

# THE WALL STREET JOURNAL.

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YEN 152.76

## What's News

### Business & Finance

◆ **Sales of existing homes** in the U.S. are on track for the worst year since 1995, as persistently high house prices and elevated mortgage rates deter buyers. **A1**

◆ **Boeing machinists** rejected a deal that would have ended their strike, extending the jet maker's financial peril as it burns through billions of dollars. **A1**

◆ **Another mixed round** of earnings reports helped drag U.S. stocks lower, with the S&P 500, Nasdaq and Dow falling 0.9%, 1.6% and 1%, respectively. **B1**

◆ **Shares of AT&T rose** after better-than-expected earnings helped investors look past a sizable goodwill impairment charge and disappointing subscriber gains. **B1**

◆ **Deutsche Bank said** growth in investment banking and the partial release of provisions led it to beat profit expectations for the quarter. **B6**

◆ **American was fined \$50 million** after the Transportation Department said the airline for years mistreated passengers with disabilities. **A3**

◆ **Volvo cut its full-year guidance** and said it now expects negative cash flow due to lower sales expectations and a weak market. **B2**

◆ **Reckitt Benckiser reported** third-quarter revenue that fell less than analysts expected, as shoppers bought more of the company's hygiene and health products. **B3**

◆ **The U.K.'s antitrust regulator** launched a formal investigation into Carlsberg's acquisition of Britvic with an eye to competition in markets it oversees. **B3**

### World-Wide

◆ **Trump has opened a narrow lead** in the presidential race as voters have adopted a more positive view of his competence and agenda and a more negative view of Harris, a new Wall Street Journal poll found. **A1**

◆ **Private Medicare insurers** got about \$4.2 billion in extra federal payments in 2023 for diagnoses from home visits the companies initiated, even though they led to no treatment, an inspector general's report says. **A1**

◆ **Kamala Harris sought** to highlight former White House chief of staff John Kelly's criticism of Trump, who he said falls into "the general definition of fascist." **A4**

◆ **Billionaire philanthropist** Bill Gates privately told people he donated around \$50 million toward electing Harris president, people familiar with the matter said. **A4**

◆ **Russia, Iran and China** have stepped up efforts to target U.S. elections with influence operations, Microsoft said. **A4**

◆ **The U.S. said thousands** of North Korean troops are being trained in Russia and might be used to reinforce Moscow's military offensive in Ukraine. **A6**

◆ **Xi and Modi held** their first formal meeting in five years after China and India reached an understanding about managing military patrols along parts of their de facto border. **A7**

◆ **Residents of Washington state** will next month vote on a ballot initiative that calls for the repeal of a 2021 law aimed at reducing greenhouse-gas emissions. **A3**

◆ **Died: Fernando Valenzuela,** 63, popular Dodgers pitcher. **A2**

**CONTENTS** Markets..... B10  
Arts in Review.... A13 Opinion..... A15-17  
Business News.... B3 Personal Journal A11-12  
Crossword..... A14 Sports..... A14  
Equities..... B7 Technology..... B4  
From Page One.... A10 U.S. News..... A2-5  
Head on Street.... B11 World News.... A6-9

## Attack on Turkish Defense Plant Kills Four



**GRIEF:** People gathered outside of the Turkish Aerospace Industries' headquarters near Ankara on Wednesday after a suspected terrorism attack, which included an explosion and an exchange of gunfire, killed four and injured at least 14. **A6**

## Falling Home Sales Are on Track For Their Worst Year Since 1995

BY NICOLE FRIEDMAN AND GINA HEEB

Sales of existing homes in the U.S. are on track for the worst year since 1995—for the second year in a row.

Persistently high home prices and elevated mortgage rates are keeping potential home buyers on the sidelines. Sales of previously owned homes in the first nine months of the year were lower than the same period last year, the National Association of Realtors said Wednesday.

Existing-home sales in September fell 1% from the prior month to a seasonally adjusted annual rate of 3.84 million, NAR said, the lowest monthly rate since October 2010. Economists surveyed by The Wall Street Journal had estimated a monthly decrease of 0.5%.

September sales fell 3.5% from a year earlier.

After a sluggish 2023, economists and real-estate executives widely expected activity to pick up in 2024.

But mortgage rates have

stayed higher throughout the year than some had forecast, including in recent weeks after the Federal Reserve's interest-rate cut last month. That has kept home-buying affordability low.

Home prices have continued to rise, as inventory in many parts of the country is still below normal historical levels. Climbing home insurance costs and a coming election are also adding to buyers' uncertainty.

"Home sales are stuck at low levels," said Lawrence

Yun, NAR's chief economist. "Americans are really not moving." Yun said he forecasts that existing-home sales for 2024 as a whole could match or be slightly below last year's level.

Expectations that the Fed would cut rates this year caused mortgage rates to drop to 6.08% in September, a two-year low. But the move came too late in the year to lure buyers, real-estate agents said. Many families prefer to purchase in the spring and move

Please turn to page A2

## Medicare Watchdog Faults Home-Visit Pay

BY CHRISTOPHER WEAVER AND ANNA WILDE MATHEWS

Private Medicare insurers got about \$4.2 billion in extra federal payments in 2023 for diagnoses from home visits the companies initiated, even though they led to no treatment, a new inspector general's report says.

The extra payments were triggered by diagnoses documented based on the visits, including potentially inaccurate ones, for which patients received no other medical services, the report says. Insurers offering private plans under Medicare, known as Medicare Advantage, get paid more when patients have costly conditions.

Each visit was worth about

\$1,869 on average to the insurers, according to the Office of Inspector General for the Health and Human Services Department. The findings closely mirror those of a Wall Street Journal investigation published in August that showed, between 2019 and 2021, insurers pocketed an average of \$1,818 for each visit based on diagnoses for which people received no other treatment.

The watchdog recommended for the first time that Medicare restrict or even cut off payments for diagnoses from these visits.

The Medicare agency disagreed with the recommendation to restrict home-visit payments, citing limitations of the study, according to the report.

Please turn to page A5

## INSIDE



### JASON GAY

LeBron and Bronny James make NBA history as a father-son duo. **A14**

### PERSONAL JOURNAL

Applications to M.B.A. programs have soared, climbing 12% in 2024. **A11**

## Big Donors Fund 'Stop the Steal' 2.0

Groups lay plans to contest outcome

BY REBECCA BALLHAUS AND MARIAH TIMMS

broader effort to contest the outcome—a Stop the Steal 2.0—if the vote doesn't go his way.

A secretive network of GOP donors and conservative billionaires have fueled the effort, giving more than \$140 million to nearly 50 loosely connected groups that work on what they call election integrity, according to a Wall Street Journal review of Federal Election Commission filings, tax filings and other records. Among the donors are organizations linked to Wisconsin billionaires Richard and Elizabeth Uihlein and

Please turn to page A10

## When TikTok Stars Divorce, Dividing the Assets Is a Drag

\* \* \*

Couples argue over future value of accounts;  
The judge was like, 'What?'

BY KATHERINE HAMILTON

When Kat and Mike Stickler filed for divorce, their lawyers had a math problem.

Among the couple's biggest assets was MikeAndKat, a channel on TikTok and YouTube in which they shared their lives with about four million followers. No one knew how to evenly split MikeAndKat between Mike and Kat.

"The judge was like,

'what?'" Kat said last month during a podcast interview with Northwestern Mutual. "It's a whole new terrain."

Social media pays the bills for millions of Americans. But making a living online is more financially complicated than working a 9-to-5. Influencers need an audience to win advertising deals, and changing what they post risks turning followers away. Couples who showcase their love

Please turn to page A12

## Boeing Union Rejects Pact, Extending Strike

BY SHARON TERLEP

Boeing's largest union rejected a new labor deal Wednesday, extending a six-week strike that has plunged the jet maker into increasing financial peril.

Members of the machinist union voted 64% against a proposed contract that would have delivered a 35% wage increase over four years, union leaders said.

Without a deal, factories that build the 737, 767 and 777 jets remain idled, further sappling the company's revenue and risking more disruption in its supply chain.

The vote came on the same day Boeing warned investors that it would burn through

cash into 2025 after burning through more than \$10 billion in the first nine months of 2024. Analysts estimate the walkout is costing Boeing around \$1 billion a month.

Credit-ratings firms have warned they may downgrade Boeing into junk status.

Boeing declined to comment.

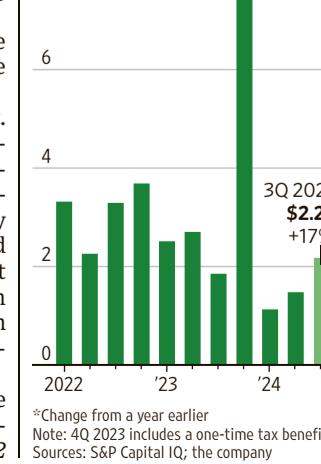
The strike by 33,000 members of the International Association of Machinists and Aerospace Workers has already rippled beyond Boeing and prompted some suppliers to cut staff or furlough workers. An extended halt in production would further delay aircraft deliveries that airlines need.

Jon Holden, president of the local IAM chapter, said mem-

## Tesla Profit Climbs 17%

The electric-car maker's results were surprisingly strong for latest quarter. **B1**

Tesla net profit, quarterly



\*Change from a year earlier

Note: Q4 2023 includes a one-time tax benefit

Sources: S&P Capital IQ; the company



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## U.S. NEWS



GREGORY P. MANGI PRESS POOL

Former film producer Harvey Weinstein appeared in court in New York City on Wednesday for a hearing on his sex-crimes retrial.

## KENTUCKY

**State Sen. Turner Dies From Injuries**

Kentucky state Sen. Johnnie Turner, known for his staunch support for the coal industry and other causes in his Appalachian district, has died after being injured at home last month when he plunged into an empty swimming pool while aboard a lawn mower. He was 76.

Turner, a Republican, was known for his folksy manner that endeared him to constituents and colleagues alike. Turner died Tuesday evening after his "hard-fought battle" with injuries sustained in the accident, Kentucky Senate President Robert Stivers said Wednesday.

Turner pushed for pro-coal legislation and other measures aimed at lifting up his Appalachian district, spanning several counties in eastern Kentucky. Coal employment, once the backbone of the eastern Kentucky economy, fell sharply during the past decade.

—Associated Press

## CONNECTICUT

**Firefighter Dies In Vehicle Rollover**

A Connecticut firefighter died and two others were injured Tuesday when a vehicle rolled over as they were battling a 90-acre brush fire, authorities said.

The Wethersfield firefighter was among crews from several towns trying to extinguish the blaze on Lamentation Mountain in Berlin, about 15 miles south of Hartford. Berlin Fire Chief John Massirio said the firefighter was riding in a utility task vehicle on a trail when it rolled over near the Meriden town line. The cause was under investigation.

The two other firefighters were treated at a hospital for minor injuries and discharged, Massirio said.

The fire began Monday and crews have been working around the clock to contain and extinguish it. No evacuations have been ordered. The cause of the blaze is being investigated, officials said.

—Associated Press

## NEW YORK

**Weinstein Retrial Date Pushed Back**

Harvey Weinstein's retrial on sex-crimes charges in Manhattan won't start until at least next year—and his lawyers plan to hire a private investigator to look into a new allegation against the former movie mogul that will now be part of the case.

The new details came as Weinstein appeared in court Wednesday for a pretrial hearing.

Weinstein was already facing retrial on two sex-crime charges after the state's highest court overturned his 2020 conviction earlier this year. In September, he was hit with a new charge accusing him of another assault. He has pleaded not guilty.

On Wednesday, Judge Curtis Farber granted a prosecution request to consolidate both cases and agreed to push back the trial's start date, which had been tentatively scheduled for Nov. 12.

—Associated Press

## OBITUARY

**Valenzuela, 63, Pitching Phenom**

Fernando Valenzuela, the Mexican-born phenom for the Los Angeles Dodgers who inspired "Fernandomania" while winning the NL Cy Young Award and Rookie of the Year in 1981, has died. He was 63.

The team said he died Tuesday night at a Los Angeles hospital.

Valenzuela was one of the most dominant players of his era and was a wildly popular figure in the 1980s.

"He is one of the most influential Dodgers ever and belongs on the Mount Rushmore of franchise heroes," said Stan Kasten, team president and CEO.

Valenzuela had an unorthodox and memorable pitching motion that included looking skyward at the apex of each windup. His repertoire included a screwball—making him one of the few pitchers of his era who threw that pitch regularly.

—Associated Press

**Buyers Remain on Sidelines**

*Continued from Page One*  
houses between school years.

The reprieve in rates also didn't last long. Mortgage rates have risen for three straight weeks to the highest level since August.

"That trickle up in rates, to right back where we were, just sucked the air out," said Michael Read, owner of Bridgeway Mortgage & Real Estate Services in Morristown, N.J.

Mortgage rates tend to loosely follow the yield on the 10-year Treasury note, which has been above 4%. But the spread between mortgage rates and the 10-year has widened to above historical norms in recent years, which can push up borrowing costs.

Lenders often sell mortgages to investors. Those investors demand a bigger return, particularly when rate volatility is higher than normal, because mortgages are riskier than ultra-safe government bonds.

Uncertainty around the presidential election and "murkiness" around recent labor and inflation data haven't helped, said Mike Fratantoni, chief economist at the Mortgage Bankers Association.

Mortgage applications have fallen for four straight weeks as rates have risen.

"It's tough in this business," said Alex Elezaj, chief strategy officer at United Wholesale Mortgage. "Once you think it's going one way, it goes another."

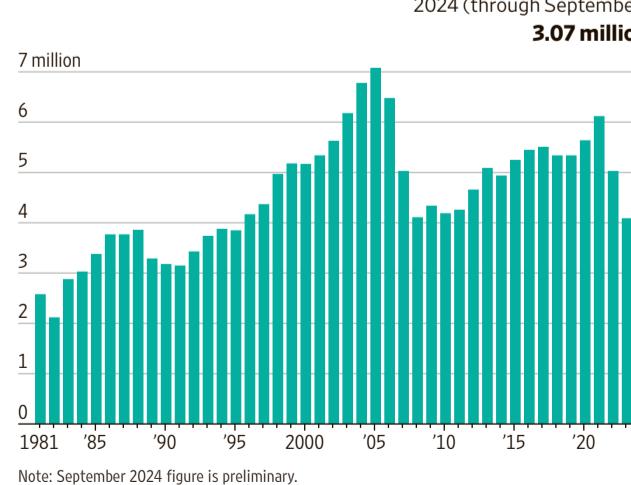
A drop in mortgage rates later this year or next would make home purchases more affordable, but that benefit could be offset if home prices continue to rise. In September, 42% of more than 1,000 people surveyed said they expect mortgage rates to fall in the next 12 months, but 39% said they expect home prices to rise over the same period, according to Fannie Mae.



DAVID SCHLICHTER

Kaitlin Skilken and Matt Adler bought their house this spring in Wheat Ridge, Colo.

## Annual U.S. existing-home sales



The national median existing-home price in September was \$404,500, a 3% increase from a year earlier, NAR said. While that is down from the recent high, it is the highest median home price for any

down housing costs. Vice President Kamala Harris, the Democrats' presidential nominee, has

rolled out plans for building more housing, for example, and offering help with down payments. Former President Donald Trump has proposed cutting regulations and allowing more building on federal land.

For the buyers who are able to jump into the market now, there is less competition and more room to negotiate. The typical home sold in September was on the market for 28 days, up from 21 days a year earlier, NAR said.

