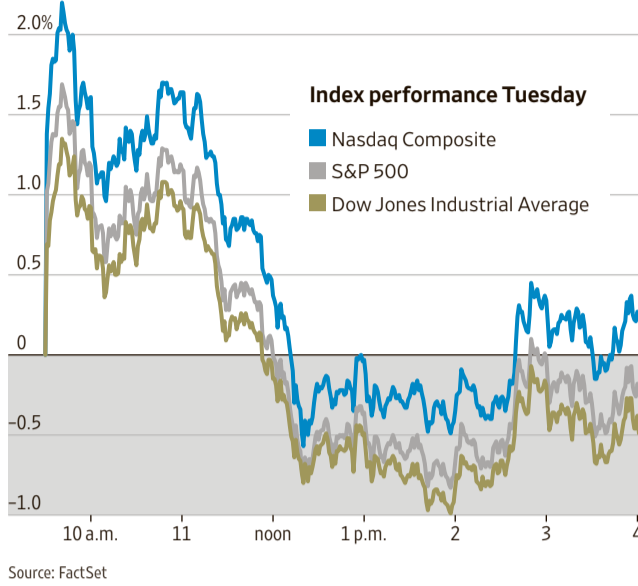
Blue chips, broader index are down for six straight sessions, but Nasdaq ekes out gain

By WILL HORNER

The Dow industrials and the S&P 500 fell again Tuesday as investors parsed a spate of economic data and comments from Federal Reserve officials.

All three indexes spent much of the morning in the green, but it didn't last. The Dow Jones Industrial Average, which entered a bear market on Monday, fell 125.82 points, or 0.4%, to 29134.99. That marked its sixth consecutive day in the red.

The broad S&P 500 slipped 775 points, or 0.2%, to 3647.29, closing at its lowest level of the year for the second day in a row. The S&P is also now down for six days in a row, its longest losing streak since February 2020, according to Dow Jones Market Data.



The technology-heavy Nasdaq Composite rose 26.58 points, or 0.2%, to 10829.50.

The selloff accelerated in Asia early Wednesday. Japan's Nikkei 225, Hong Kong's Hang-Seng Index and South Korea's Kospi were all down more than

2%. S&P 500 futures fell 0.6%.

Tuesday's U.S. declines prolong a brutal year for financial markets. Stocks and bonds have both dropped sharply this year, an unusual tandem that reflects just how unnerved many investors feel. The Dow, S&P and

Nasdaq are all on pace for their worst first nine months of a year since 2002.

Stubbornly high inflation has roiled markets since the start of the year. The Federal Reserve in response has been raising interest rates to try to cool the economy, stoking fears that the central bank will cause a recession. Some investors hoped this summer that the rate increases might be ending, and stocks rebounded briefly. Now, investors are coming to grips with the idea that bigger interest-rate increases—and weaker global economic growth—are here for a while.

Neel Kashkari, president of the Federal Reserve Bank of Minneapolis, reaffirmed the central bank's resolve to bring down persistent and elevated inflation in a Tuesday interview with The Wall Street Journal. "There's a lot of tightening in the pipeline," Mr. Kashkari said, adding that the Fed is "committed to restoring price stability" but also recognizes "there is a risk of overdoing it."

A sharp rise in interest rates has been weighing on stocks, said Mimi Duff, managing director at GenTrust, a registered investment adviser with about \$3 billion in assets. "I think we need to start seeing the rates stabilize before we can bottom out in equities," she added.

On the economic front, data Tuesday showed that companies reduced durable-goods orders for a second straight month. Home prices continued to notch big year-over-year gains, but the pace of that growth slowed. Home prices fell month over month.

However, consumers are growing more optimistic about the U.S. economy. The Conference Board's consumer-confidence index increased in September for the second month in a row, lifted in part by falling gasoline prices.

The yield on the 10-year Treasury rose to 3.963%, again hitting its highest level since 2010. Brent crude, the international oil benchmark, rose 2.6% to \$86.27 a barrel.

## China's Freely Traded Yuan Hits Its Nadir

By REBECCA FENG AND MATTHEW THOMAS

China's currency hit its weakest ever offshore trading level against the dollar, with the yuan falling below 7.2 to the dollar for the first time since a separate system for trading the currency outside mainland China was launched more than a decade ago.

The move caps a fall of about 12% for the offshore yuan against the dollar this year and comes despite repeated attempts by China's central bank to support its currency. The dollar has gained against currencies around the world amid a campaign of aggressive interest rate increases by the Federal Reserve.

The onshore yuan also broke 7.2 against the dollar, falling below that mark for the first time since February 2008. The People's Bank of China set the daily fixing of the more tightly controlled onshore yuan at 7.1107, the

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## Lumber Declines To Price Levels Before Pandemic

By RYAN DEZEMBER

Lumber prices have fallen to their lowest level in more than two years, bringing two-by-fours back to what they cost before the pandemic building boom and pointing to a sharp slowdown in construction.

Lumber futures ended Tuesday at \$429.30 per thousand board feet, down about one-third from a year ago and more than 70% from their peak in March, when the Federal Reserve began raising interest rates to fight inflation.

Wood prices crashed in the early days of the 2020 lockdown but exploded that summer when stuck-at-home Americans remodeled en masse and suburban home sales surged. Two-by-four prices nearly tripled the prepandemic record in an early sign of the inflation and broken supply chains that would bedevil the economic reopening.

But lumber has led the way down for commodities since the central bank took aim at rising consumer prices and the overheated housing market. For two years, climbing lumber costs lifted home prices.

Now home builders say that cheaper wood is giving them wiggle room to offer buyer incentives and to trim prices without crimping their profit margins.

Wood-pricing service Random Lengths said Tuesday that its framing-lumber composite index, which tracks cash sales in several species, fell to \$520, down more than 60% from early March. Now that supply issues have eased and the highest mortgage rates in more than a decade have slowed home sales, buyers are no longer hoarding lumber for fear of running out.

"All the urgency over the past two years—give me everything you can—that's basically over. Lumberyards are not scared of the price going up," said Michael Goodman, director of specialty products at wholesaler Sherwood Lumber Corp., which his family owns and operates.

The Melville, N.Y., distributor sells framing lumber and plywood to building-supply companies, truss manufacturers and shipping-crate makers around the country. "The sexy

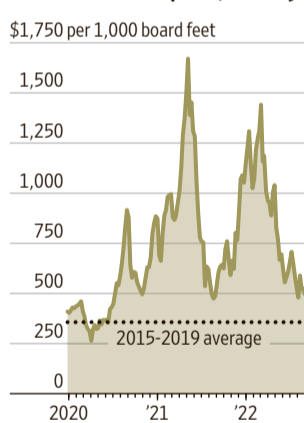
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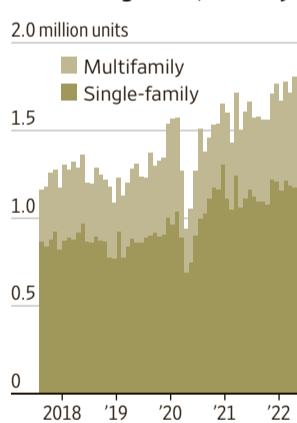
LONDON SPEERS FOR THE WALL STREET JOURNAL

Wood prices exploded in summer of 2020 when stuck-at-home Americans remodeled en masse

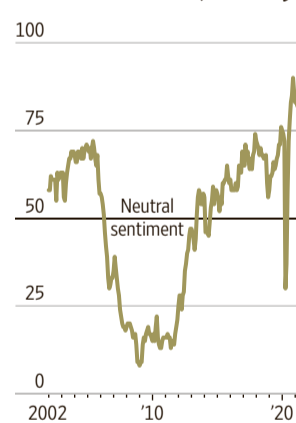
Lumber futures price, weekly\*



U.S. housing starts, monthly\*



Builder confidence, monthly



## Banks Fined In Probe Of Messages

By DAVE MICHAELS

WASHINGTON—Eleven of the world's largest banks and brokerages will collectively pay \$1.8 billion in fines to resolve regulatory investigations over their employees' use of messaging applications that broke record-keeping rules, regulators said Tuesday.

The firms include brokerage units of Bank of America Corp., Barclays PLC, Citigroup Inc., Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., Morgan Stanley, UBS Group AG and Nomura Holdings Inc. Brokerage firms Jefferies LLC and Cantor Fitzgerald & Co. also settled the claims with the Securities

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## More Retailers Lock Items to Deter Theft

By SARAH NASSAUER AND BENOÎT MORENNE

Shoppers are finding more empty space on store shelves, but not because the retailer is out of stock. In many cases, the items are locked away to prevent theft.

At a Best Buy Co. store in the suburbs of Houston, hundreds of items including Bose speakers and Fitbit activity trackers have been replaced by small blue signs that read, "This product kept in secured location," and ask shoppers to find store workers for help.

"There used to be a lot more on the floor itself than locked up in cages," said Gary Pearce, a 47-year-old manager at a disaster restoration company who shops in the store weekly.

The store is a sign of an endemic challenge for retailers: how to stop theft without shrinking profits or inconveniencing shoppers. Retailers have long dealt with theft, and frequency is down from a peak last winter for some, said retail executives. But theft attempt levels are higher than they were before the pandemic.

Many large retailers, including Home Depot Inc., have been locking up more items while testing other solutions. They track high-risk goods and lock up items in regions or stores being hit hardest, retail executives say. Best Buy says it isn't locking up more items overall than in the past but continues to do so where needed.

It is a tactic that risks annoying customers and investors. In July a Best Buy analyst recommended selling the company's stock after he observed conditions in dozens of stores

and found items locked up or missing from shelves.

"Putting products in cages certainly deters theft, but it probably hinders sales," said R5 Capital Chief Executive Scott Mushkin in the report titled "Heartbreaking." Some stores, like one in Danbury, Conn., were in good shape, said the report, while others were messy or didn't have enough items easily available for shoppers to buy.

Best Buy declined to comment on the research.

Around \$69.9 billion of

Please turn to page B5

# Accounting complexities prompt ~~challenges~~ INNOVATION

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# EV Makers Await Tax-Credit Help

By AMARA OMEOKWE

The government is pressing to complete new rules on tax breaks for electric-vehicle purchases by an end-of-year deadline as auto companies seek guidelines that help qualify as many vehicles as possible.

The Treasury Department is leading the effort after the August signing of a law that extended an existing \$7,500 tax credit through 2032. The EV plan, included in Democrats' climate, health and tax-policy package known as the Inflation Reduction Act, included new requirements for U.S. battery sourcing that auto makers have warned will make it difficult for models available today to be eligible.

The changes to the EV tax credits come amid sharp price increases for new vehicles. New-vehicle prices were up 10.1% in August from a year earlier, according to the Labor Department, outpacing the overall annual inflation rate of 8.3%. The average electric-vehicle price is more than \$60,000.

EV sales have tripled in the past two years but still account for just 6% of U.S. vehicle sales. Auto companies are pushing to develop and sell more models.

The tax credits are intended to spur electric-vehicle sales and encourage the auto industry to shore up domestic supply chains for materials needed to manufacture EVs. The Biden administration and Democrats see speeding up the pace of U.S.-based production and purchases of electric vehicles as important parts of their broader push to lower greenhouse-gas emissions and ad-

dress climate change.

