

Business

MARKETS

▼ 12.34 **Dow** 25,952.48
 ▼ 18.29 **Nasdaq** 8,091.25
 ▼ 4.80 **S&P 500** 2,896.72
 ▲ 0.04 **10-yr. T-note** 2.90%
 ▲ \$0.07 **Oil** \$69.87
 ▼ \$7.60 **Gold** \$1,192.70
 ▼ \$0.38 **Silver** \$14.06

Euro 0.8630 • **Peso** 19.4030

HEALTH AND TECH

STOCKS DIP: U.S. stocks finished lower Tuesday as losses for health care and technology companies canceled out gains for banks. Banks stocks rose as interest rates climbed. Investors didn't commit to many big moves as trading resumed after the Labor Day holiday.

BRIEFLY

FACTORIES GROW AT FASTER PACE: U.S. factories grew at a faster pace in August as American industry continues to show robust health. The Institute for Supply Management, a trade group of purchasing managers, says its manufacturing index jumped last month to 61.3 from 58.1 in July. Anything over 50 signals growth, and U.S. manufacturing is on a 24-month winning streak. Sixteen of 18 manufacturing industries expanded in August, led by makers of electronic equipment, clothing, textiles and paper products. Factories also stepped up hiring.

CONSTRUCTION

SPENDING HIGHER: Spending on U.S. construction projects ticked up 0.1 percent in July, led by an increase in homebuilding and the publicly funded building of schools and highways. The Commerce Department said Tuesday that the slight July increase brought total construction spending to a seasonally-adjusted annual rate of \$1.32 trillion, 5.8 percent higher than a year ago. Nonresidential construction — offices, stores, factories and other buildings — tumbled 0.3 percent in July. Some of that decline was offset by a 0.6 percent gain in homebuilding.

STATE FARM REACHES

\$250M ACCORD: State Farm, the biggest U.S. auto insurer, agreed to pay \$250 million on the brink of a trial in which customers claimed the company tried to rig the Illinois justice system to wipe out a \$1 billion jury verdict from 19 years ago. Customers were seeking as much as \$8.5 billion in damages in a civil racketeering trial that had been set to start Tuesday in federal court in East St. Louis. The company denied any wrongdoing in settling the claim. The class of customers covered by the deal will include anyone in the U.S. — other than those in Arkansas and Tennessee — who was insured by a vehicle casualty policy with State Farm from July 28, 1987, and Feb. 24, 1998, according to the settlement agreement.

MERCEDES UNVEILS

ELECTRIC SUV: Mercedes-Benz has unveiled an all-electric SUV that it plans to start producing next year in Germany. Daimler AG's luxury brand showed off its EQC sport utility crossover at an event outside Stockholm. It's seen as a rival to Tesla's Model X.

DIGITS

4.2%

Drop in Tesla stock, closing at \$288.95, after a Goldman Sachs analyst said the company will face rising competition from other electric car makers as an important federal tax credit is phased out, while its spending is likely to increase further.

U-T NEWS SERVICES

SEMPRA PLANT TAKES STEP FORWARD



A rendering of Sempra Energy's proposed Port Arthur LNG facility on the Texas Gulf Coast.

Federal notice given for proposed LNG facility on Gulf Coast

BY ROB NIKOLEWSKI

Sempra Energy's race to grab a chunk of the global liquefied natural gas export market took another step forward as the San Diego-based Fortune 500 company received an important regulatory notice from the federal government for a proposed facility on the Texas Gulf Coast.

The Federal Energy Regulatory Commission informed Sempra officials that a Notice of Schedule sets Jan. 31, 2019, as the planned completion date of the final environmental impact statement for the siting, construction and operation of the Port Arthur LNG project.

"This is an important step forward in the federal regulatory review to construct our Port Arthur liquefaction-export project," Joseph Householder, Sempra's president and chief operating officer said in a

statement. "Federal and Texas state policymakers have been instrumental in supporting U.S. liquefied natural gas exports to bolster the U.S. economy."