Lucy and Graham Schroeder tried buying a house in the suburbs of Madison, Wis., in 2023 and again this past spring, but they got outbid by other buyers. When they re-entered the market this summer, "it felt like something kind of shifted," Graham Schroeder said. "Houses were kind of sitting a little bit."

**Strike at Boeing To Go On**

*Continued from Page One*  
bers are angry over years of concessions made under the threat of losing jobs. They want to see pensions restored or an alternative beyond the company's offer of increased 401(k) payments, he said.

"They haven't gone far enough in other ways to replace it," Holden said.

Ending the stoppage is a priority for Boeing Chief Executive Kelly Orteberg, who recently set plans to cut 17,000 jobs and sell at least \$10 billion in shares to plug the company's cash drain.

Before the vote, Orteberg said the company was "feverishly working to find a solution that works for the company and meets our employees' needs."

The proposed 35% wage increase was up from Boeing's original offer of 25%. Both offers were rejected by employees in the Pacific Northwest whose wages haven't kept up with the cost of living in the area. The average wage for a Boeing machinist was about \$75,000 under the prior contract.

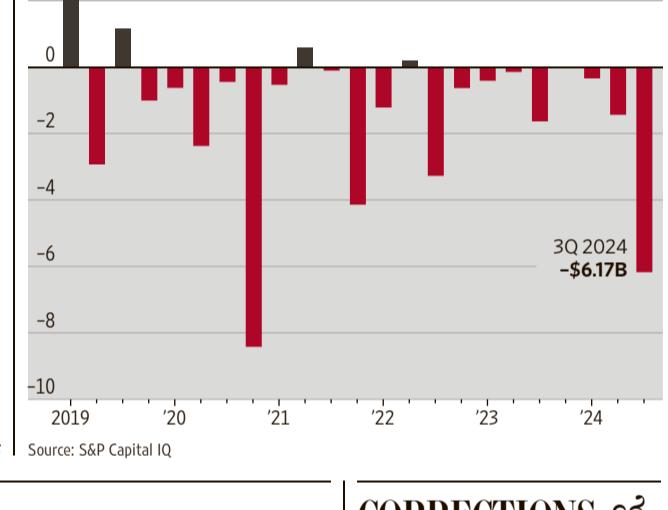
The revised proposal in-

"It's the first real offer from the company," he said. Johnson, who is married and has a 2-year-old child, said the contract would have brought worker pay even with inflation since the last contract in 2014 but didn't feel like a substantial raise beyond that. "It sounds good but if you factor in buying power, it still seems like we haven't gotten a real raise."

Earlier Wednesday, Boeing posted a \$6.17 billion loss, its biggest quarterly loss since 2020, when the pandemic shut down air travel. The company had warned it would take billions of dollars in charges on troubled projects.

The third-quarter results were in line with its warning: a net loss of \$9.97 a share on revenue of \$17.8 billion.

## Boeing's quarterly net profit/loss

**CORRECTIONS & AMPLIFICATIONS**

**Rosh Hashana** was in October this year. A Personal Journal article on Monday about resetting goals implied that the Jewish new year holiday always falls in October.

In European trading on Oct. 16, **Salvatore Ferragamo** shares rose 0.2%; **Moncler** fell 0.9%; **Swatch** fell 2.8%; and **Richemont** fell 0.9%. A Markets article in some Oct. 17 editions about luxury-goods stocks incorrectly said Ferragamo shares fell 0.4%; Moncler fell 2.3%; Swatch fell 3.3%; and Richemont fell 4.7%.

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. NEWS

**Fall on the Farm Makes for a Picture-Perfect Day in Kentucky**

SUNFLOWER SIBLINGS: Aletha Evans captured her children, Scarlette Evans, 8, left, and Everly Evans, 4, lounging in a pickup truck Wednesday at Trunnell's Farm Market in Owensboro, Ky.

GRIG EANS/THE MESSENGER-INQUIRER/ASSOCIATED PRESS

**Group Takes Aim at a State Climate Law**

**Cap-and-invest plan in Washington faces a repeal effort, and gas prices play a part**

By H. CLAIRE BROWN

Voters often blame politicians for high gas prices. In Washington, backers of a ballot initiative to repeal the state's signature climate law are taking things further with "gas-price rollback" campaign events to draw attention to the purported impact of the program.

With average Washington gas prices hovering at around \$3.91 a gallon, the \$2.99 price on offer is an attention-grabbing discount, even if it is only for a few hours at select locations. A political-action committee advocating to repeal the 2021 Climate Commitment Act, a law aimed at reducing greenhouse gas emissions, is paying for the discounts.

Meanwhile, millions of dollars are being spent on the other side, with tech billionaires Steve Ballmer and Bill Gates among the big-name backers hoping to keep the law intact.

Washington residents next month will vote on Washington Initiative 2117 and decide whether to maintain the state's cap-and-invest carbon pricing plan that is expected to drive a 95% reduction in emissions by 2050, or repeal it.

It's a closely watched debate with high stakes around

the country, as other states including New York, Maryland and Pennsylvania consider cap-and-invest initiatives.

Under the law, the state auctions off greenhouse gas emissions allowances to polluting companies. The plan has generated more than \$2 billion in revenue for the state, but the rollout also coincided with higher-than-expected increases in prices at the pump, leading to concerns about its impact on household wallets.

Estimates of the impact of the state law on gas prices vary, but some put it as high as 60 cents a gallon. Washington gas prices routinely exceed the U.S. average, which recently was \$3.17 a gallon.

Ballmer, the former Microsoft executive who owns the Los Angeles Clippers, and his wife, Connie, are listed as the top donors in public finance disclosures in the campaign to maintain the climate law, having contributed \$2.5 million to the effort.

Microsoft co-founder Gates has contributed \$1 million as well, and TV star Bill Nye—as in, Bill Nye the Science Guy—has recorded an advertisement supporting the law.

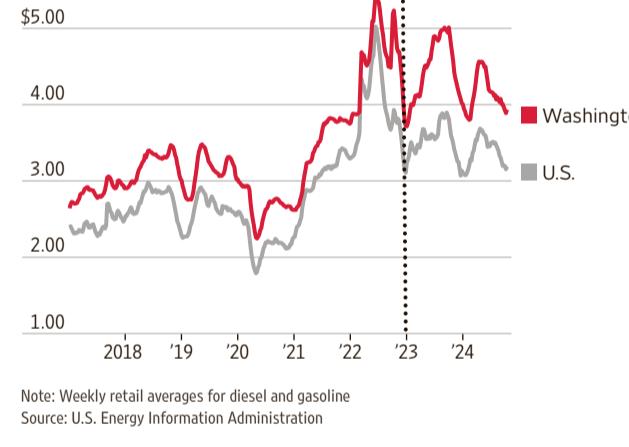
Their campaign, organized by the political-action committee No on 2117, has assembled a broad coalition that includes local business interests like Microsoft, BP America and Amazon, as well as environmental groups, labor unions and Native American tribes.

The repeal effort is spearheaded by Brian Heywood, a



A driver filled up in Seattle this month. Washington's gas prices typically top the U.S. average.

Average weekly gas prices in Washington state and nationally



Republican donor and hedge-fund manager who has succeeded in getting several initiatives onto this year's ballot, including a repeal of the

state's capital-gains tax. The largest financial contributors to Heywood's Let's Go Washington political-action committee include a home-build-

ing industry group and Main Street Matters to Washington, another PAC.

In a poll commissioned by the Seattle Times conducted in mid-October, 48% of respondents planned to vote "no" on the ballot initiative, signaling support for maintaining cap-and-invest. Some 30% of respondents planned to vote "yes" in favor of repeal, and 22% were undecided.

Washington's cap-and-invest law applies to businesses that operate in the state and are responsible for the equivalent of at least 25,000 tons of carbon dioxide a year, such as fuel suppliers and utilities.

Each quarter, the state offers a set number of emissions allowances through an auction system. Companies bid for allowances, which give them the right to emit a certain amount of greenhouse gas. Over time, the state will auction off fewer allowances each quarter, and by 2050, the idea is that the program will reduce emissions by 95%.

Cap-and-invest programs are designed to ensure that businesses reduce carbon where it is most efficient, and the auction system helps set a market price for carbon. In 2023, the prices landed between \$48.50 and \$63.03.

The state has used the proceeds from the auctions on decarbonization initiatives like public transportation infrastructure.

Before the law rolled out, the state's Department of Ecology estimated it might

boost gas prices by 2 to 4 cents a gallon. Instead, they went up by 20 to 60 cents.

Economic analyses attempting to quantify exactly how much of this increase was the result of the cap-and-invest law have varied widely, in part because the names of companies participating in the cap-and-invest program are confidential, so independent analyses are difficult to execute.

Heywood seized on this phenomenon and began gathering signatures for a ballot initiative to repeal the law.

"The governor came out and said, 'Hey, we're going to be able to do this thing that's going to be great for the environment. We're going to measure it and it's not going to cost you anything, maybe pennies,'" he said. "That was sort of the promise that was repeated multiple times—'Hey, no cost to you.' But it was done with, like a hidden tax, right?"

As Heywood's ballot initiative gathered steam, Washington's auction prices fell sharply. The allowance price was \$29.88 per unit of emissions equal to a ton of carbon in September's auction.

If passed, Heywood's ballot initiative would prevent Washington from establishing new cap-and-trade programs in the future, said Mark Prentice, communications director for No on 2117.

"That would hamstring leaders for a generation on taking action on a market-based program to address climate pollution," he said.

**American Airlines Fined \$50 Million Over Treatment of Disabled Passengers**

By ROSHAN FERNANDEZ

**American Airlines** was fined \$50 million after U.S. regulators said the carrier for years mistreated passengers with disabilities.

The Transportation Department found that from 2019 through 2023, American provided "unsafe and undignified" assistance to wheelchair users that at times resulted in injuries, that it repeatedly failed to provide prompt wheelchair assistance, and that the airline damaged thousands of passengers' wheelchairs.

The penalty is the largest issued by the department to an airline for violating disability protections.

Transportation Secretary Pete Buttigieg said the department has active investigations into similar potential violations at other U.S. airlines. "The era of tolerating the poor treatment of wheelchair users on airplanes is over," he said.

American said it has invested \$175 million this year to address challenges faced by passengers with disabilities. The company said it purchased specialized equipment to transport wheelchairs and is adding high-tension straps to hold them in place in cargo holds. It uses automated tags



Travelers in wheelchairs waited near check-in desks at Atlanta's airport early this past summer.

to communicate wheelchair instructions systemwide.

The airline said its mishandling rate of wheelchairs and scooters has dropped by 20% in the past two years. Less than 0.1% of the eight million customers who requested wheelchair assistance in 2023 filed complaints, American said.

American said it increased investment in wheelchair accessibility before the Transportation Department fine. The company is scheduled to report third-quarter earnings on Thursday.

The Transportation Department said American would be required to pay \$25 million of

the fine. The remaining \$25 million would be credited toward the airline's investments in wheelchair-accessibility infrastructure.

In one instance that the department investigated, a video showed a wheelchair tumbling onto the tarmac at Miami International Airport after it was dropped down a baggage chute. American said it has attached miniature elevators to jet bridges at many airports.

The Transportation Department said its investigation included three formal complaints by the Paralyzed Veterans of America and complaints filed by other travelers.

"This unprecedented enforcement will make it clear to the entire airline industry that passengers with mobility disabilities deserve to travel with the same level of safety and dignity as everyone else," said Carl Blake, chief executive of Paralyzed Veterans of America.

The Biden-Harris administration has taken a tough stance regarding airlines. The Transportation Department since 2020 has issued nearly \$225 million in fines for consumer protection and civil rights violations, compared with \$71 million over the previous 24-year stretch.

"We have consciously sought higher levels of penalties against airlines so that it goes beyond something they can consider just a cost of doing business," Buttigieg said.

**United Airlines** last year said it would take new measures to accommodate wheelchair users, following a Transportation Department inquiry into a complaint filed by a disability-rights advocate who said her chair was damaged on a United flight.

When airlines damage wheelchairs on domestic flights, they are responsible for paying up to the cost of the wheelchair.

—Alison Sider contributed to this article.

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## U.S. NEWS

# Trump Ex-Aides Give Harris Fodder

Vice president seizes on warnings from those who served her rival in White House

By KEN THOMAS  
AND GORDON LUBOLD

**WASHINGTON**—Kamala Harris is turning to an unlikely group of character witnesses in her final pitch to voters making the case that Donald Trump is unfit for office: her opponent's former White House advisers.

Harris on Wednesday sought to highlight former White House chief of staff John Kelly's sharp criticism of the former president. The ex-Trump aide, in a piece the New York Times published a day earlier, said that the former president "prefers the dictator approach to government" and would fall into "the general definition of fascist, for sure."

"He does not want a military that is loyal to the United States Constitution. He wants a military that is loyal to him," Harris told reporters at the Naval Observatory. She said the comments represented "a window into who Donald Trump really is from the people who know him best."

Harris, during a CNN town hall Wednesday, said Kelly was "putting out a 911 call to the American people." Asked if she believed Trump was a fascist, Harris replied, "Yes, I do."

In the campaign's final weeks, Harris has been targeting a narrow slice of moderate Republican and independent



Ex-White House chief of staff John Kelly likened former President Donald Trump to a dictator.

JIM LO SCALZO/EPA/SHUTTERSTOCK

voters, holding events with former Rep. Liz Cheney (R., Wyo.) and GOP supporters to make the case that Trump would bring instability.

On Wednesday, Trump disputed the allegations, saying the former Marine general has "Trump derangement syndrome."

"Thank you for your support against a total degenerate named John Kelly, who made up a story out of pure Trump Derangement Syndrome Hatred!" Trump said in a social-media post. "He was tough and dumb. The problem is his toughness morphed into weakness, because he became JELLO with time!" he said, adding, "John Kelly is a LOW-

LIFE, and a bad General, whose advice in the White House I no longer sought, and told him to MOVE ON!"

White House press secretary Karine Jean-Pierre, asked if President Biden agreed with Kelly's determination that Trump was a fascist, said, "Yes."

The vice president has often used Trump's own words against him, pointing to his recent comments that one of the biggest threats the nation faces is "the enemy from within."

During a call organized by the Harris campaign, retired Army Brig. Gen. Steve Anderson said many military members remain worried that Trump would institute "loyalty

tests" among leadership and wrongly use service members for domestic purposes. "We're concerned that he wants to use the military to suppress his opposition in the country and man the U.S. border, which are things the military are not supposed to do," Anderson said.

Kelly told the Times he was troubled by Trump's talk of using the military against what he characterized as the "enemy within." Kelly also confirmed past reports that Trump had spoken positively about Nazi leader Adolf Hitler.

In September, more than 230 generals, admirals and senior noncommissioned officers signed a letter endorsing Harris. The letter was also signed

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by hundreds of other national security officials who didn't serve in the military.

The campaign has also aired advertising noting former Trump advisers who no longer support him.

It is customary for retired military officers to refrain from getting involved in politics or publicly endorsing candidates, though many do. Senior officers critical of the former president have argued that a second Trump administration could do harm to the military as an institution.

H.R. McMaster, the retired Army three-star general who served as Trump's second national security adviser, has been outspoken about the dangers of a second Trump presidency.

"President Trump sees in authoritarian leaders the qualities that he wants other people to see in him," McMaster told CBS in August.