The Treasury Department, in its regulatory guidance for the credits, could help make the requirements easier for auto makers to meet, industry and advocacy groups said. Issues the groups would like to see addressed include how the government calculates whether the sourcing requirements have been met and how auto makers will certify they are in compliance. By law, Treasury must issue its guidance by Dec. 31.

Starting in 2023, the law imposes two requirements for an electric vehicle to be eligible for the full tax credit. First, at least 40% of the value of crucial battery minerals such as lithium and nickel must have been extracted or processed in the U.S. or in countries with which the U.S. has a free-trade agreement, or have been recycled in North America. Second, at least 50% of the value of the vehicle's battery components must have been manufactured or assembled in North America. The percentage thresholds increase in subsequent years.

Dan Bowerson, a senior director at the Alliance for Automotive Innovation, a trade group whose members include several auto makers, said Treasury should issue streamlined guidelines so that auto makers can easily understand the rules.

### Watch a Video



Scan this code for a video on the climate bill's expanded EV tax credits.

# Floating Yuan Hits Its Nadir

Continued from page B1  
weakest level in more than two years.

The central bank has raised foreign currency reserve requirements, made yuan deriva-

tives trading more expensive and increasingly defied market expectations with its daily fixing, through which it sets a range for onshore trading. China hasn't yet announced any direct intervention in the foreign-exchange market, a route that Japan took after its own currency continued to weaken against the dollar.

While the Fed has been raising rates, China has made cuts to its own interest rates, which has contributed to the weakness in its currency.

# Tyson Names Chairman's Son Finance Chief

By MARK MAURER

Tyson Foods Inc. promoted the chairman's son to be its new finance chief as the meat producer navigates higher costs for worker wages and animal feed.

The Springdale, Ark., company on Tuesday said it named John R. Tyson as executive vice president and chief financial officer, effective Oct. 2. Mr. Tyson, who currently serves as

executive vice president of strategy and chief sustainability officer, is set to succeed Stewart Glendinning.

Mr. Glendinning, the company's CFO since 2017, will become group president of prepared foods, succeeding Noelle O'Mara, who has decided to pursue other opportunities and is no longer with the company, Tyson said.

Mr. Tyson, 32 years old, previously worked in investment

## BUSINESS & FINANCE

# Airlines Challenge DOJ, Say Alliance Isn't Antitrust Issue

By ERIN MULVANEY

BOSTON—A federal antitrust trial to determine the fate of a partnership between American Airlines Group Inc. and JetBlue Airways Corp. got under way Tuesday with the Justice Department and the airlines clashing over whether the alliance would lead to higher fares.

The department told U.S. District Judge Leo Sorokin that it would present evidence showing that American and JetBlue each planned to compete vigorously at key hubs in the Northeast before they decided instead to join forces in New York and Boston.

"Despite swinging bats and girding loins, we know how the story ends," Justice Department lawyer William Jones said. "Instead of slugging it out, American and JetBlue decided to collaborate rather than competing."

The airlines agreed to their Northeast Alliance in 2020, which made them partners at three New York area airports and in Boston. They agreed to sell seats on one another's flights along certain routes, pool airport slots, coordinate schedules and share revenue from flights within the scope of the partnership.

Mr. Jones said internal text and email messages from American executives before the partnership showed the airline worried about JetBlue undercutting them on fares. Such competition leads to



American and JetBlue say the alliance hasn't caused fare increases or reduction in output.

lower prices for customers, something that JetBlue's entry into a market has historically done, he said. Mr. Jones also said internal messages indicated that American knew it would have problems justifying the alliance to the Justice Department.

The airlines countered that they lagged behind United Airlines Holdings Inc. and Delta Air Lines Inc. in Northeast markets, and the alliance helped make them a stronger force against those rivals.

"This will expand the JetBlue effect, not decrease it in any way," JetBlue attorney Richard Schwed told the court. American and JetBlue said

the alliance hasn't caused fare increases or reduction in output in the roughly 18 months that it has been in place.

Mr. Schwed said the airlines would present evidence that competitors thought the alliance made both American and JetBlue more viable in the New York and Boston markets, where they had previously lagged behind.

An agreement with the U.S. Department of Transportation shows JetBlue and American are already committed to expanding growth in coming years or risk losing slots at airports, the airlines' attorneys said.

After the morning's opening

statements, the first witness on the stand was JetBlue Chief Executive Robin Hayes, who was grilled by the Justice Department about how the airline's disruptive history of lowering costs would be affected by partnering with a legacy carrier. Department lawyers also noted Mr. Hayes has previously been a critic of larger carriers and joint ventures between airlines.

Mr. Hayes said the partnership with American allowed JetBlue to grow in scale in ways that wouldn't have otherwise been possible. He said the alliance incentivized growth rather than profit-sharing.



BP Pulse, which is BP's electric-vehicle charging business, would power and manage Hertz's charging infrastructure.

# Hertz, BP to Team Up On Charging Network

By WILL FEUER

Car-rental company Hertz Global Holdings Inc. and energy firm BP PLC said they signed a deal to develop and manage a network of electric-vehicle charging stations across North America.

The charging infrastructure would be open to taxi and ride-sharing drivers, as well as the general public, the companies said.

BP Pulse, which is BP's EV charging business, would power and manage Hertz's charging infrastructure under the memorandum of understanding, the companies said.

Hertz, which has signed deals to buy cars from Tesla Inc., Polestar and General Motors Co., said it has tens of

thousands of EVs available at 500 locations across 38 states. Its goal is for one-quarter of its fleet to be electric by the end of 2024, Hertz said. The rental company last week said it had agreed to buy 175,000 EVs from General Motors Co. over a five-year period.

Hertz said it invested in thousands of EV charging stations across its locations. The deal with BP will help expand its charging footprint.

Car-rental companies have been adding electric vehicles to their fleets to bulk up their premium offers and help burnish their environmental credentials with investors. Demand for electric cars has surged in recent years, but charging infrastructure across the country has failed to keep pace.

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—Denny Jacob contributed to this article.

BUSINESS NEWS

Oracle Settles Bribery Case

By MENGQI SUN

Oracle Corp. agreed to pay more than \$23 million to settle allegations it violated anti-bribery laws for the second time, following a 2012 settlement, the Securities and Exchange Commission said.

The securities regulator alleged that between 2016 and 2019, the business software company's subsidiaries in Turkey, the United Arab Emirates and India created so-called slush funds to bribe foreign officials and win business.

The SEC said the employees of these units allegedly used excessive discounts and sham marketing reimbursement payments to create off-the-books slush funds in these markets that could be used for purposes prohibited by Oracle's internal policies.

The U.S. Foreign Corrupt Practices Act prohibits U.S. persons and entities from giving or offering anything of value to foreign public officials to win or keep business.

The SEC alleged Oracle's Turkey and U.A.E. units also used the funds to pay for foreign government officials to attend technology conferences that violated the company's policies and procedures.

The SEC investigation found that some employee's of Oracle's Turkey units allegedly used these funds for the families of these public officials to travel to the conferences or take side trips to California.

Oracle said the conduct in the settlement doesn't represent its values and policies and it will take action if such behavior is identified. Under the SEC settlement, Oracle didn't admit or deny the allegations.

Oracle in 2012 agreed to pay about \$2 million to settle previous FCPA charges.

Lid on Prices Hurt Cracker Barrel

By WILL FEUER

Cracker Barrel Old Country Store Inc. said profit fell 8% in the recently ended quarter as growing labor and commodity costs outpaced the restaurant chain's price increases.

Like much of the restaurant industry, the Lebanon, Tenn., company saw a rapid rise in costs tied to wages and raw materials this year. The chain has raised prices to offset some of those higher costs. Still, pricing hasn't kept pace with costs as the company tries to retain its value-friendly reputation, which the company said helped it retain inflation-battered customers amid higher-than-expected gas prices during the quarter.

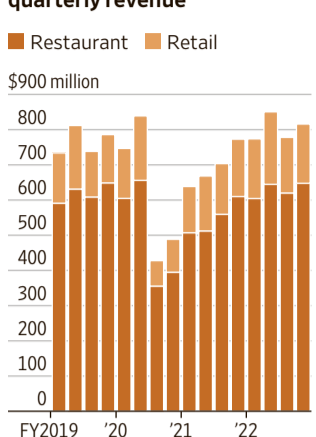
Chief Executive Sandra Cochran defended the decision to not raise prices as much as costs increased, especially as a potential recession looms. "We decided to pass on much, but not all, of the cost impact in our pricing," she said on the earnings call.

Cracker Barrel plans to raise prices over the coming year after an increase in August, Ms. Cochran said, adding that the company will give priority to keeping "our value-perception scores high."

In deciding not to raise prices as much as costs increase, Cracker Barrel executives also cited their expectation that inflation will slow over the coming quarters. The company said it expects commodity costs to rise about 8% in fiscal 2023, with inflation easing each quarter. It also anticipates a rise of about 5% in wage inflation for the year. Finance chief Craig Pommells said the company anticipates commodity costs to rise by a midteens percentage in the current quarter. But by the company's fiscal fourth quarter of 2023, he expects slight deflation in commodities.

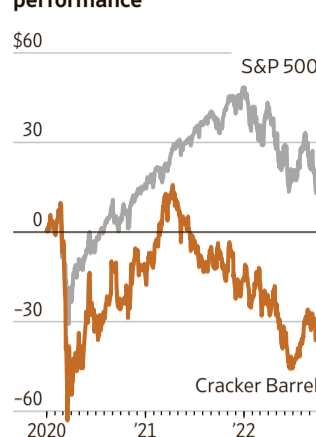
The latest forecast stands in contrast to the one that the company offered in June, when it issued guidance for the recently ended quarter

Cracker Barrel stores quarterly revenue\*



\*Excludes Maple Street Biscuit Company. Note: Fiscal year ended July 29. Sources: the company (revenue); FactSet (performance)

Share and index performance



that included commodity inflation of 16% to 18% and wage inflation of 8% to 10%.

Shares of Cracker Barrel rose as much as 6% in early trading Tuesday but ended the day down 0.6%.

Cracker Barrel's strategy of not fully passing on higher costs led to the 8% drop in

profit for the fiscal fourth quarter, which ended on July 29. Ms. Cochran said a focus on value and cost-savings put the company in a good position for "when inflationary pressures eventually ease."

High gas prices and other costs over the past year have weighed on Cracker Barrel's

customers, especially the lower-income demographic. A weaker-than-expected summer travel season and fewer visits from guests 65 and older also crimped sales in the recently ended quarter, Cracker Barrel said. At the same time, the company saw an increase in visits from millennials, reflecting results of some of the company's longer-term efforts to gain ground among younger customers, Ms. Cochran said.

For the fourth quarter, sales totaled \$830.4 million, below Wall Street estimates. Comparable-store restaurant sales rose 6.1%, while comparable retail sales rose 3%. Ms. Cochran said she was encouraged by better traffic and sales trends in the final few weeks of the quarter.