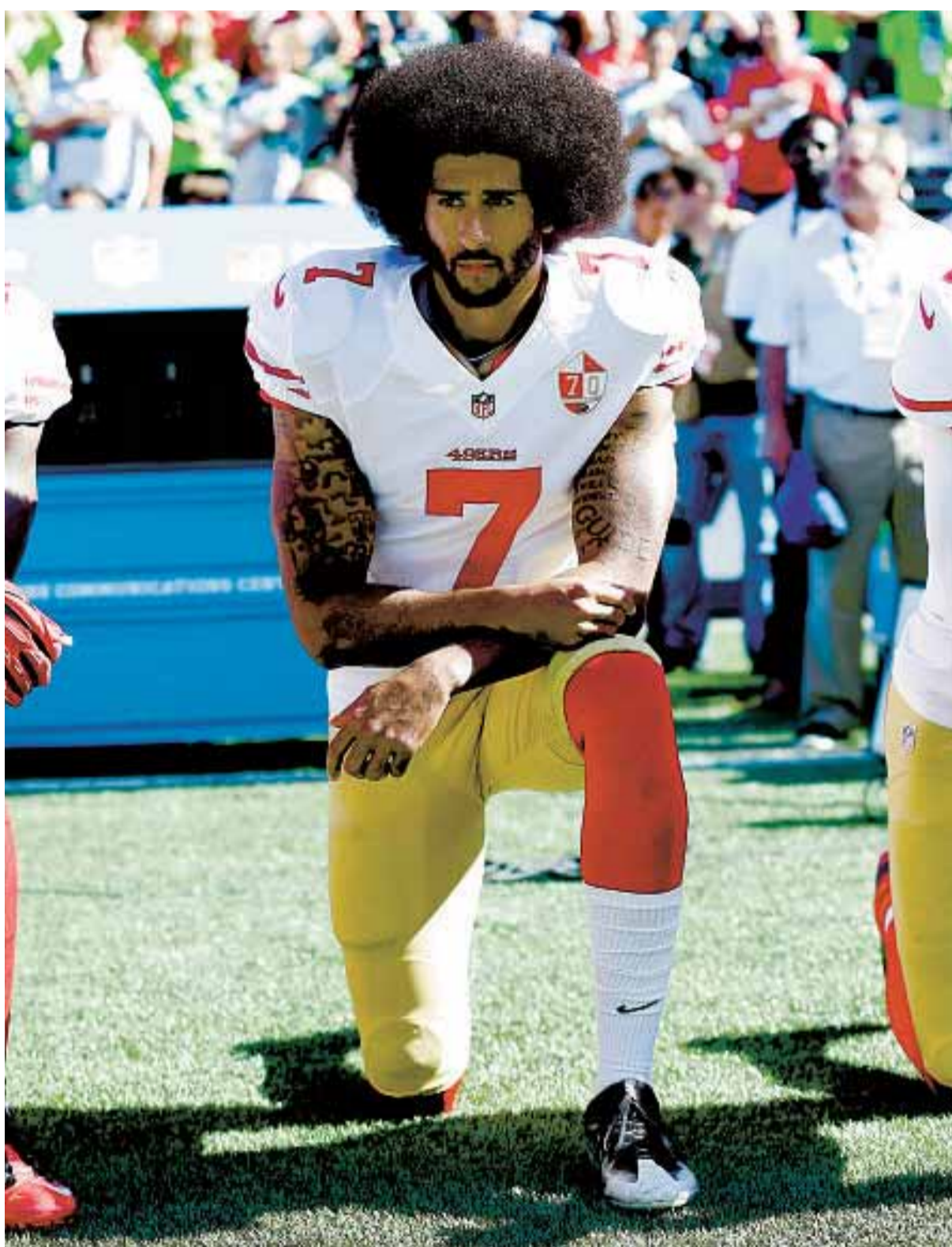
Sempra officials have not made a final decision to go ahead with the Port Arthur project, saying it is contingent on a number of permitting, engineering, financial and partnership issues.

Earlier this year, though, Sempra signed a 20-year contract with Poland's state-owned gas company to deliver 2 million tons a year

SEE SEMPra • C4

"You may have a negative reaction or a positive reaction, but you have a reaction."

John Sweeney • sports communication professor at the University of North Carolina



Colin Kaepernick originated the NFL kneeling protest as a member of the San Francisco 49ers.