Retired Army Gen. Mark Milley, who served as chairman of the Joint Chiefs of Staff, including about a year under Trump, called the former president "the most dangerous person in the country" in journalist Bob Woodward's new book, "War." And at his retirement in September 2023, Milley made clear his views of a commander in chief who puts self over country. While never mentioning Trump by name, it was clear to most there who he was talking about.

"We don't take an oath to a king, or a queen, or to a tyrant or dictator, and we don't take an oath to a wannabe dictator," Milley said.

## ELECTION 2024

### DOJ Warns Musk PAC on Voter Lottery

Elon Musk's cash giveaways to swing-state residents is generating plenty of buzz—and a warning from the Justice Department.

The department sent a letter to Musk's America PAC cautioning him that giving cash payments to registered voters who sign a petition might violate federal law, people familiar with the matter said.

The billionaire has been raining millions of dollars on the battleground electorate through his pro-Trump group. Musk's PAC is offering registered voters in Pennsylvania and six other key states a chance to win \$1 million by signing a petition pledging support for the rights to free speech and firearms.

The Justice Department's letter said the PAC's payments could violate federal law against knowingly or willfully paying people to register to vote in election contests with federal candidates.

A spokesman for America PAC declined to comment, but earlier this week it said it was confident that the cash awards were lawful.

—Sadie Gurman and Jacob Gershman

### New Report Sees Foreign Efforts To Steer Vote

Russia, Iran and China have all stepped up efforts to target U.S. elections with online influence operations in the final weeks of the campaign and are likely to grow more active during the closing stretch, Microsoft said in a new report Wednesday.

The findings echo warnings made by U.S. intelligence officials on Tuesday about the threats of foreign influence operations. Microsoft's new findings include:

Covert Russia accounts on X, Telegram and YouTube are posting AI-enhanced videos targeting Vice President Kamala Harris and her running mate Tim Walz.

Iranian-linked cyber actors have posed as Americans to push followers to boycott the election as a protest for U.S. support for Israel. Another Iranian group tied to the Islamic Revolutionary Guard Corps performed cyber reconnaissance and "limited probing" of swing-state election websites and unnamed "major U.S. media organizations" in the spring.

A China-linked troll group has targeted several down-ballot Republican candidates who have been critical of the Chinese Communist Party with allegations of corruption and other claims.

—Dustin Volz

## A Close Race Spurs Fretting by Democrats

Kamala Harris calls herself the underdog against Donald Trump. Making that argument is an old ploy to motivate voters, but with less than two weeks until Election Day the vice president's top advisers and allies are worrying it might be true.

By Tarini Parti,  
Ken Thomas  
and Catherine Lucey

Harris's struggle to nail down support from key voting blocs in the Democratic coalition has left her team unsettled, according to interviews with aides and advisers. She enjoys strong support with women, but she has a clear problem with men, including both Black men and white working-class men. She also

has failed to shore up support among Michigan's Arab-Americans, who have been frustrated with the Biden administration's handling of the widening conflict in the Middle East.

"People were feeling better three weeks ago," said one Democrat close to the campaign, who added that it was always going to be a close race and that Democrats are given to 11th-hour panic.

Some Democrats say the memories of the 2016 cam-

paign—when a confident Hillary Clinton lost to Trump—loom over this year's race, and activists are determined to avoid the same outcome.

Harris campaign advisers say they are clear-eyed about the challenges. During a recent call with staff, campaign chair Jen O'Malley Dillon said: "This is not going to be a race where one day we wake up and the sun shines and the clouds part and we've won by five points. It's just not that kind of race. It is tight, and we are going to just keep driving."

O'Malley Dillon told staff that internal data shows Harris is winning and would stay ahead, but "it is by the skin of our teeth, and it's going to take all of us together."

Polling shows a deadlocked race, but Harris advisers say they have an edge over Trump by virtue of campaign infrastructure that will turn out her vote—including door-knocking, data collection and millions of dollars in targeted advertising.

The campaign also has sought to fortify the "blue wall" states of Michigan, Pennsylvania and Wisconsin, which remain her most logical pathway to the White House, with repeated trips to those states. Public polling has shown the race essentially

tied in the three states, with survey averages shifting a point or two—within the polls' margins of error—to Trump's benefit since Oct. 1.

They also are trying to capitalize on Harris's advantage with women, hoping to drive up turnout among white women who are concerned about abortion rights. The vice president plans to bring the issue to the forefront with a rally Friday in Texas, where nearly all abortions are banned after six weeks of pregnancy. They are still making a play for men, releasing policy plans aimed at Black and Latino men and going on podcasts and shows geared at men.

On Monday, Harris did events in the three Great Lakes states alongside former GOP Rep. Liz Cheney, aiming to connect with women and undecided voters who have raised concerns about abortion rights and the erosion of democratic principles. The Harris camp is hoping to peel off more Republicans and independents to help offset declining support among other voting blocs, including

younger men.

"We're absolutely aware that Michigan is close, but we're very confident in our infrastructure and our ability to get this over the finish line," said Rep. Haley Stevens (D., Mich.).

Harris was in suburban Philadelphia on Wednesday for a CNN town hall, as some Democrats in Pennsylvania have sounded alarms. The Cook Political Report recently moved

the race between Sen. Bob Casey (D., Pa.) and his Republican challenger, Dave McCormick, to the "tossup" category.

Some in the party have privately criticized Harris's Pennsylvania campaign manager, Nikki Lu, with top state Democrats complaining to the campaign leadership about her management. One state Democrat cited a number of concerns, including a delay in getting yard signs for voters and limited communication with key state leaders and surrogates.

A Harris campaign spokesperson noted that former Obama adviser Paulette Aniskoff joined the campaign in

September to focus on get-out-the-vote efforts, working with Lu and two other senior advisers. Campaign manager Julie Chavez Rodriguez said the campaign is running "the largest and most sophisticated operation in Pennsylvania history," with 50 offices and 400 staff on the ground.

Trump's campaign has aired ads criticizing Harris for past comments about taxpayer-funded surgeries for transgender prisoners. Republicans also note Trump's advantage over Harris on the economy. The former president is continuing to reach out to male voters, including plans to appear Friday on Joe Rogan's podcast.

Privately, the Harris campaign remains confident in its approach to the seven major battleground states. In a meeting this month with top donors in Philadelphia, O'Malley Dillon said the campaign was well-positioned to win if it executed on its ground game. The Trump campaign has largely outsourced its voter-outreach operation to outside groups.

"She was loose," said one attendee of the meeting of the campaign's National Finance Committee. "She didn't project anything other than confidence."

voters, a group on the whole that leans toward Trump.

Another factor: Several of the battleground states allow residents to register to vote on Election Day. Voters who do so aren't reflected in the Journal poll, which surveyed only voters who have already registered.

The survey painted a mixed portrait of Trump, with voters favoring his policies but questioning his stability and other personal qualities.

The former president expanded his lead as the candidate best able to handle the economy, with more voters choosing him over Harris by 12 points, compared with 8 points in August. His lead as best on immigration has grown to 15 points, up from 7 points in August.

Some 23% of voters said immigration was the top issue motivating their choice, the largest share in Journal polls over a year and a half.

But in addition to being viewed as "too extreme"—a label that voters attached to Trump more than Harris, 49% to 39%—more voters also said they saw Trump as a danger to the country, 48% to 43%.

The Wall Street Journal poll surveyed 1,500 registered voters from Oct. 19–22. The margin of error is plus or minus 2.5 percentage points.

### Gates Donates \$50 Million to Support Harris

Billionaire philanthropist Bill Gates has privately told people he donated around \$50 million toward electing Kamala Harris president, people familiar with the matter said.

Gates made the donation to Future Forward, a non-profit organization with ties to fellow billionaire Michael Bloomberg, the people said. The New York Times earlier reported Gates's donation.

The donation was supposed to stay private, one of the people said, and Gates hasn't publicly endorsed the vice president.

Spokespeople for Gates's private office, his philanthropy, the Gates Foundation, and Future Forward didn't respond to requests for comment.

Gates's children influenced his decision to donate, one of the people said.

Gates gave to the super PAC Future Forward's non-profit arm, Future Forward USA Action, according to the Times. As with all dark-money groups, it is exempt from disclosing donors and can raise unlimited amounts of money from people and companies.

—Emily Glazer

## Trump Has Small Lead In New Poll

Continued from Page One  
ing of her performance.

By contrast, views of Trump have turned rosier. Voters recall his time as president more positively than at any point in this election cycle, with 52% approving and 48% disapproving of his performance in office—a four-point positive job rating that contrasts with the 12-point negative rating for Harris.

Moreover, voters give Trump a solid edge in most cases when asked about the candidates' agendas and policies. By 10 points, more voters have a favorable than unfavorable view of Trump's economic plan for the country, while unfavorable views of Harris's economic plan outweigh positive views by 4 points.

The poll comes as the campaigns have spent heavily on advertising to shape the images of the candidates, particularly of Harris, who is more of an unknown figure to voters. Trump and his allies have

spent more than \$378 million on broadcast, cable, radio and digital ads since the party conventions ended in late August, ad-tracking firm AdImpact reports, much of it aimed at casting her as too liberal. Harris and her allies have spent more than \$625 million, much of it aimed at introducing her on favorable terms to voters.

"Voters are finally getting to know her," said Republican pollster David Lee, who conducted the Journal survey with Democrat Michael Bocian. "The definitional period is coming to an end, and more people are unhappy with what they've learned about her than what they know about President Trump." Lee also conducts polling for MAGA Inc., the main pro-Trump super PAC.

Bocian pointed out that voters in the survey viewed Trump more than Harris as "too extreme," and she retains a strong advantage as the candidate best able to handle abortion—an important issue to many voters. She also holds a slight lead when voters are asked who can best look out for the middle class.

"If she can succeed in making this campaign about those images and issues first and foremost, while also continuing to make the case for who's

the best fighter for the middle class, she can win a very close race," he said.

Bocian noted that the Journal's poll earlier this month of the seven battleground states likely to determine the Electoral College winner found them all essentially tied, with Trump building a meaningful advantage only in Nevada, which like the

others was within the poll's margin of error.

A number of factors could yet affect the outcome. With both campaigns racing to turn out voters who side with their candidate, the survey found there is a motivation challenge. Some 74% of Black voters, a group that strongly favors Harris, say they will definitely vote, compared with 81% of white

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# Eric Trump Guards His Family's Business

Donald Trump's son pursues growth into crypto and renews foreign expansion

BY ALEX LEARY  
AND PETER GRANT

NEW YORK—Twenty-five stories above Fifth Avenue in his sun-streaked corner office, Eric Trump talks about dazzling hotels and golf resorts in Oman and Indonesia, and a freshly signed development deal in Vietnam. Plans for Israel are on hold, given the war in Gaza, but "we're going into Israel in a big way in the future."

What happens if his father returns to the White House? "It's too early to tell," said the second-born son of Donald Trump who helms the Trump Organization. Still, by steering the family into crypto and establishing ties with the Saudi-backed LIV Golf, he is forging an expansionary path. Those efforts could cement his own place in the business world while also reviving concerns over potential conflicts of interest in a second Trump administration.

"Should I stop all expansion? I don't know what the answer is. I tried to do everything right in 2016, and I got very little credit for it," he said of efforts to distance the newly elected president from the company. "We still kind of got stomped on."

If older brother Donald Trump Jr. has become the crown prince of the MAGA world, then 40-year-old Eric Trump is guardian of the family's business empire.

Less fire-breathing partisan than his brother and not as recognized as his sister, Ivanka, Eric nonetheless might play the lead role in carrying the family business into a new era. Donald Trump, 78, still owns most Trump Organization assets and still gets involved in major decisions, but since the 2016 election, Eric



Since the 2016 election, Eric Trump has been running the show at the Trump Organization.

in the man's life," he said, "hence the reason I'm behind this desk." Still, he has joined his father on the campaign trail and works with his brother on their dad's transition effort, looking for loyalists to join a potential new administration.

During a campaign rally earlier this month, Donald Trump observed that his son has been served with dozens of subpoenas related to investigations into the Trump empire and handled it all "beautifully." There were so many—111 by Eric Trump's count—that Eric tracked them with a spreadsheet.

Eric's office contains mementos of the past and present. One photo shows a young boy on a construction crane. On the floor, a fancy box held ceremonial-ribbon-cutting scissors. Tacked to the wall are dollar bills signed by his father—collections from various bets they have made.

Growing up, he spent summers working on his father's job sites, rode in helicopters and met stars such as Michael Jackson and Hulk Hogan.

But he becomes tense when speaking of the pressure the family has faced since his father entered politics, such as a series of probes that Trump dismissed as partisan witch hunts. "They've put us through hell," Eric Trump said of investigators.

He is particularly irked by criticism over profits made at Trump International Hotel in Washington, D.C. Trump said the family returned to the U.S. Treasury profits derived from foreign government officials.

Critics sued, contending the operation violated the Constitution's emoluments clauses, which prohibit the president from receiving things of value from foreign and state governments. The Supreme Court ruled the case moot after Trump was defeated in 2020. In 2022, the Trumps sold the long-term lease on the hotel for \$375 million—a price that was tens of millions of dollars

more than other offers, a coup for Eric.

Eric says he is confident the business can function without conflicts if his father wins re-election. "I can promise you I will not be finger painting and trying to sell it to China for 500 grand," he said, swiping at Hunter Biden, the president's son whose business pursuits and art sales have been greatly scrutinized.

Eric often spends mornings doing interviews—not just with Fox News but also with radio stations and local TV. But after the election, he plans to recede from the spotlight and focus on the business. "I don't always need to be in front of the camera. It's nice to be able to pick and choose your spots."

On the road for some 200 days a year, he said he often calls home to his two young children to recite prayers and the Pledge of Allegiance. He shares parenting duties with his wife, Lara Trump, who is co-chair of the Republican National Committee. In 2021, the couple bought a \$3.2 million home in Jupiter, Fla., about a mile from Don Jr. Eric describes a close relationship with his brother, and the two share a love for hunting.

He, Don Jr. and Ivanka spent most of their adult lives working for the Trump Organization and at one point roughly divided up responsibilities by asset class, with Eric focusing primarily on construction and acquisition of golf and hotel projects.

Eric Trump is still dealing with his company's legal problems and woes in the office market, as well as making his own distinctive mark. As he wrapped up an interview, Eric Trump said he would join his father's new administration if he asks. But he made his intentions clear.

"I love our company, I love real estate," he said. "I love building."

—Louise Radnofsky and Andrew Beaton contributed to this article.

## Shoring Up the Trump Organization

Eric Trump has helped shore up the Trump Organization's balance sheet by paying off hundreds of millions of dollars in debt and raising cash through sales and refinancings.

He was the person sweating most of the details when Trump Organization courses hosted events for LIV Golf, the Saudi-backed upstart taking on the PGA Tour. When most of the world's best golf

courses didn't want anything to do with LIV, the organization saw an opening after the PGA of America yanked its major championship in 2022 from Trump National Golf Club Bedminster following the Jan. 6, 2021, Capitol riot.

Eric Trump also has renewed his company's foreign-expansion efforts. The Trump Organization has teamed up with Dar Al Arkan, a Saudi real-estate

firm, to develop a \$1.6 billion Trump-branded golf and resort project in Oman. The first phase of that project is expected to be completed in 2027.