Profit for the quarter fell to \$33.4 million, or \$1.47 a share, from \$36.4 million, or \$1.53 a share, in the year-earlier quarter. Stripping out one-time items, adjusted earnings came to \$1.57 a share, topping expectations of \$1.38 a share.

Favre's SiriusXM Show on Hold Amid Lawsuit

By ALYSSA LUKPAT

Brett Favre's satellite-radio show on Sirius XM Holdings Inc. is on hold, the broadcasting company said.

A SiriusXM spokesman said the show, "The SiriusXM Blitz with Brett Favre and Bruce Murray," was on hold, but declined to comment further.

The move comes amid a lawsuit in Mississippi over the alleged misuse of federal welfare aid meant for poor families, which names Mr. Favre.

A 2021 state forensic audit found that Mississippi's Department of Human Services had misspent more than \$77 million in federal welfare funds. In May, the department filed a civil lawsuit against Mr. Favre and around 30 other people and organizations who had received that money.

In the lawsuit, state officials



Former NFL star Brett Favre has hosted at SiriusXM since 2016.

in fundraising for the stadium. Mr. Favre has denied any wrongdoing.

He paid back the \$1.1 million he received for the speeches, but the state is demanding interest as well. Mr. Favre hasn't been provided documentation showing what interest he owes, his attorney has said, but if he received such a document, he would pay it.

Recent court documents filed in the lawsuit—including text messages between Mr. Favre, former Mississippi Gov. Phil Bryant and the head of an organization that received some of the federal dollars—have brought fresh attention to the case.

Mr. Bryant, who isn't named in the suit, has denied any wrongdoing. Neither Mr. Bryant nor Mr. Favre has been charged with any crimes related to the stadium or to mis-

using federal funds.

The 52-year-old NFL Hall of Fame star hasn't been on his SiriusXM since earlier this month. He had hosted the weekly show with Mr. Murray, a veteran sportscaster, in which they discussed the biggest football news of the week. He had been hosting with the company since 2016.

Bud Holmes, Mr. Favre's attorney, said Monday he had no response to his client's SiriusXM show being put on hold.

Across Mississippi, the welfare scandal has touched officials, organizations and athletes. Among them, John Davis, the former head of the state's human services department, pleaded guilty last week to a litany of federal and state charges, including theft and conspiracy, relating to the misuse of millions of federal aid dollars.



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## TECHNOLOGY

# CEO at Celsius Resigns Under Pressure

Creditors requested Mashinsky's exit from the bankrupt cryptocurrency lender

BY VICKY GE HUANG  
AND SOMA BISWAS

Alex Mashinsky, chief executive and co-founder of bankrupt cryptocurrency lender Celsius Network LLC, is stepping down following a resignation request from its creditors.

Mr. Mashinsky submitted his letter of resignation to the special committee of the board on Tuesday, according to Mr. Mashinsky's law firm.

"I regret that my continued role as CEO has become an increasing distraction, and I am very sorry about the difficult financial circumstances members of our community are facing," Mr. Mashinsky said in his resignation letter.

Chris Ferraro, previously chief financial officer of Celsius, has been appointed interim CEO and chief restructuring officer, the company said. Before Celsius, Mr. Ferraro spent nearly 18 years at JPMorgan Chase & Co.



A group of creditors demanded that Alex Mashinsky resign.

A committee of creditors formed since Celsius filed for bankruptcy to represent customers demanded that Mr. Mashinsky step down, said Greg Pesce, the lawyer representing the panel, in a court filing on Tuesday.

Following a company investigation, the committee said that it would be "unacceptable" for Mr. Mashinsky to remain in his position, according to the filing.

Creditors committees play an important role in most

bankruptcy cases in negotiating with companies over their restructuring plans and other major decisions.

Mr. Mashinsky's lawyer didn't return a request for comment.

The creditors' committee said it is working with the company and its advisers to find potential buyers for Celsius. The company is also considering exiting the bankruptcy as a stand-alone business, according to Mr. Pesce's court filing.

Mr. Mashinsky launched Celsius in 2017 with two partners, often pitching it as a safer and better alternative than traditional banks.

Celsius had the same basic model as a consumer bank—such as taking deposits and making loans—though it paid far more on deposits than a federally regulated bank.

In less than five years, Celsius grew into one of the biggest crypto lenders, with more than \$20 billion in assets at its peak, the company said last year.

Mr. Mashinsky became a regular fixture at crypto conferences, donning T-shirts that underscored his message, including one that read "Banks are not your friends."

He drew in users from his weekly appearances on YouTube where he answered questions and marketed Celsius to potential customers.

Celsius's fortunes reversed when cryptocurrency prices started plunging this year. In May, a pair of cryptocurrencies—algorithmic stablecoin terraUSD and its sister token luna—collapsed, wiping out \$40 billion worth of market value and dragging down the price of bitcoin.

Celsius lost \$15.8 million from its investments in luna and terraUSD. It had also lent beleaguered and bankrupt hedge fund Three Arrows Capital \$75 million, according to bankruptcy filings.

In addition, Celsius invested customer deposits of crypto in illiquid assets and risky decentralized-finance bets that tied up money for long periods.

That meant when users withdrew crypto from their accounts, Celsius struggled to liquidate assets to meet those requests.

In June, Celsius paused all withdrawals and filed for bankruptcy in July, saying that it owed customers nearly \$4.7 billion in crypto.

In the bankruptcy filing, Mr. Mashinsky said Celsius was planning to partly cure the \$1.2 billion hole on its balance sheet by using newly minted bitcoin from its mining facility, though the practice has been called into doubt as bitcoin miners are facing the twin impact of falling bitcoin prices and rising energy costs.

Celsius customers continue to face an uphill battle to recoup their assets.

The company's terms of use raise questions about whether customers will be able to get their deposits back.

Earlier this month, Celsius sought court permission to allow some customers to withdraw funds from certain programs.

## Intel Makes Move In Game Graphics

BY ASA FITCH

Intel Corp. plans to start selling graphics chips for videogamers next month, aiming to get a piece of a lucrative market dominated by competitors Nvidia Corp. and Advanced Micro Devices Inc.

Intel dominates in semiconductors at the computational heart of personal computers, but it has long ceded the market for videogaming graphics chips to Nvidia and AMD. Intel Chief Executive Pat Gelsinger on Tuesday signaled the company would re-enter that field, releasing a graphics card for gamers that is slated to be available on Oct. 12.

Intel's pitch, Mr. Gelsinger said, would be to gamers tired of paying sky-high prices for the fastest, most advanced graphics chips. "They've just gotten super expensive, and we don't think they need to be. We're about to fix that," he said at an annual company conference.

Intel's cards will start at \$329, he said. Nvidia last week unveiled a new generation of graphics processors priced at up to \$1,599, although Intel's aren't expected to challenge those high-end cards on performance, instead aiming to be competitive on price with older-generation chips.

Intel shares fell 0.3% in Tuesday trading. Nvidia's stock closed up 1.5%. AMD also rose.

The graphics-chip market has grown rapidly in recent years, both due to a surge in videogaming during the pandemic and because those chips have demonstrated to be adept at artificial intelligence calculations that are gaining more widespread adoption.

Nvidia's sales of videogaming chips were around \$2 billion in its latest quarter, while AMD made \$1.7 billion in its videogaming segment. The market has cooled in recent months amid economic headwinds and shakiness in consumer spending.

Intel has tried to make graphics processors before, but it has been more than a decade since its last products were under development.

The company has seen its market value slide sharply in recent years. Nvidia is now the largest U.S. chip maker by market value based on its appeal to gamers and the growing AI computation market.

Intel began working on graphics processors again several years ago. The first products to emerge from that effort were aimed at large data centers and supercomputers, not consumers. Intel's high-performance graphics processors are in the Aurora supercomputer at the Argonne National Laboratory in Illinois.

In addition to its new graphics cards, Intel on Tuesday unveiled a new generation of central processing units for PCs.



The California Attorney General's office penalized Sephora for alleged violations related to its targeted-advertising practices.

## Brands Face Up to California Privacy Laws

BY PATRICK COFFEY

More marketers are taking notice of California's data-privacy laws after the state said last month that cosmetics retailer Sephora agreed to pay \$1.2 million in penalties for alleged violations related to its targeted-advertising practices.

Many companies affected by the California Consumer Privacy Act, which came into effect in 2020, didn't take significant steps to ensure compliance because they believed the regulations didn't apply to them or that the risks were minimal, according to advertising executives and advisers.

They have been more focused on the European Union's General Data Protection Regulation, which led to nine-figure fines for technology giants including Meta Platforms Inc. and Amazon.com Inc.

But some experts said these companies may be in for a rude awakening after Jan. 1. That is when the California Privacy Rights Act, expanding and amending CCPA, takes effect and the 30-day cure period previously granted to businesses accused of violating the law disappears.

"A lot of companies said, 'I'm too small, no one's going to find me, I'll just wait.' So

now they're scrambling," said Jodi Daniels, founder and chief executive of privacy consulting firm Red Clover Advisors LLC. "There will be more Sephoras."

More than 100 public and private companies received letters from California Attorney General Rob Bonta as part of the 2021 sweep of large retailers that led to the Sephora settlement, and many more letters have gone out to comparable businesses in recent weeks as part of a new sweep, according to a representative for the attorney general's office.

Some companies that have received letters have complied or begun working toward compliance, while others remain under investigation, the representative said.

A spokeswoman for Sephora, which is which is owned by French luxury products company LVMH Moët Hennessy Louis Vuitton SE, said the company has been working with Mr. Bonta's office since receiving the letter in 2021, and that a more recent review of its practices by the state found no concerns related to CCPA.

Marketing trade organizations like the Association of National Advertisers have pushed for a federal privacy law that would simplify the compliance process, and Congress recently debated a bipartisan bill. But the bill is unlikely to pass with midterm elections approaching, observers said.

For now, laws like CCPA that apply to any business with customers in the states where they were passed will serve as de facto national regulations. Similar laws will take effect in Virginia, Colorado, Connecticut and Utah next year.

Ms. Daniels said her privacy consulting firm has been discussing the matter with retailers, publishers, tech companies and business-to-business marketers that handle large quantities of consumer data but have little understanding of the law's requirements.

Direct-to-consumer businesses that rely heavily on email sign-ups and targeted ads are also in the spotlight, said Mike Grillo, vice president of marketing at financial tech company Ampla Technologies

Inc., which provides financing to startups.

The biggest losers could be marketers at small-to-midsize businesses who did not realize that the regulations would apply to them, said Daniel Goldberg, partner at New York-based media and ad industry law firm Frankfurt Kurnit Klein & Selz PC.

Many companies didn't realize that the sharing of data could violate CCPA, even when they used tools like Google's Marketing Platform that let users opt out of some targeted advertising, Mr. Goldberg said.

A separate point of contention for marketers was that the CCPA's definition of "sale" included sharing consumer information with outside parties regardless of whether money is exchanged.

Many companies delayed compliance because they disagree with that definition and don't want to tell consumers that they sell data, he said.

The Sephora case was both "a warning shot" and "an effort to remove any potential residual doubt that an opt-out is and will be required—whether for sale or for sharing of data for targeted advertising," said Arielle Garcia, chief privacy officer at Interpublic Group of Cos. media agency UM.