NIKE GETTING POLITICAL WITH KAEPERNICK ASSIST

Advertisement creates controversy, driving down stock by more than 3 percent

BY MAE ANDERSON

Why do it?

Nike has touched off a furor by wading into football's national anthem debate with an ad featuring Colin Kaepernick, the former 49ers quarterback who was the first athlete to kneel during the national anthem to protest police brutality against blacks and hasn't played a game since 2016.

The ad copy reads: "Believe in

something, even if it means sacrificing everything."

The ad, part of Nike's 30th anniversary "Just Do it" campaign, has outraged many. Online, people threatened boycotts and posted videos and photos of shoes set on fire, Nike gear thrown in the trash, and swoosh logos cut out of products.

Most big corporations steer clear of politics, and marketing experts disagreed Tuesday over whether the Kaepernick campaign is good busi-

ness.

But some noted approvingly that it made a big splash and set Nike apart. And they said it could solidify Nike's bond with athletes, especially black ones, an important consideration for a company that relies heavily on sports stars to endorse its products.

Brian Gordon, CEO of Engine Shop, a sports and entertainment marketing agency, said the ad is pro-

SEE NIKE • C4

UCSD STARTS JOINT VENTURE

\$65 million to fund drug development

BY BRADLEY J. FIKES

Seeking to speed up development of new drugs, UC San Diego has partnered with a New York investment management firm that has committed \$65 million to the project.

Called Poseidon Innovation, the joint venture of UCSD and Deerfield Management will fund early-stage drug development, and may also make additional investments in spinoff companies arising from the venture.

Announced today, the project is the latest UCSD initiative to use its research abilities to find promising new drugs and get them through the complicated cycle of discovery, refinement, human clinical testing and approval.

In 2015, the university

SEE VENTURE • C4

TWITTER, FACEBOOK SET FOR CAPITOL HEARINGS

ASSOCIATED PRESS

Facebook and Twitter executives plan to defend their companies in two congressional hearings today, arguing they are aggressively trying to root out foreign actors who want to do the United States harm just weeks before the midterm elections.

Twitter's CEO will also face angry Republicans who claim the companies have shown evidence of bias against conservatives. In prepared testimony released ahead of a House hearing this afternoon, Jack Dorsey says his company does not use political ideology to make decisions.

Congress has sharply criticized the social media companies over the last year as it has become clear that they were at the forefront of Russia's interference in the 2016 elections and beyond.

SEE HEARINGS • C4

SHARED OFFICE SPACE FIRM TO OCCUPY HALF OF NEW BUILDING IN EAST VILLAGE

BY JENNIFER VAN GROVE

Spaces, the cooler co-working offshoot of shared office space giant Regus, has inked a deal to occupy 33,806 square feet at Block D, the recently completed six-story commercial office building in East Village's Makers Quarter.

Slated to open in early 2019, the new co-working venue at 15th and F streets

will occupy the second, third and fourth floors at Block D, taking up more than half of the 60,000 square-foot "green" office development. Spaces will also have its own private entrance at Block D, which itself touts a number of creative office perks, including a natural ventilation system complete with rollup garage doors on every level and motorized exterior blinds.

The lease signing underscores the continued popularity of alternative work spaces, where open formats, stylish furniture and beer taps cater to young professionals and their preferred way of work life.

San Diego County is home to more than 1.2 million square feet of flexible workplaces, according to a May 2018 report issued by

SEE SPACES • C4



NICK MERRICK MAKERS QUARTER

Block D is a 60,000-square-foot, six-story work hub.

VENTURE Aim for bigger clinical trials

FROM C1
said it would work to double the number of patients it enrolls in clinical trials. Also that year, it was awarded \$52 million from the National Institutes of Health to accelerate drug development.

The next year, the university opened its \$269 million Altman Clinical and Translational Research Institute, where researchers from different fields of expertise collaborate to advance clinical trials. UCSD has also directly teamed up with drug companies such as Pfizer and GSK.

For its part, Deerfield has entered into similar partnerships with Johns Hopkins University, Vanderbilt, Northwestern University and the Broad Institute of Harvard and MIT. The UCSD partnership is Deerfield's first on the West Coast and the first with a public university.