Trump and Dar Al Arkan also announced this year a new condominium project in Jeddah, Saudi Arabia, as well as a golf resort in Vietnam. Projects launched before Trump was elected president in 2016 are continuing in Indonesia and India.

has been running the show.

His father, if he defeats Vice President Kamala Harris, will be walled off from the company, Eric Trump said. But the scrutiny might only grow. Unlike the last time Trump was running for president, he now has a stake in his Truth Social platform valued at \$4 billion, and he has promoted the crypto company Eric helped launch with Don Jr., World Liberty Financial.

"It was Pandora's box before, but now it's a heck of a lot bigger," said Richard Painter, who was the White House's chief ethics lawyer during the administration of George W. Bush and who helped bring legal cases arguing that Trump had illegally profited. "I think we have a great risk of corruption."

With slicked-back hair and a business suit, Eric Trump resembles a younger version

of "DJT," as he refers to his dad, though he has a close-cropped beard and instead of Diet Coke favors unsweetened Pure Leaf ice tea. He is accustomed to the criticism that he is in his position because of nepotism. He has previously called it a "factor of life" and insisted he has proven himself.

Eric says he is right where he is supposed to be. "I'm probably the most trusted guy

in the room," he said. "I'm probably the most trusted guy

## Medicare Home-Visit Pay Faulted

*Continued from Page One*

port. In a statement to the Journal, the Medicare agency said it is committed to ensuring diagnoses, including those from home visits, are accurate.

Medicare Advantage was conceived as a way to lower costs and improve care in the program for seniors and disabled people. But researchers and the Medicare Payment Advisory Commission, a non-partisan watchdog agency known as MedPAC, have found it has wound up costing more than traditional Medicare, in part because insurers have found ways to draw ever-greater payments from the pay-for-diagnoses system.

The home visits, also called health risk assessments, are a key part of that effort. During visits, nurse practitioners, or sometimes doctors, take medical histories, review medications and run simple diagnostic tests, sometimes coming up with novel diagnoses that the patients' regular doctors had never documented.

"We're seeing that some Medicare Advantage companies are making billions from the health risk assessment diagnoses without providing care for the conditions that they identify," said Erin Bliss, assistant inspector general for evaluation and inspections.

That could mean that some of the diagnoses are false, she said. Or, if they are accurate, the insurers making them aren't connecting patients to needed care, even as the companies are paid extra based on the supposed cost of treatment. "Profiting off enrollees' medical conditions without providing treatment for those conditions is wrong," she said.

Bliss said the new OIG findings and the conclusions of the Journal investigation are "highly consistent and pointing in the same direction."

The diagnoses that triggered home-visit payments documented in the OIG report were often for illnesses that



Erin Bliss, assistant inspector general for evaluation and inspections at HHS, at a Senate hearing in 2023.

might be difficult to confirm without a laboratory or other equipment. Two of the top diagnoses driving the payments were a form of rheumatoid arthritis, which may require a mix of lab work and X-rays to diagnose, along with secondary hyperaldosteronism, a condition that can be confirmed with blood work.

"There are definitely conditions where you might wonder, can they really, you know, identify that by a visit to someone's home?" said Jacqueline Reid, an OIG analyst and lead author of the report.

Another Journal article, from July, found insurers received about \$50 billion in payments from diagnoses they themselves added to patients' records, including many that were demonstrably false, such as diabetic cataract cases that had already been cured.

The OIG analysis also examined health risk assessments at doctors' offices,

Health Group, the Medicare Advantage market leader.

UnitedHealth didn't immediately respond to a request for comment Wednesday. In an earlier statement, UnitedHealth told the Journal that in 2023, three million "gaps in care" were identified during such home visits, which typically last 45 to 60 minutes. It said the visits had a 99% customer-satisfaction rate.

The Journal's recent analysis also showed UnitedHealth extracted far higher payments for diagnoses tied to home visits than other large insurers—\$2,735 on average over three years ending in 2021—and accounted for most of the payments.

In a lengthy statement on

its corporate website following the Journal's reports, UnitedHealth said its home visits are valuable for patients and that the finding that diagnoses are questionable or wrong "is unsubstantiated, and the WSJ presented no credible evidence to support this claim."

In all, UnitedHealth received \$3.7 billion from all types of health risk assessments activities in 2023, the OIG report said. No. 2 Medicare Advantage insurer Humana generated \$1.7 billion from health risk assessments and associated chart reviews.

A Humana spokesman said health risk assessments help improve patient outcomes and that findings are always referred back to patients' own physicians for follow up. He said Humana would continue to work with Medicare to improve the assessments' transparency and accuracy.

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## WORLD NEWS

# Major Turkish Defense Facility Attacked

Authorities say four people were killed in suspected terrorist assault near capital

BY GARETH VIPERS  
AND JOSEPH DE AVILA

Several people were killed in a suspected terrorist attack at a major defense facility near the Turkish capital, authorities said.

Footage showed a loud explosion and an exchange of gunfire at the Turkish Aerospace Industries' headquarters northwest of Ankara Wednesday.

Four people were killed and at least 14 were injured in the attack, Turkish President Recep Tayyip Erdogan said while attending the annual Brics summit in the Russian city of Kazan. "I condemn this nefarious terrorist attack and wish Allah's mercy upon our martyrs," he said.

Two of the attackers also were killed, interior minister Ali Yerlikaya said.

In the footage, which was verified by Storyful, smoke could be seen rising from the front of the facility as gunmen exchanged fire by what appeared to be a burnt-out vehicle. Storyful is owned by News Corp., the parent company of The Wall Street Journal.

Habertürk TV, a local television station, reported a "hostage situation" at the facility, but didn't give further details. The station, via its X account, later said the situation was under control.

"The terrorists who infiltrated inside have also been neutralized," it said.

NetBlocks, a group that tracks internet outages, reported that access to social-media sites like X, Facebook, Instagram and TikTok have been restricted in Turkey since the attack.

Militant groups, including Islamic State, have carried out attacks in Turkey. No group has claimed responsibility for Wednesday's attack.

Mark Rutte, the secretary-general of the North Atlantic Treaty Organization, said it stands with Turkey. "We strongly condemn terrorism in all its forms and are monitoring developments closely."

**Watch a Video**

Scan this code to see a video of an attack on a defense facility in Turkey.



AP/ASSOCIATED PRESS

Smoke rose from Turkish Aerospace Industries' headquarters northwest of the capital Ankara on Wednesday afternoon.

# Hezbollah Strikes Back After Punishing Israeli Blows

BY JARED MALSIN

**BEIRUT**—After suffering a series of punishing blows by Israel, Hezbollah is fighting back, launching ambushes on Israeli troops in Lebanon and ratcheting up drone and missile strikes deeper into Israel.

The attacks show that Hezbollah, though weakened by Israeli strikes that have killed a generation of its top leaders and destroyed some of its weapons, is still capable of turning Lebanon's deadliest conflict in decades into a long grind for Israel.

Hezbollah has been firing missiles at Israel for more than a year to show its solidarity with Palestinians in Gaza. While those missiles have resulted in only limited damage and few casualties, they have displaced tens of thousands of people from northern Israel and drained Israeli resources as Israel spends heavily to intercept them.

Israel's invasion of southern Lebanon in late September, which itself has displaced hundreds of thousands of people, was intended to force Hezbollah to halt its attacks. Instead, it is ramping them up.

A Hezbollah drone attack over the weekend hit the Israeli prime minister's residence in central Israel, more



AP/ASSOCIATED PRESS

Israeli soldiers evacuate a person who was injured after rocket attacks from Lebanon.

than 40 miles from the Lebanese border, the second time in a week that the group demonstrated an ability to shoot through Israel's air defenses using uncrewed aircraft.

Hezbollah's rocket fire has also ticked up, with the group launching 200 rockets and projectiles each day over the weekend and 140 on Tuesday, according to the Israeli military. During previous weeks it was only averaging a few dozen a day.

Hezbollah's launches are still

lower in number than Israeli officials anticipated in the event of a full-scale war, a sign of the group's degraded capabilities. Most of its attacks are being intercepted by Israeli air defenses, the Israeli military says, at a cost of about \$100,000 per drone and as much as several million dollars for every missile it shoots down.

Even so, Hezbollah is showing its ability to regroup quickly under pressure. Its armed units have been trained

to operate with some degree of autonomy, making it easier for them to keep fighting even when top leaders are killed and internal communications are disabled, military analysts say.

That ability to survive and continue fighting increases the risk that Israel could be sending its military into a bloody and protracted conflict.

Hezbollah still has its core strategy, which is to hold its ground in the south in the face of any kind of Israeli

ground offensive or incursion or advance," said Rym Momtaz, a Paris-based security analyst with Carnegie Europe, a policy institute.

Hezbollah, an Iranian-backed Shiite-led militant group and political party, was created in response to an Israeli invasion of Lebanon in the 1980s. It compelled the Israeli military to withdraw from Lebanon in two previous wars.

The latest expansion of hostilities comes after Israel killed Hamas's leader Yahya Sinwar in Gaza, a death that some analysts thought could provide an offramp for Israeli Prime Minister Benjamin Netanyahu to end the wars in both Gaza and Lebanon. Netanyahu said the next day that the war would continue, while Hezbollah vowed to escalate its response to Israel's invasion of Lebanon.

Israeli leaders have begun to speak of more ambitious goals for its latest offensive, beyond its initial stated aim of making communities in northern Israel safe. The Israeli military this week launched airstrikes on branches of a Hezbollah-affiliated bank, which Israeli officials said was intended to undermine the Islamist group's base of support.

"It's very complicated to fight there," a senior Israeli military official said. "The

goal is to heavily cripple Hezbollah in order to change the balance of power in Lebanon."

Until now, Israel has been able to use its advantages, including air power and sophisticated intelligence and surveillance operations, to put Hezbollah on the defensive. Israel deployed booby-trapped pagers to kill and wound Hezbollah members and launched airstrikes that killed the group's top leader, Hassan Nasrallah, and many of its elite fighters. Israel also killed his successor, Hashim Safieddine, Hezbollah said on Wednesday.

Military analysts say Israeli attacks have also degraded Hezbollah's missile force. In late September, the Israeli military said it had destroyed about 50% of Hezbollah's missile stockpile, which before the war was estimated to be about 150,000 missiles and rockets.

Hezbollah has said it remains militarily capable, but hasn't given an estimate of its weapons losses.

Military analysts and diplomats say the group is still able to import more weapons to replace some of what has been destroyed, mainly via its border with Syria, and has processes in place to replace senior leaders who are killed.

—Adam Chamseddine contributed to this article.

# U.S.: North Korean Troops in Russia

**WASHINGTON**—The U.S. said thousands of North Korean troops are being trained in Russia and might be used to reinforce Moscow's military offensive in Ukraine.

By Michael R. Gordon,  
Lara Seligman  
and Alan Cullison

At least 3,000 North Korean soldiers arrived by ship this month at the Russian port of Vladivostok and moved to several training sites in eastern Russia, U.S. officials said, confirming earlier assertions by Ukraine and South Korea.

"We don't yet know whether these soldiers will enter into combat alongside the Russian military," said National Security Council spokesman John Kirby. "After completing training, these soldiers could travel to western Russia and then engage in combat against the Ukrainian military."

The prospect that North Korean forces could enter the war highlights both Moscow's military shortfalls and its growing reliance on support from U.S. adversaries.

It also illustrates the 32-month-old conflict's reverberations outside Europe, in Asia and the Middle East.

The Biden administration has yet to say how it plans to respond to Moscow's move.

The U.S. and its North Atlantic Treaty Organization allies have warned that using North Korean troops would represent a major escalation in the conflict.

If their intention is to "participate in this war on Russia's behalf, that is a very, very serious issue," Defense Secretary Lloyd Austin said in remarks to reporters in Rome.

The U.S. was consulting with allies on how to respond.

In coming days, the U.S. will announce sanctions targeting the enablers of Russia's war in Ukraine located outside of Russia,

Kirby said.

North Korea is under heavy sanctions because of its nuclear weapons and missile programs.

But it has been able to evade some of those sanctions through illicit trade, cyber theft and other means.

Ukraine's top military-intelligence official said the North Korean troops are expected to arrive in Russia's Kursk region as soon as next week to help Moscow fight Ukrainian forces there.

Kirby said any North Korean troops deployed to fight Ukrainian forces would be

"fair game" for Kyiv to attack.

North Korea has provided ballistic missiles and artillery shells to Russia for its invasion of Ukraine. But the use of North Korean personnel would mark a significant increase in Pyongyang's help for Moscow's war effort.

Russian President Vladimir Putin has sought to compensate for military shortfalls by turning to Iran and China.

Iran has supplied drones and short-range ballistic missiles to Russia.

China has provided vital components to Russia's defense industry.

Russia's manpower shortages even if not in a combat role by guarding military bases or other tasks.

The reported number of North Korean troops is too small to have a significant impact in Ukraine, said Thomas Graham, a former White House adviser on Russian affairs in the George W. Bush administration. Pyongyang may have asked for training to learn lessons that Russian troops have acquired in Ukraine, said Graham, a scholar at the Council on Foreign Relations.

"The request might have been to take a few thousand of their troops to the front, see what real battlefield conditions are like," he said.

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Officials said the forces are being trained and might be used in Ukraine.

## WORLD NEWS

# Xi and Modi Repair Frayed Relationship

Political experts, however, say their long-term rivalry likely will persist

By AUSTIN RAMZY  
AND TRIPTI LAHIRI

For the past four years, relations between China and India—two nuclear-armed neighbors that are the world's most populous nations—have been in a deep freeze after a deadly clash between their forces high in the Himalayas.

Now, the two countries want to ease tensions on one front to focus on other geopolitical and economic challenges.

On Wednesday, Chinese leader Xi Jinping and Indian Prime Minister Narendra Modi held their first formal meeting in five years. That followed an announcement that the two countries reached an understanding about how to manage military patrols along key parts of their de facto border, which has for decades been subject to violence and disputes.

For China, which faces a stagnant economy and fraught relationships with the U.S., Europe and several of its neighbors, improved ties with India are the latest in small advances in its relations with other nations.

For India, which has been drawing closer to the U.S. and has benefited from Washington's rivalry with China, easing the standoff on the Himalayan border would reduce pressure on its defense budget and allow it to focus on other arenas of geopolitical competition with its neighbor—such as the Indian Ocean. It also must redouble its efforts to build an industrial economy.

"It's a truce in a long contest," said Sreeram Chaulia, dean at O.P. Jindal Global University's School of International Affairs in Sonipat, India, who said the underlying equation of long-term rivalry between the two countries likely will remain.



Chinese leader Xi Jinping, Russian President Vladimir Putin and Indian Prime Minister Narendra Modi met Wednesday in Russia.

Still, both leaders struck a warm note after their meeting in Kazan, Russia, on the sidelines of the Brics summit, a growing bloc of emerging nations where India and China have competed to exert leadership of the global South.

Modi tweeted that "mutual trust, mutual respect and mutual sensitivity" would guide India-China relations, which he said are important for global peace and stability.

Xi told Modi that their countries are both large, developing nations in key periods of their modernization. "The two sides

should strengthen communication and cooperation, resolve conflicts and differences" and help each other achieve their "development dreams," Xi said, according to China's state-run Xinhua News Agency.

The warming ties with India come as China has seen some contentious relationships ease. U.K. Foreign Minister David Lammy went to Beijing last week, a low-key trip that was intended to emphasize a "stable, consistent and pragmatic approach" to China under the new Labour government.