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## Musk, Twitter Spar Over Document Access

BY ALEXA CORSE

Lawyers for Elon Musk and Twitter Inc. debated several pending requests for information in their continuing legal fight, with less than three weeks to go before a scheduled trial over Mr. Musk's soured \$44 billion takeover.

Among the issues discussed were whether Mr. Musk's team should have access to certain documents that Twitter has claimed are protected by attorney-client privilege and the proposed terms around allowing Mr. Musk to incorporate details about a Twitter whistleblower's settlement pay-

ment into his argument for terminating the deal.

Mr. Musk, the CEO of Tesla Inc., has sought more information about how Twitter counts fake and spam accounts, which he alleges are more prevalent on the platform than the company acknowledges. Twitter disputes Mr. Musk's claims and says he is using his complaints as a pretext to try to get out of the deal after market conditions worsened.

Twitter's legal team, in turn, said they have asked for any research from data scientists on which Mr. Musk based his claims about spam and fake accounts. But Mr. Musk's team

hasn't shared research supporting his claims, Twitter's legal team said Tuesday.

In response, Mr. Musk's team said Twitter's lawyers raised new issues during the hearing and they needed time to respond.

Twitter has handed over a "historical snapshot" of about 9,000 accounts tied to a quarterly audit, according to court filings. Mr. Musk's team has asked for additional details about those accounts, including data regarding any account suspensions.

The at times contentious hearing was held remotely via Zoom on Tuesday. The public

portion of the hearing lasted more than three hours. The hearing ended with the judge still considering several issues, including disputes over whether some documents were protected by attorney-client privilege.

Twitter's team, during the hearing, also said Mr. Musk had failed to produce required text and other kinds of electronic messages. Mr. Musk's legal team disputed Twitter's allegation.

Delaware Chancery Court Chancellor Kathaleen McCormick, the presiding judge, has kept the case on a fast track, scheduling a five-day nonjury trial starting Oct. 17.

## BUSINESS &amp; FINANCE

## ARK Launches Venture Fund

By HANNAH MIAO

Cathie Wood's **ARK Investment Management LLC** on Tuesday launched the ARK Venture Fund, the firm's first foray into private investments.

The venture fund intends to invest in early-to-late-stage private companies and publicly traded businesses similar to those held by ARK's high-growth, technology-focused exchange-traded funds.

The ARK Venture Fund is available to U.S. investors, including individuals, for a minimum initial investment of \$500 on the online investment platform of financial-technology startup Titan. Venture-capital funds traditionally limit access to accredited investors such as wealthy individuals or institutions.

"We think retail investors should have the right to participate in the value creation of the most exciting and successful technology companies on the planet, even if they're private," Maximilian Friedrich, a member of the ARK Venture Investment Committee and an analyst at the firm, said. "That is a value add that sets us apart from traditional venture capitalists, which often do not have a broad reach and audi-

ence with retail investors."

Ms. Wood and ARK rose to prominence during the Covid-19 pandemic when the firm's ETFs posted huge returns as low interest rates and stimulus boosted investor appetite for riskier assets. Those bets have struggled this year as the Federal Reserve raised interest rates at an aggressive clip to try to curb inflation, making unprofitable companies promising growth in the future a harder sell to investors. The flagship ARK Innovation ETF is down 61% in 2022, yet saw steady inflows this year.

ARK plans to offer access to the venture fund to registered investment advisers, family offices, high-net-worth individuals and institutional investors through other distributors down the line, according to Mr. Friedrich.

The fund has a target portfolio composition of 70% private companies and 30% public companies.

Although traditional venture-capital funds often look for exit opportunities such as initial public offerings or acquisitions, ARK's fund aims to continue holding portfolio companies after they enter public markets. ARK declined to name its initial portfolio companies.

The ARK Venture Fund is an interval fund, a vehicle that restricts withdrawals, but gives investors access to more illiquid assets less likely to trade on financial markets. ARK's fund plans to offer quarterly redemptions capped at 5% of the fund's net asset value, according to Mr. Friedrich.

The fund has a 2.75% management fee and anticipates distribution and other fees to total 1.47% in its first year of operation, assuming average net assets of about \$250 million during that period, according to ARK. Investors won't pay an additional platform fee to Titan for the fund.

## Index and ETF performance this year



Source: FactSet

## Retailers Lock Up Products

Continued from page B1

products were stolen from retailers in 2019, according to the most recent data from the Retail Industry Leaders Association, which surveyed members.

Theft surged after stores reopened early in the pandemic, retail industry executives say. In part, the rush to buy more online during that period led to more demand online for stolen goods, they say. In some cases stores have been understaffed due to the tight labor market, which means fewer watchful eyes, say some executives. In addition, well-organized theft groups working regionally have become prevalent, making the problem harder to solve than run-of-the-mill shoplifting.

Many retailers use a risk algorithm to determine which items to lock up and in what locations. A high-value item that is frequently stolen is a good candidate, say executives. Retailers often try other deterrents first, like moving a product closer to staffed registers, attaching an alarm that is removed at checkout or using more visible security staff.

Less-expensive items can get similar treatment. "For a store to be locking things up like toothpaste, Spam or honey, they would have had to have been repeatedly targeted over a period of time," said Ben Dugan, director of organized retail crime at **CVS Health Corp.** and president of the Coalition of Law Enforcement and Retail, a group that facilitates planning between retailers and law enforcement.

Home Depot has been locking up more products during the past 12 months as a stop-gap while testing more customer-friendly, higher-tech solutions. "It's a triage-type scenario. It's stop the bleeding and give yourself some time," said Scott Glenn, vice president of asset protection at Home Depot.

Overall theft attempts at Home Depot continue to rise compared with before the pandemic, Mr. Glenn said. Shoppers don't like when items are

locked and Home Depot tries to avoid it, he said. But after a high-theft item is locked up, sales gradually go up because the store stays more consistently in-stock, Mr. Glenn said.

Best Buy has long locked up some products as a large retailer of high-value electronics, say executives. Across all U.S. stores, less than 5% of its products are locked up or in backrooms for theft-protection reasons, about the same percentage as previous years, said Damien Harmon, executive vice president of omnichannel for the company.

Included in the 5% figures is a tactic Best Buy started using last winter as retail theft jumped, he said. The company replaced some products on shelves with QR codes so shoppers could scan, then head to registers to pay and pick up the product.

In some locations including the Houston Best Buy—which sits in an area where many local stores face elevated levels of crime, according to data from the local police department—the share of locked items can be higher. Shopper Mr. Pearce said he understood the extreme measures given the threat of theft.

Best Buy's store inventory is being held differently than it has in the past, with less on floors due to more buying online, said Mr. Harmon. Products are brought to shoppers directly, which has the added benefit of also reducing theft, said Mr. Harmon.

After an item is locked, Best Buy watches sales trends and doesn't get many comments about products being locked up, said Mr. Harmon. The company is also experimenting with training store staff to stand near high-theft items, he said.

InVue, a Charlotte, N.C., company that sells retailers digital locks, tracking sensors and software, late last year started getting requests from retailers asking for more customer-friendly options, said Chris Gibson, InVue's chief product and marketing officer.

InVue is pitching more automated solutions that are more aesthetically pleasing or make it easier for store workers or shoppers to unlock a product quickly. Locking down products "became this draconian thing" during the pandemic, said Mr. Gibson. "A lot of our partners are saying, maybe that was a bridge too far."

*This announcement is neither an offer to purchase nor a solicitation of an offer to sell ordinary shares of Theravance Biopharma, Inc. The Offer (as defined below) is made solely pursuant to the Offer to Purchase, dated September 28, 2022, and the related Letter of Transmittal and is being made to all holders of the Shares (as defined below). The Company (as defined below) is not aware of any U.S. State where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Company becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, the Company will make a good faith effort to comply with any such state statute or seek to have such statute declared inapplicable to the Offer. If after such good faith effort, the Company cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Company by one or more registered brokers or dealers licensed under the laws of such jurisdiction.*

## Notice of Offer to Purchase for Cash

by

## Theravance Biopharma, Inc.

of

## Up to \$95 Million of its Ordinary Shares at a Purchase Price not greater than \$10.50 nor less than \$9.75 per Share

Theravance Biopharma, Inc., a Cayman Islands exempted company (the "Company"), is inviting its shareholders to tender their ordinary shares, par value \$0.00001 per share (the "Shares"), to the Company, at a purchase price not greater than \$10.50 nor less than \$9.75 per Share, in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated September 28, 2022 (the "Offer to Purchase"), and in the related Letter of Transmittal (the "Letter of Transmittal" which, together with the Offer to Purchase, as they may be amended or supplemented from time to time, constitute the "Offer"). The Company will select the lowest price per Share (in increments of \$0.05) (the "Purchase Price") that will allow the Company to purchase \$95 million of Shares or, if a lesser value of Shares is validly tendered, all Shares that are validly tendered and not validly withdrawn (subject to the Company's right to purchase additional Shares as described in the Offer to Purchase). All Shares acquired in the Offer will be acquired at the same price regardless of whether the shareholder tendered at a lower price. However, because of the proration and "odd lot" priority provisions described in the Offer to Purchase, fewer than all of the Shares tendered at or below the Purchase Price may be purchased if Shares representing more than \$95 million are validly tendered and not validly withdrawn. Shares tendered but not purchased in the Offer, including Shares tendered at or below the Purchase Price and Shares not purchased because of proration, will be returned to the tendering shareholders at the Company's expense promptly after the expiration of the Offer. The Company also expressly reserves the right, in its sole discretion, to amend the Offer to purchase additional Shares, subject to applicable law.

The Company believes that the repurchase of shares pursuant to the Offer is consistent with its long-term goal of maximizing shareholder value. The Company believes that the repurchase of shares pursuant to the tender offer is a prudent use of the Company's financial resources and determined that a tender offer is an appropriate mechanism to return capital to shareholders who seek liquidity under current market conditions, while allowing shareholders who do not participate in the tender offer to share in a higher portion of the Company's future potential. Any Shares the Company purchases in the Offer will be cancelled upon repurchase.

**THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, AT THE END OF THE DAY ON NOVEMBER 10, 2022, UNLESS THE OFFER IS EXTENDED (SUCH TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION TIME").**

The Offer is not conditioned upon the receipt of financing or any minimum number of Shares being tendered by shareholders but is subject to certain other conditions. See "Conditions to the Offer" of the Offer to Purchase.

The Company's Board of Directors (the "Board") has approved the Offer. However, none of the Company, the Board, the Dealer Manager (as defined below), the Information Agent (as defined below) or the Depository (as defined below) makes any recommendation as to whether any shareholder should tender or refrain from tendering Shares pursuant to the Offer, or as to the price or prices at which a shareholder may choose to tender Shares. Each shareholder must make his or her own decision after consulting with his or her own advisors whether to tender Shares and, if so, how many Shares to tender and the price or prices at which such shareholder will tender them. In doing so, shareholders should read carefully the information set forth or incorporated by reference in the Offer to Purchase and the related Letter of Transmittal, including the Company's reasons for making the Offer. The Company's directors and executive officers are entitled to participate in the Offer on the same basis as all other shareholders. All of the Company's directors and executive officers have advised the Company that they do not intend to tender any Shares pursuant to the Offer except Donal O'Connor, one of our directors, and Richard Graham, one of our executive officers. Although no final decision has been made, Mr. O'Connor and Mr. Graham may tender up to 10,000 and 6,969 shares, respectively, that they beneficially own pursuant to the Offer.