"This is another alternative for the campus and fac-



ERIK JEPSEN UC SAN DIEGO PUBLICATIONS

UC San Diego has partnered with investment firm Deerfield Management to speed drug development.

ulty to really accelerate drug development," said Paul Roben, UCSD associate vice chancellor for the Office of Innovation & Commercialization. Roben is a member of Poseidon's joint steering committee.

Projects that are accepted will be given funding from the \$65 million, along with other resources needed to take them to the beginning of the clinical trial process.

"As opposed to looking at a single individual lab, we will identify all the resources that are going to be needed,"

he said. "It's going to be bringing a lot of different things together, both on campus and off campus," Roben said.

Deerfield will contribute its own drug development capabilities in addition to funding, said Deerfield partner Jonathan Leff. This comprehensive support will eliminate many of the inefficiencies that are caused by handling projects piecemeal.

These capabilities include "everything from pharmacology toxicology to manufacturing to intel-

lectual property, to biostatistics and regulatory, all of the different disciplines to make the best decisions about how to move these things forward as quickly and efficiently as we can," Leff said.

The money is specifically intended to bridge the funding gap from academic discovery to beginning clinical trials, which is usually handled by companies, he said.

"That gap is what's commonly referred to as the Valley of Death, because so many programs die at that stage for lack of access to capital," Leff said. "And so Poseidon is a collaboration that's designed to provide the capital to traverse that valley for these programs."

After drug programs qualify to start clinical testing, more money will be provided, Leff said. These would either be licensed into a new company funded by Deerfield and possibly others; or directly licensed to a drug or biotech company. This money is in addition to the \$65 million used to take drugs to the threshold of clinical testing.

bradley.fikes@sduiontribune.com

SEMPRA

FROM C1

LNG from Port Arthur, pending the project's completion.

LNG processing units are called "trains" and Port Arthur would include two trains to enable the long-term sale of about 11 million tons per year of LNG. Three storage tanks and two marine berths are also part of the project.

"The market has fluctuated for LNG exports," said Andy Smith, a senior analyst who follows utilities for Edward Jones. "The prices have come down but companies still appear to be proceeding, at least some of them, and the off-takers appear to still want the product. So while the prices may not be as attractive as they once were for these exporters, if they can get contracts in their hands and receive all the approvals and it makes economic sense for them to do it, they'll go ahead and green-light them."

If Sempra proceeds with the Port Arthur facility, it will mark the company's second significant LNG project in the Gulf Coast.

Sempra has partnered with companies in Japan and France to construct the \$10 billion Cameron LNG facility in Hackberry, La. It's expected to begin operations next year with three

trains and company officials are considering adding more in the future.

Sempra has high hopes for Cameron. Last year, Householder projected cash distributions after debt service to be over \$11 billion during the project's 20-year contract period.

The company is also considering adding an LNG export component to the facility its subsidiary in Mexico, ENova, operates near Ensenada. An export facility in Baja California would be financially attractive because LNG shipments to markets in Japan and Asia would not have to go through the Panama Canal.

The market for LNG — the process in which natural gas is cooled to minus-260 degrees Fahrenheit and condensed into liquid — has boomed in recent years as U.S. producers have tapped into ever-increasing amounts of gas found in shale fields.

The first U.S. export facility opened in Louisiana in 2016, the second opened in Maryland earlier this year and Sempra is among a number of companies racing to get facilities up and running. Some analysts have predicted LNG growing 4 percent to 5 percent a year through 2040.

rob.nikolewski
@sduiontribune.com
Twitter: @robnikolewski



NICK MERRICK MAKERS QUARTER

Block D in Makers Quarter will include multiple balconies and outdoor circulation spaces.

SPACES • Block D is set to open next year

FROM C1
commercial real-estate brokerage Cushman & Wakefield. Flexible workplaces include classic-format executive suites and the more millennial-friendly, open-format design popularized by New York-based real-estate upstart WeWork.

Founded in 1989 and based in Luxembourg, Regus is the subsidiary of International Workplace Group; it's the top flexible work space

firm in the San Diego market with 18 locations comprising 288,315 square feet. Locally, that's more than double the space occupied by WeWork, which debuted here in December 2016.