Relations with Australia have buoyed too after deteriorating under previous Prime Minister Scott Morrison, who

angered Beijing by calling for a probe into the origins of Covid-19. In the past year, China has eased curbs on Australian coal, barley, wine, beef and rock lobsters.

Beijing and the Vatican also announced on Tuesday a renewal of their agreement on the appointment of Catholic bishops. Relations between China and the Catholic church have long been tenuous because of the Communist Party's controls on religion, but under Pope Francis the Vatican has sought to deepen its engagement with China. The new deal will last four years, unlike previous pacts that were approved every two years.

None of these advances in ties represents a transformation. But Beijing would still welcome the modest improvements as its economy is stagnating, tensions are flaring with other neighbors such as

the Philippines, and relations with the U.S. are likely to remain poor regardless of who wins the U.S. elections.

"If you look at the world from Beijing's perspective, it's quite a difficult and hostile world," said Manoj Kewalramani, head of China studies at the Takshashila Institution, an Indian think tank. "It makes sense to have some of these tactical adjustments, because you can't have hostilities consistently all around."

Wang Dehua, a South Asia expert at the Shanghai Institutes for International Studies, described the improvement in ties as the result of a shift by New Delhi.

"India has had a bit of an awakening," he said. "They understand that if you want to rise you need to have cooperation with China."

—Rajesh Roy contributed to this article.

## China, Russia, India Boost Ties

India has been balancing its growing partnership with the U.S. against its longstanding ties with Russia, its key defense supplier.

Indian Prime Minister Narendra Modi's trip this week to Russia for the Brics meeting is his second to Russia this year. Chinese leader Xi Jinping's meeting with Modi was preceded by talks on Tuesday with his closest international partner, Russian President Vladimir Putin.

The Brics is a grouping of nations named for Brazil, Russia, India, China and South Africa. It has allowed Putin to move beyond isolation after an International Criminal Court arrest warrant over alleged war crimes in Ukraine.

Putin and Xi highlighted the growing closeness of their countries amid efforts by the West to ostracize the Russian leader.

Russia and China have led a push to expand Brics, while India has remained cautious over concerns that the group could be seen as confrontational with the West. This year the group added Egypt, Ethiopia, Iran and the United Arab Emirates.

"For the Chinese government it's quite useful to have more and more countries join the Brics, especially as China and also Russia want to use the Brics as a platform to show they're not isolated internationally," said Eva Seiwert, an analyst at the Mercator Institute for China Studies in Berlin.

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## WORLD NEWS



Canadian authorities say Lawrence Bishnoi, above, in 2023, has been instrumental in attacks on Sikh separatists, some of whom protested one such killing in Toronto last year.

CARLOS OSORIO/REUTERS

## A ‘Gangster’ Unravels India-Canada Ties

Authorities see jailed figure as head of crime network used to target Sikhs

Lawrence Bishnoi, a 31-year-old vegetarian with a handlebar mustache who authorities say controls a violent gang from his high-security prison cell in India, is at the

By Vipal Monga,  
Vibhuti Agarwal  
and Rajesh Roy

center of a diplomatic brawl between Canada and India.

To Indian law-enforcement officials, Bishnoi is a “dreaded gangster” who over the past decade has made a daring prison break, threatened a Bollywood star, and had his gang accused of killing a rapper considered a rival. The notoriety has made him a hero in the Punjabi village where he

grew up.

But to Canada, he has become an Indian government enforcer, whose criminal network violently punishes political dissidents and critics of Prime Minister Narendra Modi. Canada says Bishnoi’s group has helped Modi’s government contract criminal groups to attack and kill Canadian Sikh separatists whom India considers terrorists.

India calls the allegations “preposterous,” and both countries expelled top diplomats this month, exchanging fiery condemnations.

All of the attention has only bolstered Bishnoi’s emergence as an object of pop-culture fascination in India. A coming web series, “Lawrence—A Gangster Story,” will chronicle his life.

Authorities say his gang’s spread into Canada is part of ambition to be a global player in the underworld. His network—dubbed this year by In-

dia’s counterterrorism force as “the dreaded gangster” Lawrence Bishnoi’s organized terror-crime syndicate—is also active in Australia, Italy and Dubai, said police and security officials.

“Bishnoi’s idea is to become a notorious don,” a senior Indian police official said.

The son of a wealthy landowner, Bishnoi comes from a Hindu sect—called the Bishnoi—that reveres nature and adheres to strict vegetarianism. Bishnoi forgoes even tea to avoid getting addicted to caffeine, his cousin said.

He was first charged in 2010 for allegedly rioting with a deadly weapon as a rowdy university student organizer, according to court records. Public records show little about Bishnoi’s life after his student arrest, but in 2015, he made a brazen escape from authorities.

Bishnoi was being taken back to prison after a court

appearance. When his police detail stopped for dinner at a roadside restaurant, Bishnoi ran and jumped into a waiting white car driven by a fellow gang member. Another accomplice driving another car tried to run over the police officers, according to court filings. Bishnoi was recaptured two months later.

He has remained in jail since then, law-enforcement officials said, charged with arson, murder, extortion, drug smuggling and terrorism—all of which he has denied. He is awaiting trial in the city of Ahmedabad, in the high-security wing of India’s Sabarmati Central Jail.

Despite the restrictions, his gang has grown in size and ambition. Indian criminals can often get access to cellphones in jail by bribing guards and officials, and it is likely Bishnoi is using the same tactics to communicate with and control his gang, police and secu-

rity officials said.

Indian officials have denied that Bishnoi has access to cellphones. “He doesn’t have a lavish lifestyle in jail,” said Sweta Shrimali, deputy inspector general of police at the Ahmedabad jail.

But Bishnoi has been able to get his hands on a phone in the past. He participated in an interview that was broadcast on Indian television in 2023 while he was in another prison, in which he said people would throw phones to him over the prison wall.

Canadian law-enforcement officials and Prime Minister Justin Trudeau thrust the Bishnoi group’s presence there into the open this month. Canadian police said Indian government officials hired Bishnoi gang members in several attacks in Canada, including recent murders. The Royal Canadian Mounted Police said three murders between 2022 and 2024 are connected to In-

dian government involvement.

India has long complained that Canada is allowing extremism to germinate in the local Sikh community, as activists agitate for the creation of an independent Sikh homeland called Khalistan centered in the Indian state of Punjab. India has outlawed the movement at home, and feels Canada isn’t doing enough to tamp it down.

Bishnoi in the Indian television interview said he considers himself an Indian nationalist and is opposed to Khalistan. “I don’t think our country should be broken into pieces,” he said.

India denied Canada’s claim about Indian authorities working with Bishnoi. A spokesman for India’s foreign ministry said India has over several years warned Canada about infiltration by members of Bishnoi’s group in Canada, but Canadian law-enforcement officials didn’t act.

# Go Deeper This Election Season.



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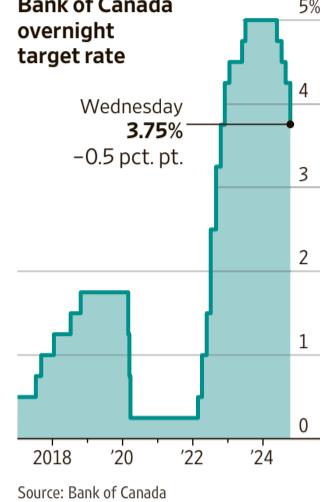
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IT'S YOUR BUSINESS

## WORLD NEWS

# Bank of Canada Cuts Key Rate

Central bank says half-point cut came after inflation fell back to 2% target



Source: Bank of Canada

By PAUL VIEIRA

OTTAWA—The Bank of Canada on Wednesday cut its main interest rate by half a percentage point, saying the struggling economy needed a jolt of hefty stimulus with inflation returning to 2% sooner than anticipated.

The central bank lowered the target for the overnight to 3.75% from 4.25%, marking the fourth consecutive rate reduction. Gov. Tiff Macklem said further rate cuts could be expected, so long as the economy evolves as forecast.

Some economists believe another half-point cut could be in the cards in December, given soft consumer spending and business investment. Other analysts believe a steady diet of quarter-point reductions is more likely.

"We took a bigger step today because inflation is now back to the 2% target," Macklem said Wednesday morning. "Price pressures are no longer broad-based." Coupled with other indicators, "this sug-

gests we are back to low inflation," he added.

The Bank of Canada was the first among Group of Seven monetary authorities to begin easing rate policy after aggressive tightening by global officials aimed at taming historically elevated inflation. The cuts, totaling 1.25 percentage points so far and the most to date by a large developed-world central bank, are a response to weakness among Canadian households and businesses. Canadian households carry some of the heaviest debt burdens in the developed world and, therefore, been more sensitive to rate increases relative to their U.S. counterparts.

"It's been a long fight against inflation, but it's worked," Macklem said. The central bank's policy rate peaked at 5% following the last increase in July 2023, reflecting a 4.75-point rise in the span of 16 months.

The latest time the Bank of Canada made an outsize half-point rate cut at a regularly scheduled decision was in early March 2020, or just before the peak of the Covid-19 pandemic. This matches the Federal Reserve's big cut from September, as U.S. policymakers decided on bolder action amid worries about labor-market weakness.

Ten of 13 Canadian economists surveyed last week by The Wall Street Journal predicted a half-point cut. Canada's unemployment rate has climbed to 6.5% because companies are unable to absorb all the newcomers, via immigration, who have entered the workforce. The Bank of Canada said the share of firms reporting labor shortages has dropped below the historical average.

The softness among households and businesses "has helped take the remaining steam out of inflation," Macklem said. "But with inflation back to 2%, we want to see growth strengthen."

## OBITUARY

### Peruvian Priest Touted 'Liberation'

Peruvian theologian Rev. Gustavo Gutiérrez, the father of the social justice-centered liberation theology that the Vatican once criticized for its Marxist undercurrents, has died. He was 96.

Gutiérrez's liberation theology put the poor as its priority and exerted great influence on doctrine and the history of the church in Latin America. His 1971 book "A Theology of Liberation" had a profound impact by proposing a faith based on social justice focused on the poor and positing that poverty "is a scandalous state, an attack on human dignity, and therefore, contrary to the will of God."

Gutiérrez's thinking attracted many who were outraged by the inequality and dictatorships in several Latin American countries. But his ideals were severely criticized by the Vatican.

—Associated Press

## U.K., GERMANY

### NATO Members Sign Defense Pact

German submarine-hunting planes will patrol the North Atlantic from a base in Scotland under a new Britain-Germany defense pact responding to the growing threat from Russia.

Defense ministers from Britain and Germany signed the agreement in London on Wednesday in what officials call the first such defense pact between the two North Atlantic Treaty Organization member countries.

The deal comes as the war in Ukraine grinds on, and with Kyiv and its European allies anxious about the outcome of the U.S. presidential election.

Under the deal, German submarine-hunter aircraft are expected to operate "periodically" from a Scottish military base to patrol the North Atlantic. The allies will work closer together to protect vital underwater cables in the North Sea.

—Associated Press

## MEXICO

### Troops Kill 19 Cartel Suspects

Army troops have killed 19 suspected drug-cartel gunmen in a shootout and suffered no casualties, the Defense Department said.

The ruling Morena party has criticized past administrations for lopsided death tolls in which many suspects but no soldiers died, suggesting they constituted executions or rights abuses.

The confrontation occurred on Monday in the northern state of Sinaloa, on the outskirts of the state capital, Culiacan. The area has been shaken by infighting between two factions of the Sinaloa cartel since early September.

The department said troops had detained a top lieutenant of the "Mayitos" faction, loyal to imprisoned drug lord Ismael "El Mayo" Zambada. The army said troops were then attacked by more than 30 assailants.

—Associated Press

## THE PHILIPPINES

### At Least Nine Die In Storm Flooding

Torrential rain set off by an approaching tropical storm swamped the eastern Philippines with widespread flooding that killed at least nine people, trapped others on their roofs and sparked frantic appeals for help, officials said on Wednesday.

The government shut public schools and government offices—except those urgently needed for disaster response—on the entire main island of Luzon to protect millions of people as Tropical Storm Trami blew closer from the Pacific.

At least nine people died in five northeastern provinces and in the hard-hit city of Naga before the storm's expected landfall on the northeastern Philippine coast. Most of the deaths were caused by drowning and landslides, police and local officials said.

—Associated Press

**BAAAAD TRAFFIC:** A flock of sheep is led near the village of Podwilk, Poland, marking the end of the annual grazing season.



SERGEI GAPON/AGENCE FRANCE PRESSE/GETTY IMAGES

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## FROM PAGE ONE

# Big Donors Fund 'Stop The Steal'

*Continued from Page One*  
Hobby Lobby founder David Green

Those groups have been scrutinizing voter registrations on an industrial scale and working to slow down the vote count, bury local election officials in paperwork and lawsuits and elect like-minded politicians at the state and local levels who will support efforts to contest the vote.

Many election officials worry those moves could sow chaos at the polls and confusion about the results. In 2020, Trump seized on the uncertainty as votes were still being counted to declare, "Frankly, we did win this election."

At the time, many top Republicans and even Trump's own aides privately expressed skepticism about his claims and his frantic, haphazard effort to contest the results. Subsequent government audits, state investigations and lawsuits turned up no evidence of widespread fraud, and evidence has emerged that Trump aides knew the results to be legitimate as they sought to undermine them. Top election officials, including many Republicans at the state level, say the current election-integrity push is targeting problems that don't exist.

Trump has made claims about election integrity a central plank of his campaign and repeatedly signaled he would dispute the results if he loses.

Conservative groups have trained armies of volunteers to monitor voting on Election Day, including 200,000 poll workers, poll workers and legal experts recruited by the Republican National Committee alone.

One group created an app that is essentially Facebook for election fraud, allowing users to post, comment and share anything they deem to be "election irregularities," and to file incident reports to the group. Another group advertised in May that anyone reporting election fraud or abuse would be "eligible for payment" from a \$5 million fund.

The Trump campaign and the RNC have spent \$28 million from 2020 through August of this year on lawyers who have filed more than 100 lawsuits seeking observer access to election facilities and questioning the security of mail-in ballots and the accuracy of voter rolls. An RNC spokeswoman said the party is "protecting every legal vote."

David Becker, executive director of the nonpartisan Center for Election Innovation and Research, said most of the claims made by the election-integrity movement "are not designed to fix problems now....They're designed to set

the stage for claiming the election was stolen postelection."

Partisan watchers have long been a part of U.S. elections. Democrats, too, have been recruiting volunteers. The Harris campaign expects to field tens of thousands to act as poll watchers on Election Day and count observers afterward, as well as to staff hotlines dispensing legal and voter protection expertise.

## Fundraising boom

Fundraising by groups that describe their mission as rooting out voter fraud has skyrocketed in recent years, the Journal's analysis of tax and campaign-finance filings found. The so-called dark money nonprofits involved in the 2024 efforts aren't required to identify their donors.

The Journal analyzed grants made by nonprofits associated with conservative donors to groups that have worked on the issue, as well as publicly disclosed contributions to super PACs working on those efforts. For most nonprofits, the most recent filings were through 2022.

Groups linked to the Uihleins, the Wisconsin shipping billionaires, have donated more than \$34 million since 2020 to organizations that do election-integrity work, the Journal analysis found.

A foundation funded by donors including Green, the Hobby Lobby billionaire, has given \$7 million.

Two nonprofits in a network of groups operated by conservative judicial activist Leonard Leo gave more than \$4.7 million.