If Shares representing more than \$95 million in value (or such greater value as the Company may elect to purchase, subject to applicable law) are validly tendered at or below the Purchase Price and not validly withdrawn, we will purchase Shares in the following order of priority:

- First, we will purchase all "odd lots" of less than 100 Shares at the Purchase Price from shareholders who validly tender all of their Shares at or below the Purchase Price and who do not validly withdraw them before the Expiration Time; and
- Second, after purchasing all the "odd lots" that were validly tendered at or below the Purchase Price, we will purchase Shares at the Purchase Price from all other holders who validly tender Shares at or below the Purchase Price and who do not validly withdraw them before the Expiration Time, on a pro rata basis, with appropriate adjustments to avoid purchases of fractional Shares, until we have acquired the value of Shares representing more than \$95 million in value (or such greater value as we may elect to purchase, subject to applicable law).

Therefore, we may not purchase all of the Shares that you tender even if you tender them at or below the Purchase Price.

In accordance with the instructions to the Letter of Transmittal, each shareholder desiring to tender Shares in the Offer must, on the Letter of Transmittal, check either (i) the box under "1. Shares Tendered at a Price Determined Pursuant to the Offer," in which case such shareholder's Shares will be deemed to be tendered at the minimum price of \$9.75 per Share or (ii) one of the boxes under "2. Shares Tendered at a Price Determined by the Shareholder," indicating the price at which Shares are being tendered. A tender of Shares will be proper if, and only if, one of these boxes is checked on the Letter of Transmittal. Any shareholder who wants to tender portions of his or her Shares at more than one price must complete a separate Letter of Transmittal for each price at which such shareholder tenders Shares.

Each shareholder desiring to tender Shares must follow the instructions and procedures described in "Procedures for Tendering and Withdrawing Shares" of the Offer to Purchase and in the Letter of Transmittal.

Except as otherwise provided in "Procedures for Tendering and Withdrawing Shares—Withdrawal of Tenders" of the Offer to Purchase, a tender of Shares pursuant to the Offer is irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Time and, unless theretofore accepted for payment by the Company pursuant to the Offer, may also be withdrawn at any time after the fortieth business day after the commencement of the Offer. See "Procedures for Tendering and Withdrawing Shares—Withdrawal of Tenders" of the Offer to Purchase.

For a withdrawal to be effective, a written notice of withdrawal must be timely received by Computershare Trust Company, N.A. (the "Depository") (at one of its addresses set forth on the back cover of the Offer to Purchase). Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and, if different from that of the person who tendered such Shares, the name of the registered holder of such Shares. A shareholder who has tendered Shares at more than one price must complete a separate notice of withdrawal for Shares tendered at each price. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in "Procedures for Tendering and Withdrawing Shares" of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at The Depository Trust Company ("DTC") to be credited with the withdrawn Shares or must otherwise comply with DTC's procedures. Withdrawals of tenders of Shares may not be rescinded, and Shares validly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares, however, may be retendered by following the procedures described in "Procedures for Tendering and Withdrawing Shares" of the Offer to Purchase, at any time prior to the Expiration Time.

For purposes of the Offer, the Company will be deemed to have accepted for payment (and thereby purchased), subject to "odd lot" priority and proration, Shares validly tendered and not validly withdrawn as, if and when the Company gives oral or written notice to the Depository, as agent for the tendering shareholders, of the Company's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Purchase Price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payments from the Company and transmitting such payments to tendering shareholders whose Shares have been accepted for payment. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly, subject to possible delay in the event of proration, but only after timely receipt by the Depository of (i) the timely confirmation of a book-entry transfer of such Shares into the Depository's account at DTC pursuant to the procedures set forth in "Procedures for Tendering and Withdrawing Shares" of the Offer to Purchase, (ii) the Letter of Transmittal, validly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in "Procedures for Tendering and Withdrawing Shares" of the Offer to Purchase) in lieu of the Letter of Transmittal and (iii) any other documents required by the Letter of Transmittal. **Under no circumstances will the Company pay interest on the Purchase Price, including, but not limited to, by reason of any delay in making payment.**

Subject to the terms and conditions of the Offer, the Company expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in "Conditions to the Offer" of the Offer to Purchase shall have occurred or shall be deemed by the Company to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of any Shares by giving oral or written notice of such extension to the Depository and making a public announcement thereof. During any such extension, all Shares previously tendered and not purchased or withdrawn will remain subject to the Offer, except to the extent that such Shares may be withdrawn as set forth in "Procedures for Tendering and Withdrawing Shares—Withdrawal of Tenders" of the Offer to Purchase.

Subject to compliance with applicable law, the Company further reserves the right, in its sole discretion, and regardless of whether or not any of the events set forth in "Conditions to the Offer" of the Offer to Purchase shall have occurred or shall be deemed by the Company to have occurred, to amend the Offer in any respect (including, without limitation, by decreasing or increasing the consideration offered in the Offer or by increasing or decreasing the number of Shares being sought in the Offer). Amendments to the Offer may be made at any time, effected by public announcement thereof. Such announcement, in the case of an extension, is to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Time.

The receipt of cash pursuant to the Offer generally will be treated for United States Federal income tax purposes either (a) as a sale or exchange eligible for capital gain or loss treatment or (b) as a dividend. Non-U.S. shareholders generally will not be subject to U.S. Federal income taxation on the receipt of cash pursuant to the Offer. Shareholders are strongly encouraged to read the Offer to Purchase for additional information regarding the United States Federal income tax consequences of participating in the Offer and should consult their tax advisor.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Company in its reasonable discretion, which determination will be final and binding on all parties. None of the Company, the Depository or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

**The Offer to Purchase and the Letter of Transmittal contain important information that should be read before any decision is made with respect to the Offer.** These documents are being mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of those nominees, appear on the Company's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The information required to be disclosed by Rule 13e-4(d)(1) under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

Any questions or requests for assistance may be directed to the Depository at its addresses and telephone number set forth below. Requests for copies of the Offer to Purchase, Letter of Transmittal, Notice of Guaranteed Delivery or other tender offer materials may be directed to the Depository and such copies will be furnished promptly at the Company's expense. Shareholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

Except as set forth in "Solicitation and Expenses" of the Offer to Purchase, the Company will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer.

Requests for copies of the Offer to Purchase may be directed to the Information Agent. Beneficial owners may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Depository for the Offer is:

## Computershare Trust Company, N.A.

By First Class, Registered or Certified Mail:

For Delivery of Notice of Guaranteed Delivery via Email for eligible institutions ONLY:

By Express or Overnight Delivery:

Computershare Trust Company, N.A.,  
Depository  
c/o Voluntary Corporate Actions  
PO Box 43011  
Providence, Rhode Island 02940-3011

CANOTICEOFGUARANTEED@computershare.com

Computershare Trust Company, N.A.,  
Depository  
c/o Voluntary Corporate Actions  
150 Royall Street, Suite V  
Canton, Massachusetts 02021

The Dealer Manager for the Offer is:

## Evercore Group L.L.C.

55 East 52nd Street  
35th Floor  
New York, New York 10055  
Toll-Free: (888) 474-0200

The Information Agent for the Offer is:

## Georgeson

Georgeson LLC  
1290 Avenue of the Americas, 9th Floor  
New York, New York 10104  
Shareholders, Banks and Brokers  
Call Toll Free: (877) 797-1153

September 28, 2022



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# THE PROPERTY REPORT

## Chinese Firm Seeks to Sell Three Resorts

Dajia Insurance hopes to raise \$1.3 billion with the sale of hotel properties in the U.S.

By CRAIG KARMIN

A Chinese company is looking to sell three major U.S. resort hotels at a combined price tag of \$1.3 billion, seeking to cash out these holdings during a surge in leisure travel and resort business.

**Dajia Insurance Group Co.** is putting up for sale the Montage in Laguna Beach, Calif., the Four Seasons resort in Jackson Hole, Wyo., and the Four Seasons in Scottsdale, Ariz., according to people familiar with the matter. BofA Securities Inc. and real-estate banking and brokerage firm Eastdil Secured LLC are marketing the hotels on behalf of the seller, these people said.

The three properties are part of Dajia's Strategic Hotels & Resorts portfolio, a group of 15 luxury U.S. resorts and hotels that includes urban properties such as the JW Essex House hotel overlooking Manhattan's Central Park and the InterContinental Hotels in Chicago and Miami.

The Chinese company, which took control over most of the



Dajia Insurance hopes to sell the Four Seasons in Scottsdale, Ariz., for \$300 million.

operations of China's **Anbang Insurance Group Co.**, agreed in 2019 to sell the entire Strategic portfolio to South Korea's Mirae Asset Financial Group for \$5.8 billion. But that deal unraveled when the pandemic caused travel to dry up and hotel

revenue to plunge.

Now, Dajia is back in the market with the three hotels, which represent some of the premier resorts in their cities when leisure travel is booming.

Americans' pent-up demand for travel erupted last year and

continued this year. Many travelers are showing a preference for beaches, mountains and other resort destinations over trips to big cities. Urban hotels suffered from the drop in business travel, which remains below pre-pandemic levels.

By contrast, the resort business may never have been more lucrative. Average daily room rates and revenue per available rooms, a popular industry metric, reached new highs for U.S. resorts this year and remain near those levels, according to lodging-data firm STR.

Some travel analysts expect the mania for resorts to cool somewhat next year, especially if the country falls into a recession and as that pent-up travel demand from the Covid-19 lockdown period eases.

Yet even with any near-term downturn, a burgeoning interest in resorts and leisure trips looks here to stay, said Eric Resnick, chief executive officer of KSL Capital Partners, a Denver-based investment firm that owns or operates more than 400 resorts, hotels, ski areas and other leisure businesses worldwide.

"The mass affluent consumer has been fortunate to have higher savings and job security," he said. "That demographic drives travel and leisure broadly. We don't see that going away."

Dajia's plan to sell the three hotels marks the latest effort by a Chinese company to exit or sell commercial real-estate holdings in the U.S. While Chinese companies were aggres-

sive buyers of hotels, office towers and other trophy properties in U.S. cities, their investment started falling four years ago, around the time that Chinese regulators made it harder for many companies to move money out of the country.

Dajia is looking to raise \$300 million each from sales of the two Four Seasons properties, and \$700 million from the Montage Laguna Beach, according to people familiar with the sales process.

The Southern California resort features more than 250 guest rooms and a 20,000 square-foot spa on a 30-acre beachfront property, according to its website.

Dajia also owns the Waldorf Astoria hotel on Manhattan's Park Avenue, taking over the property after Anbang paid \$1.95 billion for it in 2015, the biggest price tag ever for a stand-alone U.S. hotel.