IWG's hipper Spaces brand, which originated in Amsterdam and was acquired by Regus to appeal to 20- and 30-something entrepreneurs, has 124 locations with plans to expand to 200 sites around the world by

2019. It competes directly against WeWork, selling general membership to what's called the "business club" at every Spaces facility, along with upgrades such as personal workstations, private offices and meeting rooms.

Spaces has one other San Diego location at 4660 La Jolla Village Drive in University City, where memberships cost \$255 per month, dedicated desks start at \$462 per month and small of-

fices go for \$749 per month and up.

The firm's coming-soon downtown venue will be situated within Makers Quarter, a master-planned live-work-play section of East Village located south of City College and bounded by Broadway and G Street, 14th and 17th streets.

jennifer.vangrove@
sduiontribune.com
(619) 293-1840 • Twitter: @jbruin

NIKE • Brand no stranger to making waves

FROM C1
vocative but "authentic to who they are and the communities they represent and speak to," including the athletes.

"Even in the face of potential backlash, they support their athlete partners, and that's an incredibly powerful statement to the athlete community," Gordon said.

Other athletes in the campaign include tennis star Serena Williams, New York Giants wide receiver Odell Beckham Jr. and Shaquem Griffin, a linebacker whose left hand was amputated when he was 4. But the Kaepernick ad struck a nerve, timed just before the NFL season kicks off on Thursday.

Nike did not return a request for comment about its strategy. Its stock closed down more than 3 percent Tuesday.

Neil Saunders, managing director of the data and analytics firm GlobalData, called the Kaepernick strategy "commercially imprudent."

"Nike's campaign will generate both attention and discussion which is, arguably, one of its strengths," he said. "However, it is also a risky strategy in that it addresses, and appears to take sides on, a highly politicized issue. This means it could ultimately alienate and lose customers, which is not the purpose of a marketing campaign."



KYLE JOHNSON THE NEW YORK TIMES

Nike's is marking the 30th anniversary of its famous "Just Do It" advertising campaign.

But other experts think the strength of Nike's brand will help it weather the storm and perhaps benefit from it, too. Nike is one of the world's largest sports apparel companies, with \$34.5 billion in revenue last year.

"What you stand for is almost as important as what you make," said Allen Adamson, co-founder of marketing firm Metaforce. "It's a polarized marketplace. No matter what you do, you offend some people. They're focused on what they stand for, and if that upsets some users, so be it."

Robert Passikoff, founder of marketing consultancy Brand Keys, said an ad like Nike's will divide people, but the outrage won't last.

"My guess is that the audience that is reacting so badly to this aren't buying a lot of Nikes anyway," he said.

"They'll move on to the next thing. Welcome to the 21st century."

Nike, based in Beaverton, Ore., has made waves before. An ad for the company's sport hijab went viral in 2017. And a 2010 commercial featuring a voiceover by Tiger Woods' late father when the golfer was trying to recover from a sex scandal drew mixed reviews.

In August, Nike made news when the French Open banned Williams' Nike-branded black catsuit. Nike responded by posting an image of her on social media with the line "You can take the superhero out of her costume, but you can never take away her superpowers."

Brands run the risk of a backlash in taking a political stand in their advertising.

Starbucks was mocked in 2015 for trying to start a dis-

cussion about race by writing the slogan "Race Together" on its cups. Pepsi ended up pulling a commercial that showed Kendall Jenner giving a Pepsi to a police officer; some said the ad trivialized the "Black Lives Matter" protests.

John Sweeney, sports communication professor at the University of North Carolina, said the Kaepernick ad was created to provoke people, and in that respect, it succeeded.

"You may have a negative reaction or a positive reaction," he said. "They wanted something that would stop the presses and stop people in their places."

For some, the ad has made them bigger fans of the brand.

"I think what Nike did was a tremendous step in fighting against the people who misunderstand the protests by Kaep and players," said Seth Buchwalter, of Portland, Ore., a lifelong Nike customer.

But Wesley Callaway, of Omaha, Neb., said he doesn't agree with kneeling during the national anthem and thinks it is unfortunate Nike is featuring Kaepernick, though he said he doesn't buy many Nike products and won't make any changes in his shopping habits.