Other funders of conservative causes who have backed election-integrity groups include Donors Trust, the Bradley Impact Fund and the Lynde and Harry Bradley Foundation,

which have collectively given more than \$48 million to such groups, according to the Journal's analysis.

Jason Snead, the executive director of the Honest Elections Project—part of the Leo network—said the group is responding to what he described as a yearlong effort by Democrats to change how elections are run, and that the group's aim is to ensure election security.

Representatives for the Bradley Foundation said its donations were intended to support the groups' overall missions, not just election integrity. Donors Trust, which allows donors to anonymously direct their money to specific organizations, said it doesn't take policy positions. The Uihleins didn't respond to a request for comment.

Patrick Byrne, the former CEO of Overstock.com and an early proponent of stolen-election claims in 2020, said he has donated as much as \$60 million to election-integrity efforts, including to the America Project, a nonprofit he launched with former Trump national security adviser Mike Flynn.



Former Overstock.com CEO Patrick Byrne, second from left, said he has donated as much as \$60 million to election-integrity efforts. Hobby Lobby founder David Green, below.



ment, management and leadership failures in epic proportions," which Mitchell said had "robbed countless voters of their political voices."

A spokeswoman for the Maricopa County recorder's office, which handles part of the county's election procedures, said she was unaware of the report but that there was no evidence of fraud in 2022.

Mitchell said in an email: "I am very proud of the Election Integrity Network and the thousands of patriotic Americans" who are working on the effort.

Tens of millions of dollars have been spent in battleground states such as Georgia, where GOP lawmakers are responsible for a slew of legal changes and new rules that could make the election harder to administer.

"You can often tell that these are either coordinated or they're spinning out from internet conspiracies," Hovland said. "They have real world consequences on the people that administer our elections. They are a resource drain."

After Trump left office in 2021, Flynn launched the America Project with Byrne, the former Overstock CEO, and took over another dormant group, America's Future, which began raising funds to pay for an election audit in Arizona, among other things.

One donor who answered the call was Julie Fancelli, the Publix Super Markets heiress, who previously had offered to spend \$3 million to fund protests on Jan. 6, 2021, according to congressional documents. Her family foundation gave \$500,000 to America's Future in 2021, according to tax documents.

Flynn has since parted ways with the America Project, but he continues to talk up the threat of election fraud, including on PatriotTV, a streaming service owned by a company where he is a board member.

Last week, Flynn again sounded the alarm. "This is a warning to those who may decide to cheat or commit fraud during our elections," he posted on X. "The [government] may be watching us, but someone is watching you."

—Andrea Fuller contributed to this article.

## Conservative groups have trained armies of volunteers to monitor voting.

In a text message, Byrne called Biden's victory a "fake election" and said the U.S. was facing a "Chavista revolution."

He called for more to be done to fight purported election fraud, saying: "They have put Band-Aids on cancers."

In the 12 months through March 2020, the Servant Foundation, a Kansas-based nonprofit, directed hundreds of millions of dollars in grants mostly to religious organizations.

It gave just \$11,000 that year to a then-fledgling organization called the Conservative Partnership Institute, which aimed to support conservatives.

The following year, the Conservative Partnership Institute launched the Election Integrity Network, which it said would serve as a hub for volunteers, elected officials and activist groups focused on "securing the legality of every American vote." The network also recruits and trains poll workers.

The Servant Foundation's contributions to the institute shot up. It gave \$1 million in the year ending March 2022 and \$54 million the year after. It donated another \$700,000 to three other groups that describe themselves as focusing on election integrity and voter fraud.

The Servant Foundation, which is also known as the Signature and bills itself as a Christian ministry, is funded in part by Green, the billionaire founder of Hobby Lobby.

The Servant Foundation didn't respond to a request for comment.

A statement provided by Hobby Lobby said the foundation's leadership decides

how its funds are spent, and that neither Hobby Lobby nor the Greens were aware of the Conservative Partnership Institute and hadn't directed the foundation to support it.

The head of the Conservative Partnership Institute's Election Integrity Network is Cleta Mitchell, a longtime Republican election lawyer who participated in the January 2021 phone call in which Trump pressed Georgia's secretary of state to "find" some 12,000 votes for him.

Mitchell and other activists have said they are responding to changes in voting processes put in place during the pandemic in 2020, including expanded use of mail-in ballots.

The Election Integrity Network's efforts were on display in the 2022 midterm elections in Maricopa County, Ariz. Sixteen days after that election, the group posted on its website a 50-page report about what it said were "technology, equipment

Most states that banned the grants didn't allocate government funds to bridge the gap, which some election experts

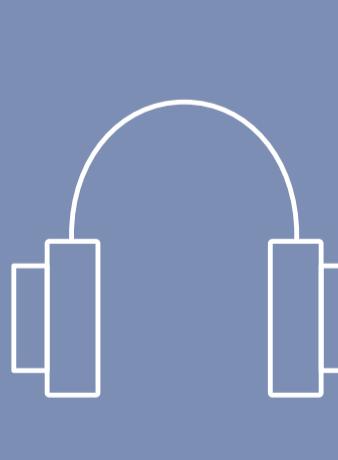
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## Balancing Work and Play At Conferences

Karaoke? Pickleball? Goat yoga? Employees split on mandatory fun on business trips



**CARRY ON**

DAWN GILBERTSON

The conference at the 950-room JW Marriott Desert Ridge Resort in early October had everything hotel industry folks could want: Panels with the CEOs of Marriott, Motel 6 and Wyndham. Outlooks on the economy, room rates and travel trends.

And an inner-tube race in the pool.

Conferences and corporate retreats are back, and with them the heaping side of scheduled fun. Scan the lineup for your next conference. Beyond the usual happy hours and golf outings, there's karaoke, pickleball, yoga, casino night, guided hikes and, yes, lazy river races.

It's reinvigorating the age-old debate for attendees: Just how all-business are you? Are these conference extras a priceless chance to meet a prospective client or new employer outside the hotel ballroom—or cringe, forced fun that could even land you in the HR office or urgent care?

Elyse Kirby, a national relationship manager for a company that helps property owners navigate insurance claims, is a fan. She has been to eight con-

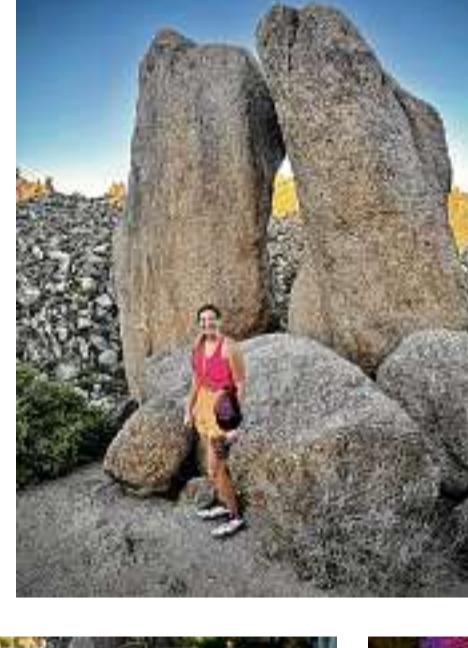
▼ Conference organizers say social activities are a great way for attendees to informally connect.

ferences this year. In North Carolina, she signed up for goat yoga and a walking tour. At the Lodging Conference in Phoenix this month, she flew in early for a guided 6 a.m. hike in the Sonoran Desert the first day of the conference. She was initially on a wait list and kept calling for a spot to open up.

The Nashville resident calls the activities outside the regular sessions crucial. She switched jobs this year and was the only person in her company at the Phoenix conference. By the time the opening session occurred, she had connected with an architect, a financier and someone who makes stainless steel pools for hotels.

"Meeting people for more than two seconds at the bar allowed me to have a connection, even if we had no business synergies," she says.

It isn't hard to find online grumbling about the dawn-to-closing-time agendas at conferences



and conventions. Plenty of business travelers are happy to retreat to their room or a local restaurant after the day's closing session.

Janice Chaka, a Boston-based career coach for introverts, has no problem with conference activities as long as they're optional. She tells her clients to draw up a plan before the conference.

"It's finding a balance of which events you can attend while also getting downtime to recharge," she says.

Two words that will automatically cross any activity off her conference to-do list: team building.

### Business-travel boom

Travel management company Navan this week said conference attendance is helping business travel return to near prepandemic levels. Conference travel accounted for

► Elyse Kirby recently signed up for a 6 a.m. hike at Tom's Thumb in Scottsdale, Ariz.

15% of business travel year-to-date, up from 12% in 2019, the company says.

Meeting planners say social activities rank fourth among factors that make conferences memorable for attendees, according to American Express Global Business Travel's 2025 forecast. The top three: content, venue and destination. Attendees want "valuable insights and actionable takeaways that enrich their professional lives," according to the report, published in early October.

But conference organizers say group activities are a critical part of the mix, offering a relief from keynotes, panels and endless breakout sessions. Call them ice breakers or laid-back networking.

Harry Javer founded and puts on the annual Lodging Conference. This year nearly 3,000 attendees paid about \$3,000 each to attend the three-day event. Most of its activities fill up.

Javer says he likes his event to be known as the fun conference.

The inner-tube race, which premiered last year at the resort's lazy river attraction, grew out of a popular rubber duck race at the conference. Participation doubled this year, to about 60 people, he says. This despite a change in the rules to make it a more lazy float. Attendees couldn't just walk through the lazy river with a tube around them.

"You had to have

your butt in the tube," he says.

Not everyone wants business colleagues to see them in swimsuits. Javer says that the events are all optional. He doesn't like the terms "forced fun" or "mandatory fun."

"It's not like 95% of the people do it and if you don't do it you're left out," he says.

Under consideration for next year: inviting conference goers to rappel off a building. (His insurance company said no, but he has found an outfitter who is covered.)

### Fancy a cigar?

Chris McChesney attends lots of conferences as a financial-services executive. The industry doesn't get as creative as others do, but the Boston executive says he's seen an increase in optional activities. They include cigar rolling, cooking demonstrations and wine tasting. And he says casino nights with play money are growing in popularity as betting has gone mainstream. These events can be part of the main conference or side events sponsors throw to get attendees' attention.

"Maybe no one's really feeling inspired by another cocktail party," he says.

He'll play golf occasionally when there's time and did a wine tasting at a conference in Washington, D.C. Karaoke is a no-go. And anything in a swimsuit. Yoga, too, because the skimpy clothing "might come close to violating my no-swimsuit thing."

Pickleball is also off the table: "One of my other rules might be nothing where I could tear my ACL."



bigger tech company in 2023, but the job market became so daunting she decided to pursue her M.B.A. at the Ross School of Business at the University of Michigan instead.

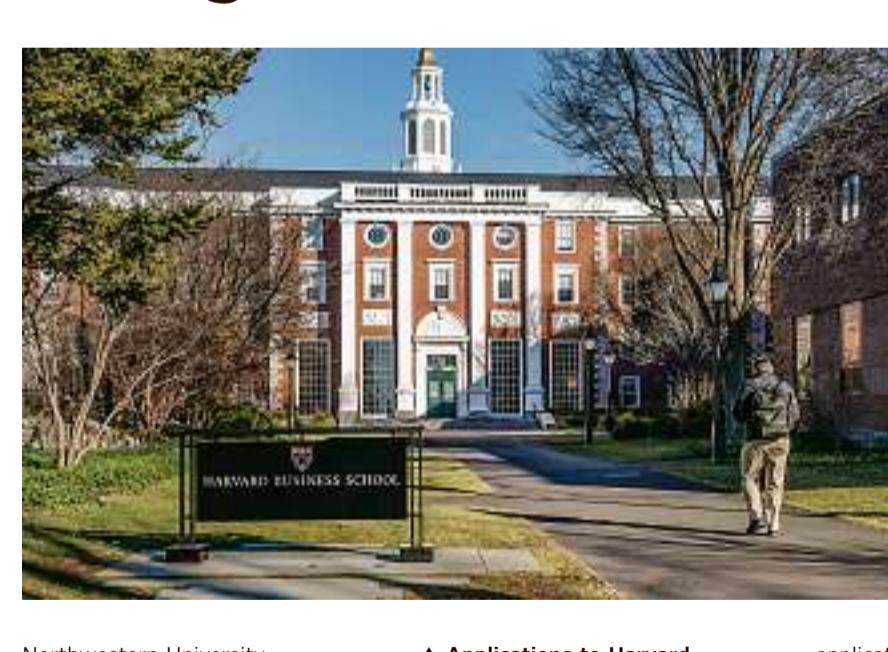
It is giving her the confidence to pursue roles that previously seemed harder to get.

"I definitely think it will help in my future prospects," she said.

Candidates from India, China and Nigeria—countries that traditionally have fed large numbers of professionals into business schools in the West—are now interested in applying to programs closer to home, according to a GMAC survey of prospective students. Business schools in the U.K. and Canada experienced substantial international application declines for 2024.

People applying to part-time business school programs in their home countries rose 9%, and M.B.A. programs with more flexibility are in higher demand, said Joy Jones, chief executive of GMAC. Roughly two-thirds of online and flexible M.B.A. programs reported rising applications. Interest from women increased by 10-percentage points from last year, she added.

"There are people who don't want to leave roles if they are concerned about the economic environment and its mixed signals, but they still perceive that they need to upskill to be competitive," Jones said.



Northwestern University.

Kellogg reported a 23% increase in applications this year, reaching a level not seen since 2020 when the pandemic triggered a wave of layoffs.

Today, the U.S. job market is strong, and unemployment remains low. But lower-wage positions in retail and dining, as well as healthcare and government, have fueled much of the labor market's growth over the past two years.

A white-collar job market downturn that began with tech workers in 2022 has spread to other sectors. Major employers including Goldman Sachs, Lyft, Microsoft and PricewaterhouseCoopers have laid off a

▲ Applications to Harvard Business School increased 21% over last year.

combined tens of thousands of workers this year.

Hiring for roles that usually require a bachelor's degree dropped below 2019 levels in recent months, according to payroll provider ADP. That slump has been steeper for 20-somethings, who are running into a bottleneck on the lower rungs of the corporate ladder as more established professionals stay put.

Mikayla Merchant, 27, was looking to transition from a startup to a

THE WALL STREET JOURNAL.



## Applications to M.B.A. Programs Soar

By RAY A. SMITH

Workers, frustrated by an extended cool-down in the white-collar job market, are applying to business school in numbers not seen in years.

Applications to M.B.A. programs increased 12% in 2024, according to a new survey of schools by the Graduate Management Admission Council, a nonprofit that tracks application trends.

The rebound, which reverses two years of declines, was most pronounced for full-time, in-person degrees.

Applications to those programs rose 32%, the highest level in a decade. Applications from Americans drove the newfound popularity of U.S. programs. In past years, international student prospects have filled out enrollment at many U.S. business schools.

Renewed enthusiasm for the M.B.A. reflects limited prospects for recent college graduates despite a still-strong labor market overall, say recent grads and M.B.A. administrators. Among factors hurting white-collar work, artificial intelligence has begun to upend some jobs, while more established employees have recently quit job-hopping, leaving fewer open roles.

Young college grads choosing to go back to school say the decision could make them stronger job candidates in the future. Both young workers and laid-off older workers often gravitate toward M.B.A. pro-

grams during times when they think there could be an economic downturn.