The company is now struggling to complete its plan for combining hundreds of guest rooms into luxury residences, a process that is shaping up as one of the largest, most intricate and priciest condo conversions and hotel rebuild projects undertaken. The process has fallen behind schedule and gone well over budget, say people familiar with the matter.

## Condo Inspections Law Spurs Services To Help Comply

By DEBORAH ACOSTA

A new Florida law that tightens the rules around condo inspections is spawning a new cottage industry in the Miami area, as real-estate firms compete to offer services to enable thousands of residential buildings in Florida to comply.

**Odevo**, a Swedish prop-tech company that focuses on property management in Europe, is getting a foothold in this business in Florida by acquiring Miami-based **KW Property & Management Consulting**, the companies said Tuesday. They declined to disclose terms of the acquisition.

**KWPMC**, which is one of Florida's largest property managers, said that being part of Odevo would make it easier for its Florida clients to secure loans to pay for the structural repairs.

Additionally, Odevo said it offers new technology to manage buildings, from allowing owners to alert management about a burned-out lightbulb to having food delivered to a beachfront lounge chair. Odevo said it also helps with financial services, such as finding a better return on reserves and securing insurance in this challenging market.

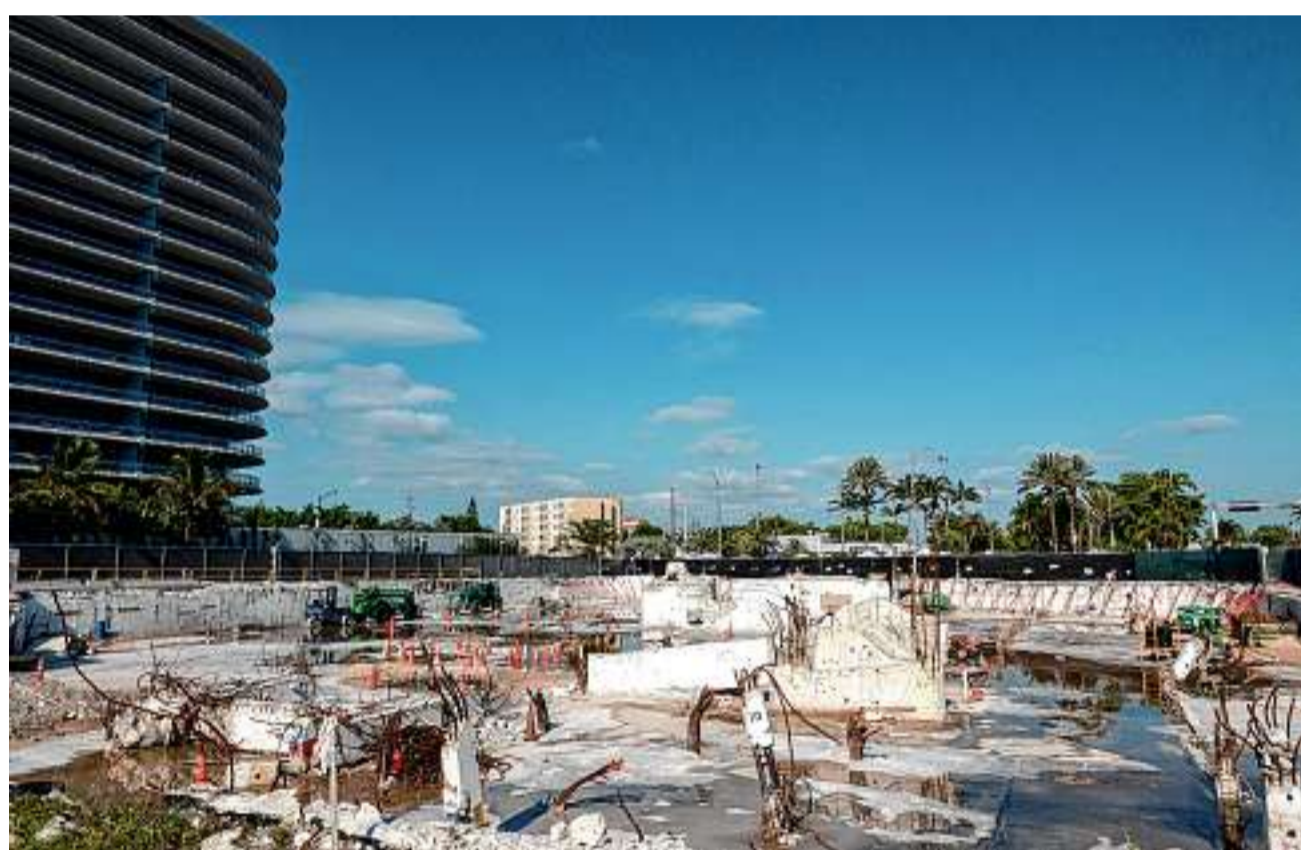
**Colliers International**, one

of the world's largest commercial real-estate services firms, is also increasing its involvement in the Florida condo market, offering construction management services to condo boards that expect to be overwhelmed by the new law's requirements, Colliers said.

That new law requires condos three stories or higher to conduct structural inspections at 30 years, while those within 3 miles of the coastline must do so at 25 years. Before this new law, only Miami-Dade and Broward counties required recertifications at 40 years. Condo associations will be prohibited from waiving the collection of reserve funds to pay for maintenance and repairs as of Dec. 31, 2024, a practice that had been common.

Florida's new law was put in place as a response to the Champlain Towers collapse in the town of Surfside that killed 98 people last year. Some lawmakers compare the significance of this new law to the transformational building code changes for the state that were put in place after Hurricane Andrew hit South Florida in 1992.

At the time, Hurricane Andrew's destructive force revealed glaring loopholes in Florida's building code that



The site of the former Champlain Towers South building in Surfside, Fla., a year after the Surfside condo collapse.

have since been tightened. But as Hurricane Ian bears down on the state this week, many coastal buildings built before 1992 may not have those same protections. The new state law now requires older buildings to conduct more frequent structural inspections.

In recent years, more self-managed buildings have been turning to professional management, according to Paul Kaplan, chief executive of KWPMC. He said about 15% of the new business he picked up before 2021 was from self-managed buildings looking to make the switch. Over the past

18 months that number has increased to 50%.

The tighter regulations come as interest rates skyrocket nationwide, and Florida is experiencing huge increases in insurance rates as reinsurers react to five years of outsize losses across the globe.

Greg Main-Baillie, executive managing director of Colliers' Real Estate Development Division, predicts that many of the buildings that aren't able to fund their reserves will be scooped up by developers who have been buying out owners of aging condos to redevelop new construction along the coast.

The site of the Champlain Towers collapse has already been sold to DAMAC Properties, a Dubai company that placed the stalking horse bid of \$120 million, the majority of which was used to pay victims in the lawsuit.

The class-action lawsuit that came after the collapse last year of the Champlain Towers in Surfside will settle for \$1.1 billion.

The reasons for the collapse are still under investigation. The National Institute of Standards and Technology, which is investigating the cause of the collapse, is looking at a

confluence of factors, including poor maintenance, structural defects, and the impact of nearby construction.

"Champlain Towers did not have a professional property manager in place. It very much fell on the board of volunteer residents to do their very best to manage this building," said Rachel Wagner Furst, the co-chair lead counsel representing the victims of the collapse. "The management and oversight of buildings, especially large buildings that house hundreds if not thousands of people, maybe ought to be left to professionals."

## Lumber Prices Sink

Continued from page B1

lumber world is coming to an end, unfortunately," he said.

The rate at which new U.S. housing is being built is down about 13% from April, when residential construction activity hit its highest level in more than a decade, according to the Census Bureau. An increase in new multifamily buildings has offset a sharper decline in the construction of single-family homes, which typically use about three times as much lumber per unit as apartments.

The issuance of building permits for residential construction has declined steadily since March. The National Association of Home Builders said its measure of builder confidence declined in September for the ninth straight month, to a level of pessimism not registered since 2020's Covid-19 lockdown and the 2008 housing crash.



The rate at which housing is being built is down about 13% from April, when residential construction hit a decadelong high point.

Mill executives, analysts and timber consultants who gathered last week at a World Forestry Center conference in Portland, Ore., said the lumber sector is bracing for recession, though not a severe one.

Paul Jannke of Forest Economic Advisors LLC said his firm forecasts that lumber

consumption will decline by as much as 2.5% this year and up to 4.5% in 2023 as home construction stalls and remodeling demand reverts to normal following the pandemic renovation boom.

Despite the steep drop in consumption, Mr. Jannke and others expect wood prices to be much higher than during

previous downturns—in the \$400s per thousand board feet, rather than the \$200s—due to record-low inventories among dealers and rising mill costs, especially in British Columbia, where forest fires, wood-boring beetles and conservation efforts have reduced the supply of logs.

The lumber price that mills

in western Canada need to break even is about \$500 per thousand board feet, which means that they are likely to choke back output whenever cash prices for the spruce, pine and fir boards they saw drop below that, Mr. Jannke said.

Mills there, as well as in the U.S. Pacific Northwest

and the South, have already begun cutting back. **Canfor Corp.**, one of North America's largest lumber producers, said it began a two-week curtailment Monday at most of its facilities in British Columbia. Work will resume at reduced operating schedules aimed at trimming the Vancouver firm's production capacity by about 200 million board feet, or about 15% of last year's fourth-quarter output.

The consolidation of North America's sawmills by a few big firms, such as Canfor and **West Fraser Timber Co.**, has hastened the speed at which production is choked back in response to falling prices and should buoy prices, said Håkan Ekström of Wood Resources International LLC.

"Markets are a little more controlled with fewer mill owners," he said. "When there were more owners, everyone waited for someone else to slow down."

Dealers like Sherwood's Mr. Goodman say that the quick curtailment triggers are reason to load up on wood. "There's upside risk of waiting and really no downside to buying right now, that's what we're telling our customers," he said.

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.

Table with columns: Stock, 52-Wk % High/Low, % Chg. Includes sections for Highs, Lows, and a large alphabetical list of stocks with their respective 52-week performance and daily changes.

Continuation of the stock table from the previous block, listing various companies and their 52-week performance metrics.

Exchange-Traded Portfolios

Table listing various Exchange-Traded Funds (ETFs) with columns for Symbol, Closing Price, % Change, and YTD Return.

BANKRATE.COM MMA, Savings and CDs. Average Yields of Major Banks. National average. Savings rates for 1-MO, 2-MO, 3-MO, 6-MO, 1-YR, 2-YR, 25YR, 52YR.

Consumer Savings Rates. Below are the top federally insured offers available nationwide according to Bankrate.com's weekly survey of highest yields. For latest offers and reviews of these financial institutions, please visit bankrate.com/banking/revIEWS.

High yield savings. Bank and Phone number. Minimum. Yield. Includes sections for Money market and savings account, Six-month CD, One-year CD, Two-year CD, Three-month CD, and Five-year CD.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks. Money Rates. Key interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation. Federal funds. U.S. consumer price index. International rates. Prime rates. Policy Rates. Overnight repurchase. U.S. government rates. Discount.

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COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table with columns for Metal & Petroleum Futures, Agriculture Futures, and NY Harbor ULSD (NYM). Includes sub-sections like Copper-High (CMX), Gold (CMX), Silver (CMX), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT), etc.