"I don't mind them protesting brutality," he said. "I just wish they wouldn't do it during the anthem."

Anderson writes for
The Associated Press.

HEARINGS • Google bows out

FROM C1

That scrutiny has led to additional criticism over the companies' respect for user privacy and whether conservatives are being censored — frustrations that are particularly heightened ahead of the midterms.

"The companies have made progress, the government has made progress, but the bad guys have made progress as well," said Virginia Sen. Mark Warner, the top Democrat on the Senate Intelligence Committee, which will hear from both companies in the morning on the subject of foreign interference. Warner has proposed a series of ways the companies could be regulated for the first time.

The afternoon hearing in the House Energy and Commerce Committee will feature only Dorsey in a hearing focused on bias and the platform's algorithms. Some Republicans, including President Donald Trump, have pushed the idea ahead of the elections that Twitter is "shadow banning" some in the GOP because of the ways search results have appeared. Twitter denies that is happening.

Missing from the conversation will be Google, which refused to make its top executive available for the Senate hearing. The panel invited Larry Page, the CEO of Google's parent company, Alphabet, but the company said it would send a lower-ranking executive instead. The committee rejected that offer, and is expected to have an empty chair at the hearing for Page.

Senate Intelligence Committee Chairman Richard Burr said Tuesday that Google doesn't "understand the problem" if it doesn't want to work with the government to find solutions.

The back-and-forth with Google is the latest in a year's worth of attempts by Congress to force the companies to focus more sharply on the Russian interference issue. While Burr says he believes Facebook and Twitter do understand the problem, it took both companies several months last year to acknowledge they had been manipulated.

It also underscores how difficult the problem may be to solve. While the companies have made many changes around their policies and have caught and banned hordes of malicious accounts over the past year, their business models — free services that rely on attracting as many users as possible for as long as possible and finding out as much about them as possible — remain the same. Some critics have charged that unless they change this, they will continue to contend with bad actors taking advantage of their systems.

In prepared remarks for today's hearing, Facebook's No. 2 executive, Sheryl Sandberg, details many ways the company is addressing the problem but reiterates that the company was slow to spot it. Thirteen Russians were indicted by special counsel Robert Mueller earlier this year on charges of an elaborate plot to disrupt the 2016 U.S. presidential election by creating



MIKE COHEN NYT

Twitter's Jack Dorsey will be at House hearing.

fake accounts that pushed divisive issues on social media.

In her testimony, Sandberg details ongoing efforts to take down material linked to the Russian agency, including the removal this year of 270 Facebook pages. Still, Sandberg says the company's overall understanding of the Russian activity in 2016 is limited "because we do not have access to the information or investigative tools" that the U.S. government has.

"This is an arms race, and that means we need to be ever more vigilant," Sandberg says.

Dorsey says Twitter has continued to identify accounts that may be linked to the same Russian internet agency in Mueller's indictment. He says Twitter has suspended 3,843 accounts the company believes are linked to the agency, and has seen recent activity.

On bias, the Twitter CEO is aggressive in defending his company, saying in the prepared House testimony that he wants to be clear about one thing: "Twitter does not use political ideology to make any decisions, whether related to ranking content on our service or how we enforce our rules."

To address the concerns, Dorsey offers an explanation of how Twitter uses "behavioral signals," such as the way accounts interact and behave on the service. Those signals can help weed out spam and abuse.

He says such behavioral analysis "does not consider in any way" political views or ideology.

Dorsey says the San Francisco-based company is also "committed to help increase the collective health, openness, and civility of public conversation, and to hold ourselves publicly accountable towards progress."

Only Dorsey was invited to the House hearing after specific Republican concerns about bias on Twitter. While all three tech companies have been accused of political bias against conservatives, the more public-facing nature of Twitter has made it an especially easy target.

Despite the companies' denials, conservatives have continued to push the issue ahead of the 2018 elections.

"Sadly, conservatives are too often finding their voices silenced," House Majority Leader Kevin McCarthy said in a statement when the hearing was announced. "We all agree that transparency is the only way to fully restore Americans' trust in these important public platforms."