Scott Karpenos, 23 years old, is pursuing a part-time M.B.A. at New York University's Stern School of Business while he continues to work for a wealth-management company. His goal: developing new skills to make himself more valuable.

"I wasn't sure if my job was going to be redundant, so I wanted to go back to school to gain a broader network, just in case," he said.

### School by school

Several highly ranked American business schools, including Stanford Graduate School of Business, the Yale School of Management and the University of Pennsylvania's Wharton School, had double-digit increases in applications to their programs.

Applications to Columbia Business School rose 27%. Harvard Business School registered a 21% increase, while applications to the Booth School of Business at the University of Chicago were 22% higher than 2023.

"With so much change happening in the business and societal landscape, due to artificial intelligence, a changing workforce, and challenges related to sustainability, business education is being recognized as more vital now than ever," said Greg Haniffee, associate dean of degree programs and operations at the Kellogg School of Management at

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## PERSONAL JOURNAL.

# Why Apple's AI Isn't Very Smart Yet

First wave of AI is coming to iPhones. The company's software chief explains why so much is still missing.



**PERSONAL TECHNOLOGY**  
JOANNA STERN

**Me:** "Hey Siri, when will you become the smart assistant Apple always promised?"

**Siri:** "Here's what I found on the web for 'The smart assistant Apple promised.'"

**WELCOME TO APPLE** Intelligence, where "intelligence" is still a work in progress.

Apple will launch iOS 18.1 next week, bringing its much anticipated generative-AI tools to the iPhone 15 Pro models and the new iPhone 16 lineup. It will be available for most newer iPads and Macs, too.

If you're expecting AI fireworks, prepare for AI...sparklers. Back in June, at the company's annual developers conference, executives showed off do-it-yourself emojis, ChatGPT integration and a Siri that can recall the name of a person you met months ago. Apple has even been running ads for some features. None are in this release.

"This is a big lift," Craig Federighi, Apple's senior vice president of software engineering, told me at the company's headquarters. "You could put something out there and have it be sort of a mess. Apple's point of view is more like, 'Let's try to get each piece right and release it when it's ready.'

Yes, while other companies rush out generative-AI tools, sometimes with controversy, Apple is moving cautiously. Federighi denies the company is behind, saying it's prioritizing privacy and responsibility.

I've been testing Apple Intelligence on my iPhone and iPad. Apple's ability to build tools right into the operating systems is undeniably powerful and convenient. But many are half-baked. I asked Federighi to explain the features—and Apple's broader AI strategy.

## Smarter Siri?

When you summon Siri in iOS 18.1, the screen's edges light up with a rainbow glow and a more human-sounding voice responds. You can even type your queries by tapping at the bottom of the iPhone screen.

It's like a Hollywood remake: fancier special effects but the same old plot holes. Siri is still best for basic commands (timers, weather and music, etc.), and often falls back on "Here's what I found on the web" or admits it doesn't understand. That is, unless you ask about using your Apple device—say, how to adjust Screen Time limits. That's when generative AI kicks in and "new" Siri shines.

So where is this smarter Siri—the one that can piece together context from your calendar, email and mes-

► With iOS 18.1, the iPhone can summarize multiple notifications into one.



► With Apple Intelligence, Siri gets a new glowing look and typing option.

sages to take action? The one that can call on ChatGPT if it doesn't know the answer?

"Siri is adopting that in stages and will benefit in stages over the coming year," Federighi said.

Recently, OpenAI, Meta and Microsoft gave their chatbots eerily humanlike voices, enabling them to hold long conversations and answer questions about the world.

Apple's assistant is built differently, Federighi said, emphasizing that it processes 1.5 billion requests daily. Those other chatbots are great if you want to ask a question about quantum mechanics, he said, but they won't open your garage or send a text message.

"There's a trade-off across capabilities," he said. "Will these worlds converge? Of course."

## Writing tools

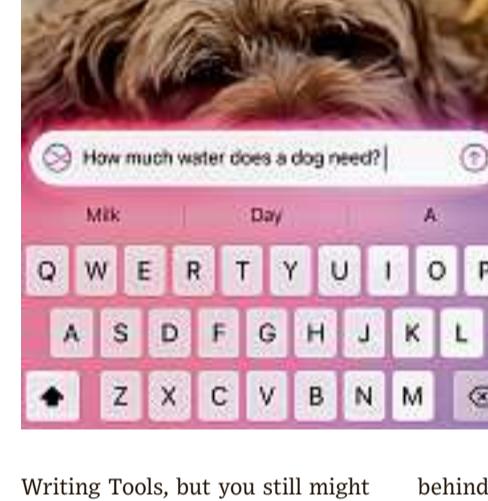
Confession: I used Apple Intelligence to help write some of what you just read. I pasted the inter-



view transcript into the Notes app, highlighted the passages about Siri, tapped the Writing Tools pop-up and selected Summary.

It's convenient—you can use it within most apps where you're working with text. But while Apple's results are decent, other chatbot apps offer more control, letting you specify summary length or provide detailed rewriting prompts. Apple's Writing Tools are the convenient drive-through right on the highway; OpenAI's ChatGPT is the better restaurant a few miles off your route.

Apple will soon offer deeper ChatGPT integration right within



Writing Tools, but you still might want to lean on Apple for its privacy benefits. ChatGPT and most other chatbots based on large language models send everything you type to their cloud servers.

Apple does a lot on the device, but when it needs more processing power—summarizing a long email, for instance—it taps encrypted, private cloud-based models. With Private Cloud Compute, Federighi promises that the privacy of your device is extended to its cloud servers, and the data isn't stored.

## Notifications summary

My favorite part of Apple Intelligence? Notification summaries. Instead of seeing 10 alerts about my garage opening and closing, I get a simple update: "Multiple status changes for Garage Door, recently closed." You can opt into this feature and choose which types of notifications you'd like summarized. All the summarizing happens on the device.

It's definitely useful—but the occasional flubs and impersonal summaries are also pretty hilarious. How did it summarize a se-



▲ Kat Stickler got the TikTok account in the divorce, and has expanded its reach to nearly 10.5 million followers.

thing they've done to amass about five million followers on shared channels has been a team effort. They started posting about their wedding in 2020 and, within months, Puja was able to quit her office job. Now, they estimate social media brings in about half a million dollars a year.

Almost all of that goes into a joint bank account. It was a little overwhelming to see their incomes jump so fast, far above what their parents made, say Reza, 28, and Puja, 27. They hired a financial ad-

visor earlier this year, but the idea of dividing their empire has never crossed Puja's mind.

"This is the first time we're actually thinking about it," she says. "If I really went public with a hypothetical split, that could create its own momentum."

The way influencers rebuild their

brands after breaking up can make or break their careers.

If the person got popular by posting memes or makeup tutorials, they probably won't take much of a financial hit from a divorce. But there could be more damage if a lot of the videos feature family time.

"One could take it over and they just rebrand, which is risky," says Nina Shayan Depatie, a divorce attorney in Los Angeles who has worked with influencers. "When you're looking at the valuation, you would have to consider that."

Ayumi Lashley, 34, started creating social media videos with her husband in 2017. They made it their full-time job in 2020 and the accounts paid for her car and house,

► Joanna Stern interviewed Apple's Craig Federighi about AI coming to the iPhone.

ries of texts from my wife about our toddler's tantrum?

"Child is not behaving well." Federighi acknowledged that sometimes summarization might not be funny.

A recent viral post showed Apple translating a breakup text thread as "No longer in a relationship; wants belongings from the apartment." Federighi says Apple Intelligence didn't do "a horrible job" with it, but he recognized the larger issue: "There's a variety of kinds of communication that can come through and sometimes those are sensitive matters."

In some cases, Apple won't automatically summarize a notification because it might not handle it well, he says.

## Fixing photos

Apple Intelligence will let you create images and emojis with a text prompt. Except—you

guessed it—that's not in this release, either. Instead, there's a tool for removing unwanted parts of a photo, similar to Google's Magic Eraser.

Select Clean Up in the Photos app and tap the objects or people you want to remove, and the on-device generative-AI model does its thing.

It works well when the object or person is set against a simple, solid background—like a blue sky. But with more complex backgrounds, it struggles, leaving

behind visible errors.

Many generative-AI image tools let you generate new parts of a photo. Apple doesn't—and that's intentional.

"People view photographic content as something they can rely on as indicative of reality," Federighi said. "It's important to us that we help purvey accurate information, not fantasy."

That's reassuring. Apple may be lagging behind AI rivals, but most of those companies haven't demonstrated they prioritize privacy or the thoughtful rollout of these powerful tools.

Few new and upstart competitors have more to lose than Apple, which trades in the trust of over a billion people. Who wants an iPhone experience where Siri blabs on about the meaning of life but forgets to set our alarms?

"This is a many-year, honestly, even decadeslong arc of this technology playing out, and so we're going to do it responsibly," he said.

Until then, let's say it all together now: "Here's what I found on the web."

## Watch a Video

Scan this code for a video of Joanna Stern's interview with Apple's Craig Federighi.

# Who Gets The TikTok In a Divorce?

Continued from Page One  
life online face an existential threat to the family business when they split.

For the lawyers charged with pinning a dollar value to the accounts to divide them fairly, it's way harder than assessing a house or car. Fortunes can swing depending on which ex has the keys to the account. That was Kat's argument in fighting for control of the TikTok channel.

"If the TikTok account was left to me, it would keep growing, but if it wasn't, it would stop," said Kat, 29, in the podcast interview.

She was right.

Kat got the TikTok, changed that handle to KatStickler and now has almost 10.5 million followers. She has another three million across Instagram, YouTube and Facebook. The channels, where Kat posts skits impersonating her mother and snippets of her everyday life, have earned her enough to buy a condo and become a small business investor.

Mike ended up with the YouTube account, which is now defunct. He now works in sales and declined to

comment.  
There are 27 million paid content creators in the U.S., and 44% of them say social media is their full-time job, consultant The Keller Advisory Group found.

The big bucks don't come from views or followers. Brands pay influencers to recommend a product or service to their audience. U.S. advertisers paid content creators \$26 billion in 2023, according to Statista.

Once divorce specialists tally up how much money the accounts are raking in, the couple can divide them, or one partner can take more and buy out the other.

But there's one elusive factor in a digital asset's value: the account's potential to keep making money. Both partners have to make a case for their role in that potential. How many pranks did they think of? How many hours did they spend editing videos?

"There's typically one person in the relationship who is passionate about social media, who's driving the business," says Cameron Ajdari, who runs a talent management group with his wife representing some of TikTok's most followed couples.

It's not always clear who that person is by the time divorce rolls around. Social media success often evolves quickly, and couples may not be prepared to track finances and labor.

Reza and Puja Khan say every-



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thing they've done to amass about five million followers on shared channels has been a team effort. They started posting about their wedding in 2020 and, within months, Puja was able to quit her office job. Now, they estimate social media brings in about half a million dollars a year.

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she says.

When they divorced in 2023, they both tried to elevate their personal profiles, but their fan base is still attached to a nonexistent relationship. She says she chose not to share much about the split and lost a few thousand followers, while her ex posted more about the divorce.

"A lot of people were very upset with me for not talking about it," Lashley says. "His career is doing amazing and mine is not."

Many content creators don't intend to make videos of their daily outfits forever, even if it isn't divorce that ends their careers.

"I always joke we're like NFL players. You get five or 10 good years, but you take one bad hit to the knee and you're done," says Vivian Tu, 30, who posts about financial literacy to roughly eight million followers. "You can't control the algorithms. You can't control what is in vogue and what's not."

Tu says she is preparing for a life away from social media by developing other streams of income, including writing a book and hosting a podcast.

She is also aware of what divorce could do to her business. Tu wrote up a prenuptial agreement that included all her social-media accounts before she got married in June.

"My social media is my résumé," Tu says. "Why would I allow anybody else to put my work on their résumé?"



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## ARTS IN REVIEW

BY DAVID MERMELSTEIN

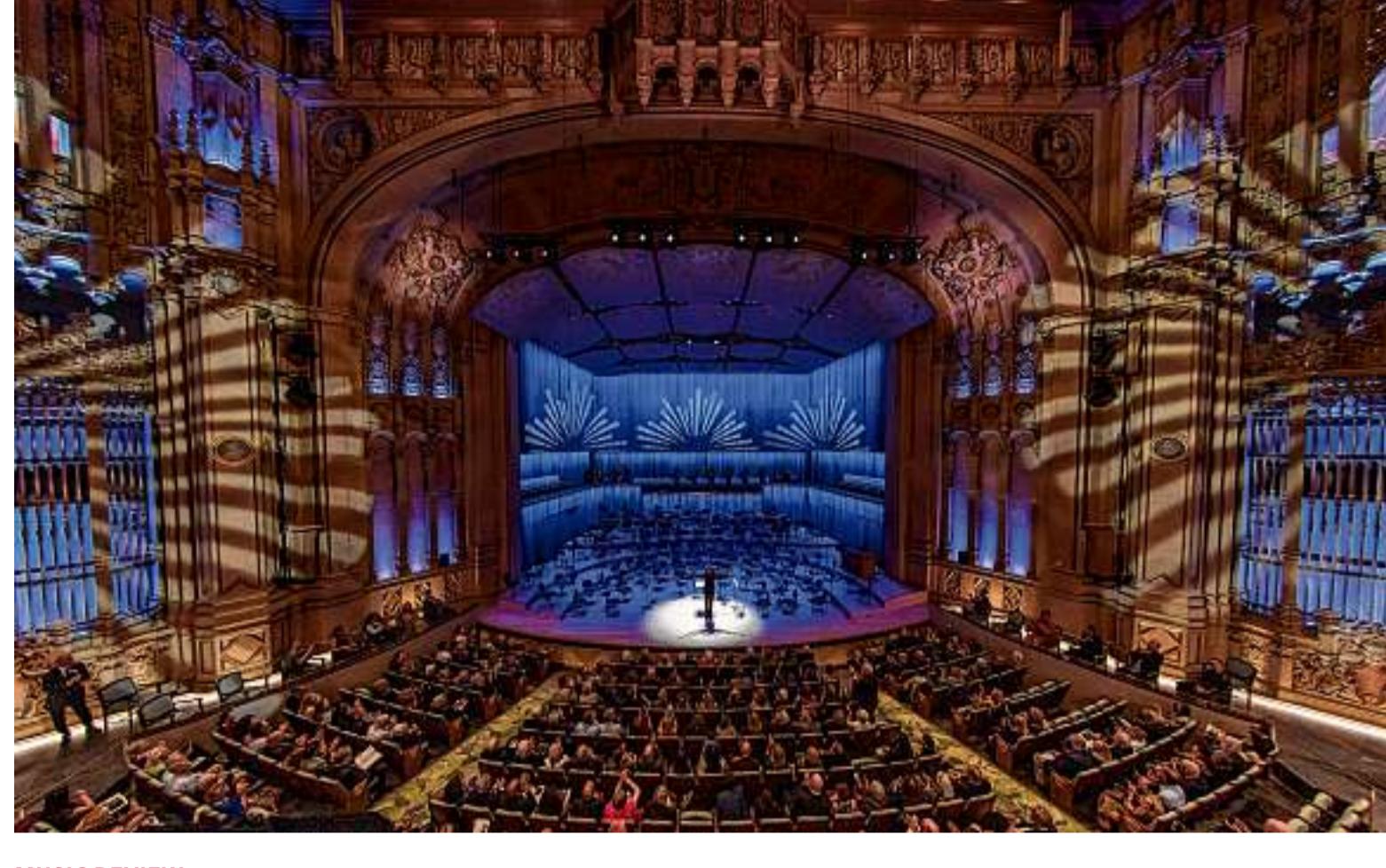
**A**t a time when California's two leading orchestras are facing serious challenges, its third most prominent band, the nearly 114-year-old San Diego Symphony, is having a moment. The relatively little-known ensemble and Rafael Payare, its popular and photogenic music director, just reopened their substantially renovated primary venue, the downtown Jacobs Music Center, which after a 4 1/2-year closure has had its seating capacity reduced to just over 1,800 to accommodate sonic improvements.