Table with columns for Open, High, Low, Settle, and Open interest. Lists various commodity contracts like March 23, Dec, Nov, Oct, etc.

Table with columns for Open, High, Low, Settle, and Open interest. Lists interest rate futures like Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), Treasury Notes (CBT), etc.

Table with columns for Open, High, Low, Settle, and Open interest. Lists index futures like Mini DJ Industrial Average (CBT), Mini S&P 500 (CME), Mini S&P MidCap 400 (CME), etc.

New Highs and Lows

Table with columns for Stock, 52-Wk % High/Low, and 52-Wk % Change. Lists various stocks like FormFactor, Fortinet, Fortinet, etc.

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Advertisement for BMW Certified Pre-Owned vehicles. Features three models: 2019 BMW X5 xDrive40i, 2019 BMW X7 xDrive40i, and 2022 BMW ALPINA B7 xDrive. Each listing includes an image, description, and price.

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns for Total return, YTD total return, Index, and Yield (%). Lists various bond benchmarks like Broad Market Bloomberg Fixed Income Indices, Mortgage-Backed Bloomberg Fixed Income Indices, etc.

Table with columns for Country, Maturity, Latest, and Yield (%). Lists various government bonds from U.S., Australia, France, Germany, Italy, Japan, Spain, U.K., etc.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table with columns for Country, Maturity, Latest, and Yield (%). Lists various global government bonds from U.S., Australia, France, Germany, Italy, Japan, Spain, U.K., etc.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Spread, and Last week. Lists various corporate debt issuers like MetLife, Walt Disney, Banco Santander, etc.

...And spreads that widened the most

Table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Spread, and Last week. Lists various corporate debt issuers like Credit Suisse, JPMorgan Chase, Enbridge, etc.

High-yield issues with the biggest price increases...

Table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Bond Price as % of face value, and Last week. Lists various high-yield issuers like Ford Motor Credit, Graphic Packaging International, etc.

...And with the biggest price decreases

Table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Bond Price as % of face value, and Last week. Lists various high-yield issuers like Hat Holdings, Embarq, etc.

\*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury, 100 basis points=one percentage pt.; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess



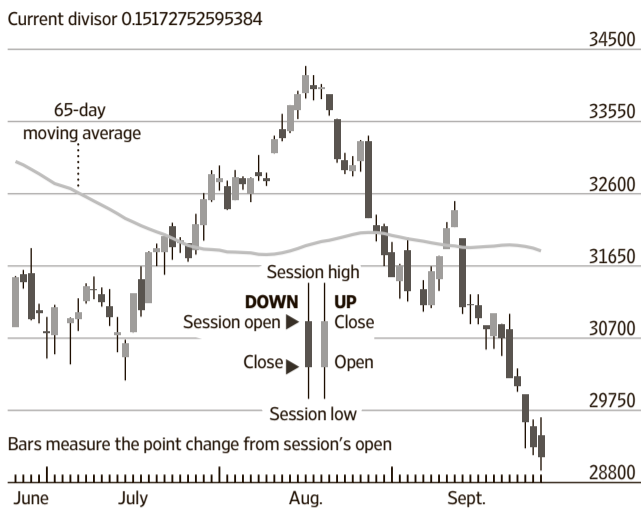
# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

**29134.99** ▼125.82, or 0.43%  
 High, low, open and close for each trading day of the past three months.

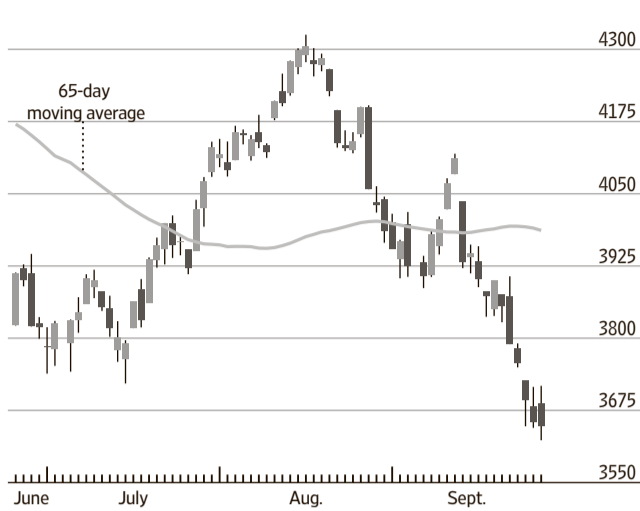
Last Year ago  
 Trailing P/E ratio 17.15 23.29  
 P/E estimate \* 15.77 18.89  
 Dividend yield 2.44 1.86  
 All-time high 36799.65, 01/04/22



### S&P 500 Index

**3647.29** ▼7.75, or 0.21%  
 High, low, open and close for each trading day of the past three months.

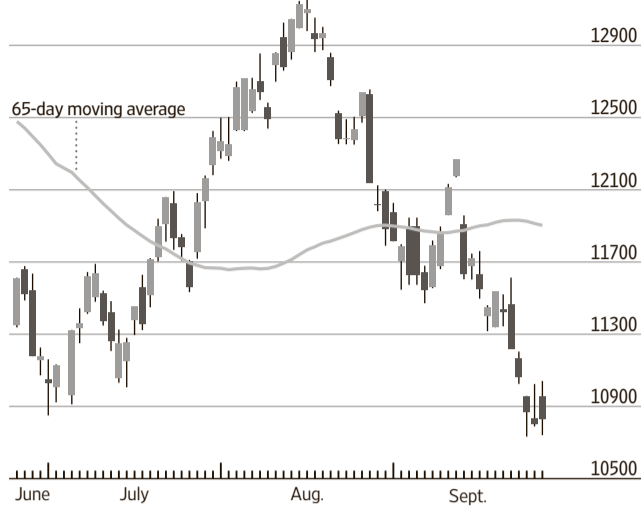
Last Year ago  
 Trailing P/E ratio 18.09 31.09  
 P/E estimate \* 16.42 22.04  
 Dividend yield \* 1.79 1.34  
 All-time high 4796.56, 01/03/22



### Nasdaq Composite Index

**10829.50** ▲26.58, or 0.25%  
 High, low, open and close for each trading day of the past three months.

Last Year ago  
 Trailing P/E ratio \* 23.10 35.96  
 P/E estimate \*\* 20.92 28.82  
 Dividend yield \*\* 0.99 0.68  
 All-time high: 16057.44, 11/19/21



### Major U.S. Stock-Market Indexes

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	29659.12	28958.22	<b>29134.99</b>	-125.82	-0.43	36799.65	29134.99	-15.1	-19.8	2.8
Transportation Avg	12229.37	11953.30	<b>12153.35</b>	153.95	1.28	17039.38	11999.40	-15.1	-26.2	5.5
Utility Average	959.71	930.70	<b>934.23</b>	-19.25	-2.02	1071.75	869.74	7.4	-4.7	2.2
Total Stock Market	37312.86	36373.09	<b>36621.23</b>	-37.42	-0.10	48929.18	36621.23	-18.9	-24.7	6.5
Barron's 400	842.90	823.55	<b>831.78</b>	6.05	0.73	1127.20	825.73	-18.5	-24.8	7.2
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	11040.98	10741.02	<b>10829.50</b>	26.58	0.25	16057.44	10646.10	-25.6	-30.8	10.9
Nasdaq-100	11502.38	11175.29	<b>11271.75</b>	17.64	0.16	16573.34	11127.57	-23.7	-30.9	13.6
<b>S&amp;P</b>										
500 Index	3717.53	3623.29	<b>3647.29</b>	-7.75	-0.21	4796.56	3647.29	-16.2	-23.5	7.2
MidCap 400	2243.26	2185.93	<b>2206.14</b>	1.82	0.08	2910.70	2200.75	-17.7	-22.4	4.7
SmallCap 600	1083.71	1057.91	<b>1065.33</b>	0.88	0.08	1466.02	1064.45	-21.1	-24.0	4.0
<b>Other Indexes</b>										
Russell 2000	1689.53	1650.71	<b>1662.51</b>	6.63	0.40	2442.74	1649.84	-25.4	-26.0	3.0
NYSE Composite	13783.82	13467.35	<b>13541.76</b>	-38.63	-0.28	17353.76	13541.76	-17.1	-21.1	1.4
Value Line	502.58	490.89	<b>494.24</b>	0.45	0.09	696.40	493.79	-24.4	-26.4	-1.6
NYSE Arca Biotech	4487.75	4390.11	<b>4424.48</b>	34.38	0.78	5815.27	4208.43	-22.2	-19.8	1.7
NYSE Arca Pharma	749.76	736.16	<b>738.43</b>	0.58	0.08	887.27	732.23	0.8	-10.7	8.1
KBW Bank	98.35	95.18	<b>96.17</b>	-0.91	-0.94	147.56	96.17	-27.2	-27.3	-1.4
PHLX <sup>S</sup> Gold/Silver	94.34	91.83	<b>92.06</b>	0.66	0.72	167.76	91.40	-23.3	-30.5	0.4
PHLX <sup>S</sup> Oil Service	58.69	56.65	<b>56.91</b>	0.83	1.49	88.37	49.14	-1.7	8.0	-4.7
PHLX <sup>S</sup> Semiconductor	2435.31	2362.58	<b>2398.04</b>	24.57	1.04	4039.51	2373.47	-27.6	-39.2	15.8
Cboe Volatility	34.14	30.30	<b>32.60</b>	0.34	1.05	36.45	15.01	40.2	89.3	23.7

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 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
Leslie's	LESL	13,602.2	14.24	-0.01	-0.07	14.27	14.20
iShares MSCI Emg Markets	EEM	12,004.6	35.46	-0.04	-0.11	35.86	35.46
SPDR S&P 500	SPY	6,621.1	363.72	0.34	0.09	384.18	361.00
KE Holdings ADR	BEKE	5,570.2	16.64	0.05	0.30	16.64	16.52
iShares iBoxx \$ HY Cpb Bd	HYG	4,764.3	71.24	0.11	0.15	71.35	71.11
AT&T	T	4,456.3	15.74	0.01	0.06	15.77	15.70
Change Healthcare	CHNG	4,310.7	27.36	...	unch.	27.36	27.35
JBG SMITH Properties	JBGJS	3,794.8	18.77	...	unch.	18.77	18.77

#### Percentage gainers...

Company	Symbol	Last	Net chg	% chg	High	Low	
Frontier Comms Parent	FYBR	83.1	23.75	1.53	6.89	24.22	21.83
iShares Russell 1000 ETF	IWB	360.2	213.65	13.53	6.76	213.65	198.06
Sangamo Therapeutics	SGMO	136.6	5.26	0.25	4.99	5.26	5.01
Anavex Life Sciences	AVXL	114.6	9.71	0.46	4.97	9.71	9.11
Fluor	FLR	344.1	24.83	1.15	4.86	24.83	23.00

#### ...And losers

Company	Symbol	Last	Net chg	% chg	High	Low	
Sandstorm Gold	SAND	163.1	5.10	-0.47	-8.44	5.57	5.06
Sana Biotechnology	SANA	148.1	5.68	-0.30	-5.02	6.27	5.68
Patterson-UTI Energy	PTEN	52.3	10.90	-0.49	-4.30	11.39	10.90
Hims Hers Health	HIMS	230.2	5.15	-0.23	-4.28	5.38	5.15
Equitrans Midstream	ETRN	145.4	7.48	-0.33	-4.23	8.09	7.48

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	995,582,852	11,220,038
<b>Adv. volume*</b>	485,245,957	7,167,287
<b>Decl. volume*</b>	493,051,220	3,300,773
<b>Issues traded</b>	3,431	290
<b>Advances</b>	1,579	137
<b>Declines</b>	1,687	142
<b>Unchanged</b>	165	11
<b>New highs</b>	15	1
<b>New lows</b>	893	57
<b>Closing Arms*</b>	0.85	0.55
<b>Block trades*</b>	4,750	134
	Nasdaq	NYSE Arca
<b>Total volume*</b>	4,445,052,835	381,721,214
<b>Adv. volume*</b>	2,597,659,101	143,550,416
<b>Decl. volume*</b>	1,727,391,546	233,938,324
<b>Issues traded</b>	5,050	1,746
<b>Advances</b>	2,376	639
<b>Declines</b>	2,312	1,084
<b>Unchanged</b>	362	23
<b>New highs</b>	31	42
<b>New lows</b>	893	949
<b>Closing Arms*</b>	0.68	0.94
<b>Block trades*</b>	22,089	1,650

\*Primary market NYSE/NYSE Amer. NYSE Arca only. (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	<b>559.72</b>	-0.71	-0.13	-25.8
	<b>MSCI ACWI ex-USA</b>	<b>247.77</b>	-0.15	-0.06	-28.0
	<b>MSCI World</b>	<b>2403.88</b>	-4.56	-0.19	-25.6
	<b>MSCI Emerging Markets</b>	<b>891.89</b>	3.31	0.37	-27.6
<b>Americas</b>	<b>MSCI AC Americas</b>	<b>1387.87</b>	-2.47	-0.18	-24.1
Canada	<b>S&amp;P/TSX Comp</b>	<b>18307.91</b>	-19.13	-0.10	-13.7
Latin Amer.	<b>MSCI EM Latin America</b>	<b>2045.15</b>	1.09	0.05	-4.0
Brazil	<b>BOVESPA</b>	<b>108376.35</b>	-737.81	-0.68	3.4
Chile	<b>S&amp;P IPSA</b>	<b>3181.11</b>	1.16	0.04	13.4
Mexico	<b>S&amp;P/BMV IPC</b>	<b>45006.11</b>	197.55	0.44	-15.5
<b>EMEA</b>	<b>STOXX Europe 600</b>	<b>388.24</b>	-0.51	-0.13	-20.4
Eurozone	<b>Euro STOXX</b>	<b>365.87</b>	-1.46	-0.40	-23.6
Belgium	<b>Bel-20</b>	<b>3390.90</b>	1.86	0.05	-21.3
Denmark	<b>OMX Copenhagen 20</b>	<b>1530.59</b>	7.57	0.50	-17.9
France	<b>CAC 40</b>	<b>5753.82</b>	-15.57	-0.27	-19.6
Germany	<b>DAX</b>	<b>12139.68</b>	-88.24	-0.72	-23.6
Israel	<b>Tel Aviv</b>	<b>1922.89</b>	...	Closed	-2.8
Italy	<b>FTSE MIB</b>	<b>20961.38</b>	-245.87	-1.16	-23.3
Netherlands	<b>AEX</b>	<b>642.72</b>	2.31	0.36	-19.5
Russia	<b>RTS Index</b>	<b>1053.46</b>	10.02	0.96	-34.0
South Africa	<b>FTSE/JSE All-Share</b>	<b>64025.95</b>	400.29	0.63	-13.1
Spain	<b>IBEX 35</b>	<b>7445.70</b>	-62.80	-0.84	-14.6
Sweden	<b>OMX Stockholm</b>	<b>700.01</b>	2.87	0.41	-32.5
Switzerland	<b>Swiss Market</b>	<b>10126.43</b>	53.81	0.53	-21.4
Turkey	<b>BIST 100</b>	<b>3265.64</b>	5.49	0.17	75.8
U.K.	<b>FTSE 100</b>	<b>6984.59</b>	-36.36	-0.52	-5.4
U.K.	<b>FTSE 250</b>	<b>17304.11</b>	-418.72	-2.36	-26.3
<b>Asia-Pacific</b>	<b>MSCI AC Asia Pacific</b>	<b>142.14</b>	0.26	0.18	-26.4
Australia	<b>S&amp;P/ASX 200</b>	<b>6496.20</b>	26.79	0.41	-12.7
China	<b>Shanghai Composite</b>	<b>3093.86</b>	42.64	1.40	-15.0
Hong Kong	<b>Hang Seng</b>	<b>17860.31</b>	5.17	0.03	-23.7
India	<b>S&amp;P BSE Sensex</b>	<b>57107.52</b>	-37.70	-0.07	-2.0
Japan	<b>NIKKEI 225</b>	<b>26571.87</b>	140.32	0.53	-7.7
Singapore	<b>Straits Times</b>	<b>3165.50</b>	-16.47	-0.52	1.3
South Korea	<b>KOSPI</b>	<b>2223.86</b>	2.92	0.13	-25.3
Taiwan	<b>TAIEX</b>	<b>13826.59</b>	48.40	0.35	-24.1
Thailand	<b>SET</b>	<b>1610.58</b>	-10.67	-0.66	-2.8

Sources: FactSet; Dow Jones Market Data

### Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	52-Week High	52-Week Low
Atlis Motor Vehicles	AMV	82.12	54.62	198.62	82.12	27.50
Avenue Therapeutics	ATXI	7.26	3.74	106.25	27.75	3.00
Grove Collaborative	GROV	4.01	1.05	35.47	12.50	2.66
InMed Pharmaceuticals	INM	6.71	1.60	31.31	59.25	4.95
AN2 Therapeutics	ANTX	15.50	3.68	31.13	23.58	6.88
Intelligent Living	ILAG	2.62	0.58	28.43	26.40	1.49
Harrow Health	HROW	9.73	2.12	27.86	12.99	5.40
Prsto Technologies	PRST	2.69	0.50	22.55	10.70	1.88
PaxMedica	PXMD	2.57	0.40	18.43	10.48	2.04
Altus Power	AMPS	13.90	2.03	17.10	14.00	4.26
Immunic	IMUX	3.46	0.46	15.33	14.50	2.52
Odyssey Marine Expln	OMEX	2.79	0.34	14.81	7.39	2.29
Ryder System	R	76.28	9.77	14.69	93.05	61.71
Third Harmonic Bio	THRD	19.93	2.50	14.34	21.49	16.00
Huadi International	HUDI	25.00	2.90	13.12	35.70	2.95

### Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	52-Week Low
ProShares UltraPro QQQ	TQQQ	268,517	66.0	21.04	0.10	91.68	20.45
ProSh UltraPro Shrt QQQ							

# Cerberus Hires Credit Suisse's Former Chairman

By MARGOT PATRICK

Former Credit Suisse Chairman António Horta-Osório has joined Cerberus Capital Management LP as a senior adviser in Europe, adding to a set of new roles since his sudden departure from the Swiss bank in January.

His job will be to help the U.S. private-equity firm with deals in Europe's financial sector, drawing on his relationships from decades in banking, people familiar with the matter said.

The appointment came about because he knew some of Cerberus's top executives from other assignments, one of the people said.

Cerberus is an active investor in the region's fragmented financial-services industry through its funds. It has taken stakes in Deutsche Bank AG, HSH Nordbank and other lenders—with mixed success—and buys portfolios of nonperforming loans and other assets.



António Horta-Osório had to resign from Credit Suisse following a board investigation into his travel and personal conduct.

Mr. Horta-Osório was lauded in European finance for turning around the U.K.'s Lloyds Banking Group PLC as chief executive, and received a British knighthood in 2021. For nine months, he oversaw a strategy shift at Credit Suisse following the collapse of two

clients, Archegos Capital Management and Greensill Capital. He had to resign from the Credit Suisse chairman's role this year, following a board investigation into his travel and personal conduct.

Some of the travel breached Covid-19-related govern-

ments, which Mr. Horta-Osório said was unintentional.

Credit Suisse said in July it would make fresh changes to its strategy after reporting three consecutive quarterly losses and failing to win over investors. That month, Mr. Horta-Osório took a role as a senior adviser at Italy's Mediobanca Banca di Credito Finanziario SpA. In Portugal, his native country, conglomerate Impresa recently hired him as vice chairman, and he joined the board of family-held José de Mello Group in September.

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auction.

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.

Table with columns: Applications, Accepted bids, \* noncompetitively, Foreign noncompetitively, Auction price (rate), Interest rate, Bids at clearing yield accepted, Cusp number, The notes, dated Sept. 30, 2022, mature on Sept. 30, 2027.

## New Highs and Lows

Table of stock market movements with columns: Stock, Sym, Hi/Low, Chg, 52-Wk % High/Low, % Chg.

Table of stock market movements with columns: Stock, Sym, Hi/Low, Chg, 52-Wk % High/Low, % Chg.

Table of stock market movements with columns: Stock, Sym, Hi/Low, Chg, 52-Wk % High/Low, % Chg.

Table of stock market movements with columns: Stock, Sym, Hi/Low, Chg, 52-Wk % High/Low, % Chg.

# Banks Fined Over Messaging

Continued from page B1

and Exchange Commission and the Commodity Futures Trading Commission. The fines, which many of the banks had already disclosed to shareholders, underscore the market regulators' stern approach to civil enforcement. Fines of \$200 million, which many of the banks will pay under the agreements, have typically been seen only in fraud cases or investigations that alleged harm to investors.

But the SEC, in particular, has during the Biden administration pushed for fines that are higher than precedents, saying it wants to levy fines that punish wrongdoing and effectively deter future potential harm.

The SEC's focus on record-keeping is likely to be extended next to money managers, who also have a duty to maintain written communica-

tions related to investment advice.

Last month, the SEC alleged that hedge-fund manager Deccan Value Investors LP and its chief investment officer failed to maintain messages sent over Apple iMessage and WhatsApp. In some cases, the chief investment officer directed an officer of the company to delete their text messages, the SEC said. The claims were included in a broader enforcement action, which Deccan settled without admitting or denying wrongdoing.

Eight of the largest entities, including Goldman Sachs and Morgan Stanley, agreed to pay \$125 million to the SEC and at least \$75 million to the CFTC. Jefferies will pay a total of \$80 million to the two market regulators, and Nomura agreed to pay \$100 million. Cantor agreed to pay \$16 million.

The SEC said it found "perverse off-channel communications." In some cases, supervisors at the banks were aware of and even encouraged employees to use unauthorized messaging apps instead of communicating over company email or other approved platforms.

## Biggest 1,000 Stocks

Table of top 1,000 stocks by market cap with columns: Stock, Sym, Close, Chg, Net.

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## Mutual Funds

Table of mutual fund performance with columns: Fund, NAV, YTD Chg %Ret, Net YTD Chg %Ret.

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