Up the coast a bit, Gustavo Dudamel has begun his penultimate season as conductor of the Los Angeles Philharmonic, where anxiety about who succeeds the departing star verges on preoccupation. Farther north, this season marks the last of five for Esa-Pekka Salonen and the San Francisco Symphony, bringing an unexpected and disappointing end to what seemed, before the Covid-19 pandemic, a potential new golden age to follow Michael Tilson Thomas's quarter-century reign in the City by the Bay.

Yet here in mellow San Diego, matters musical seem positively sanguine. Mr. Payare—like Mr. Dudamel, a product of Venezuela's vaunted El Sistema music-education program—started his tenure with this orchestra in 2019. Now he is presiding over not just the unveiling of the symphony's successfully revamped hall (a repurposed Fox movie palace in the Spanish Baroque style, complete with organ, that lacked flattering acoustics) but also a general lifting in the quality of the playing since his arrival. Until recently, that has been most evident in performances at the Rady Shell, the ensemble's outdoor, waterfront home, which opened in 2021.

The conductor, who has hired 16 of the symphony's 82 contracted players, is sometimes regarded as a protégé of Mr. Dudamel, though, at age 44, he is slightly older than his compatriot and longtime friend. Mr. Payare was a Dudamel Fellow, the L.A. Philharmonic's maestros-of-tomorrow program, in 2012/13 (the same year as the much-lauded Mirga Gražinytė-Tyla) and a recurring presence at the Walt Disney Concert Hall and the Hollywood Bowl during Mr. Dudamel's early years in L.A. But only last season did Mr. Payare conduct one of the Philharmonic's regular subscription programs at Disney Hall for the first time.

Exuding a podium manner of extreme, yet unforced, exuberance, the lanky Mr. Payare puts a high



## MUSIC REVIEW

## A Splendid New Sound

The San Diego Symphony's renovated hall showcases the group's artistry



premium on bringing joy to concert audiences. That was evident at the gala program he led on Sept. 28 to mark the hall's reopening, the alterations courtesy of the same firm, Akustiks, that transformed New York's Geffen Hall in 2022. For this occasion, a series of soloists, including the conductor's wife, the American cellist Alisa Weilerstein, joined the orchestra and Mr. Payare in various showpieces, the best of which was a subtly inflected and burnished ac-

count of Rachmaninoff's "Rhapsody on a Theme of Paganini," with Inon Barnatan at the piano.

But the acid test for the hall's new sound was Mahler's "Resurrection" Symphony the following weekend, the main event on a program that also included Thomas Larcher's "Time," co-commissioned by the orchestra in 2022. (I heard the second and third of three concerts, Oct. 5 and 6.) A successful interpretation of any Mahler symphony must balance blended sound

and piquant individual voices, but this one—with its vast instrumental forces, chorus and pair of vocal soloists—requires particularly careful weighting of its varied elements. Mr. Payare achieved this splendidly in both performances, impelling the roughly 85-minute work ever forward while savoring harmonic details.

Yet of the two—the first heard about halfway between the stage and the orchestra level's back wall; the second, close to the front of the first balcony—it was the latter that seduced me with sonic splendor. As a rule, old movie theaters, gorgeous though they may be—this one opened in 1929—do not make good concert halls, acoustically speaking. But trial and error have demonstrated that with care, and enough money for various abatements and enhancements, felicitous sound can be achieved in such spaces. That's certainly the case here, where the formerly execrable acoustics on the ground floor have been substantially improved. But for large orchestral works, like Mahler and Bruckner symphonies, concertgoers should always opt for seats well above the players, where the music unfurls like a windswept banner.

**The Jacobs Music Center, above; Inon Barnatan, Rafael Payare and members of the orchestra, below.**

Mr. Payare returns to the podium from Dec. 6 through 8, and then again on Jan. 31 and into early February. His contract in San Diego runs through spring 2027, but I expect he'll remain with this orchestra beyond that. There appears to be plenty of enthusiasm all around, and his relationship with Martha Gilmer, the orchestra's president and CEO, seems especially tight. That said, his services are increasingly in demand. In 2022, concurrent with his position here, he became music director of the Orchestre Symphonique de Montréal, Canada's most prestigious orchestra.

There is also work to be done beyond the artistic in this clement city. The remodeled auditorium, entombed in a generic office tower since 1989, lacks the outward visibility a concert hall ought to have. Better signage and a grander entrance are said to be under discussion. More concerning is the rampant homelessness and squalor that blights this part of the city. No arts organization can solve such problems, but the orchestra's return to the neighborhood should be used as a fulcrum for urban renewal—and the sooner the better if attracting new audiences to classical music is a goal.

*Mr. Mermelstein is the Journal's classical music critic.*

TODD ROSENBERG (2)

## MUSIC REVIEW

## Revealing Records From Jazz Masters

BY MARTIN JOHNSON

Pianist Andrew Hill (1931-2007) and saxophonist Gerry Mulligan (1927-1996) were revered figures in their time, but as jazz in the 21st century progresses, their influence has grown—albeit in contrasting ways.

Hill's penchant for thorny melodies and unusual harmonies has swayed a large number of young musicians on the scene today. His keyboard approach, which moved deftly between avant-garde and mainstream tropes without dwelling in either for long, is reflected in the music of contemporary pianists like Vijay Iyer, Marta Sanchez and Micah Thomas. The influence of Hill's arrangements and infrequent orchestrations can be heard in the large-ensemble music of Rob Mazurek, Adam O'Farrill, Dan Weiss and many others.

Yet a formidable contingent can be found advocating for Mulligan's clean lines and smooth yet complex harmonies. His instrument, the baritone saxophone, was not common in jazz during his lifetime and it's rare now, but Mulligan's restrained elegance is foundational to the work of bassists Thomas Morgan and Linda May Han Oh as well as vocalist Sara Serpa.

Hill's "A Beautiful Day, Revisited" (Palmetto, Nov. 1 release) presents with new material and remastering a large-ensemble recording that was originally issued in 2002. Mulligan's "Spring in Stockholm: Live at Konserthuset, 1959" (New Land, out now)

features a previously unreleased performance of the saxophonist's famed quartet. Both recordings show these masters at work in ways that still resonate.

Hill built his reputation during the '60s, when he released one remarkable recording after another (and many albums remained in the vaults and were not released until much later). His final years were a career renaissance after nearly a decade in academia. "Dusk" (Palmetto, 2000) was a sextet recording that recalled

the glories of "Point of Departure" (Blue Note, 1965), which is widely regarded as a masterpiece. For "A Beautiful Day" he brought 16 musicians into New York's Birdland jazz club for three nights.

The results are sensational. Rather than employing theme-solo-theme structures, the music swells and recedes with solos emerging from the mix. There are profound solos from reedman Marty Ehrlich on "Faded Beauty" and trumpeter Ron Horton on "Bellezza," tenor saxophonist Greg Tardy on "Divine Revelation" and "5 Mo," and baritone saxophonist JD Parran on "J Di." But the music is so precisely arranged and the remastering so clear that the contributions of bassist Scott Colley and drummer Nasheet Waits are highlighted even when they are not soloing. The majority of the added musicians are either trumpeters or trombonists, and this yields brass

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**Baritone saxophonist Gerry Mulligan, above, and pianist Andrew Hill, right.**

harmonies that border on dissonance and lend a sense of urgency to the music. The new release has divided the original program into two discs, and an extended version of the tune "11/8" is included.

Although Hill rarely performed with large ensembles, they were one of Mulligan's calling cards. He was an important collaborator with Miles Davis on the seminal "Birth of the Cool" (Capitol 1957 release of sessions done in 1949 and '50), and various iterations of his Concert Jazz Band highlighted contemporary jazz orchestration.

Another major facet of his career was piano-free quartets. In the early '50s these bands, which Mulligan typically co-led with trumpeter and vocalist Chet Baker, were astonishing in their lean, lyrical sound. The absence of a piano allowed the horn



players unusual freedom and helped catalyze a trend toward more intimate ensembles. By the mid-'50s Baker, thanks to his matinee-idol good looks and virtuosity, had become a rising star. Mulligan found

others to share the frontline, and one of the most simpatico matches was trumpeter Art Farmer. But their collaboration was infrequently documented, which makes Mulligan's "Spring in Stockholm" a treat.

Farmer also had a supremely lyrical side to his playing, but he could dig into the blues. The recording begins with an uptempo workout, "As Catch Can," which features both Mulligan and Farmer racing at classic bebop speed and complexity. The pace slows considerably for the Vernon Duke/Ira Gershwin standard "I Can't Get Started With You," and Mulligan moves to the piano. He's a fine pianist—but it's a slight disappointment, as he's quite possibly the best baritone sax player in jazz history. Mulligan's jaunty reed solo is the prime feature of the Jule Styne nugget "Just in Time." The bluesy "Spring Is Sprung" offers significant space for bassist Bill Crow, a long-time associate of Mulligan, and drummer Dave Bailey.

Farmer's "Blueprint" is the high point of the program. Both horns interlock, and it spurs Mulligan toward his most aggressive and probing solo. Farmer responds at length, countering his bandmate with long, graceful lines.

Decades-old, newly discovered live and studio recordings of jazz greats have become an important part of the genre's landscape in recent years. Such releases fill in gaps in stellar players' discographies and shed new light on overlooked chapters of their careers. Unfortunately, relative to their stature, Hill and Mulligan have been underrepresented in this trend. Hopefully, both of these fine albums are the first of several from these influential artists.

*Mr. Johnson writes about jazz for the Journal.*

## SPORTS



Ah, come on. It was pretty cool.

You need to be a stone-hearted Grinch to have not felt at least a twinge of emotion watching LeBron James and his son, Bronny, check into Tuesday night's season opener between the Los Angeles Lakers and Minnesota Timberwolves—the first father and son duo to play together in NBA history.

James père et fils, ages 39 and 20, numbers 23 and 9, entering seasons 22 and 1, jointly entered the game with four minutes left in the second quarter and the Lakers up by 16. It was a brief cameo for Bronny—a little less than three minutes in a game the Lakers eventually won 110-103. The only near-father-son highlight happened when a driving LeBron flipped his son a perfect pass for a 3-point shot, which he sadly bricked. Oh well. (In the sure-to-come movie, it will be a swish.)

I didn't get misty, though I suspect some Laker die-hards teared up when they saw Bronny's jumper shudder off the rim.

None of us will pretend there wasn't some goofy front-office engineering to make this pairing happen—the mediocre Lakers, with their multiple deficiencies, using a second-round draft pick to take the unproven, undersized son of their aging, influential star.

But who cares for now? Tuesday night was for every sports parent who's suffered through roster cuts, endless car trips, missing shoes and mouth guards and can't believe the NBA's oldest active player is getting to realize the dream of playing alongside a child.

It's especially touching knowing that 15 months ago, the younger James suffered a cardiac arrest as a freshman at USC. That's the sort of nightmare which scars a family and puts any basketball game into useful perspective. This—Bronny matriculating to the pro ranks, medically cleared, on the same team as his dear old gray-bearded Dad?

Again: Come on. It's good news. It's a bigger deal for LeBron

&lt;/



## OPINION

## REVIEW &amp; OUTLOOK

## A Mess at the International Criminal Court

Trouble is brewing in The Hague that raises serious questions about prosecutor Karim Ahmad Khan and his process in targeting Israel at the International Criminal Court. Before the ICC's panel of judges rules on whether to issue arrest warrants for Israeli leaders—a move that could be the court's downfall—it has some investigating to do internally.

Anti-Israel animus is sufficient to explain Mr. Khan's pursuit of Prime Minister Benjamin Netanyahu and Defense Minister Yoav Gallant—especially while leaving untouched their political rival, Benny Gantz, who was the final member of Israel's war cabinet and also signed off on its decisions.

Mr. Khan long assured Western leaders that he'd conduct a thorough investigation. He told a group of U.S. Senators that he wouldn't rush to judgment before engaging with Israel and hearing its side of the story. He seemed to mean it, scheduling preliminary meetings in Israel for May 20.

But instead of showing up, Mr. Khan appeared on CNN that day to announce he'd seek the arrest warrants. Israel had been blindsided, the U.S. Senators misled, and the ICC deprived of a real investigation.

What accounted for the sudden change of course? A new theory is that Mr. Khan was trying to save his job after being confronted with sexual-harassment allegations a few weeks earlier.

Israel-bashing is a reliable way to divert attention and pressure. For Mr. Khan it brought acclaim from the left, which dominates international legal circles. The ICC kept quiet about the harassment allegation for more than five months until an anonymous Twitter account brought it to light last week.

The alleged victim, a junior staffer in the prosecutor's office, told colleagues in late April that Mr. Khan had repeatedly harassed her, according to a written whistleblower report to the ICC's Independent Oversight Mechanism (IOM) that we have seen. The whistleblower worked directly under the prosecutor and is a colleague of the victim.

The whistleblower's report to the oversight body relates the junior staffer's examples of Mr. Khan's alleged nonconsensual behavior: Locking her into his office and sexually touching her, including putting his hand in her pocket; visits to her hotel room in the middle of the night, demanding to be let in; claiming

to have a headache and lying on her hotel bed, sexually touching her.

The whistleblower says he told Mr. Khan the allegations: "The P[rosecutor] appeared stunned to hear this, and conveyed confusion about what was transpiring. He commented that he is finished and will need to resign." But Mr. Khan

didn't resign.

Instead, the whistleblower writes that he received threats about his family from Mr. Khan's wife and pressure from Mr. Khan himself, including instructions to leave the country by traveling immediately to Uganda. The whistleblower writes that he was away from May 13–16 but always insisted he'd stick to HR processes. On May 20, Mr. Khan cut short his investigation of Israel and declared his plan to issue arrest warrants.

The connection between the harassment complaint and Mr. Khan's warrant decision is speculative based on the timeline above. Mr. Khan has denied wrongdoing: "I absolutely can confirm there is no truth to suggestions of misconduct."

The ICC's Independent Oversight Mechanism appears to have acknowledged the reported incident on Oct. 18, mentioning it as the last item on a list of allegations of misconduct in its annual report, with facts that sound like those reported by the whistleblower.

Without naming Mr. Khan, the IOM report says the alleged victim "declined to pursue a formal complaint with the IOM, including when it was suggested that any investigation could be referred to an external entity." It adds that she "refused to explicitly confirm or deny to the IOM the factual basis of what had been reported by the third party to the IOM. Accordingly, the IOM determined that no investigation was necessary at this stage."

A nondenial means no investigation? It sounds like the victim refused to disown the allegation, even as she may have feared retaliation if she moved forward with it. The ICC didn't respond to requests for comment.

\* \* \*

All of this cries out for investigation. If the whistleblower is correct, it would throw into question Mr. Khan's probity, the ICC's commitment to fair process, and whether nonprofessional factors were considered in requesting the arrest warrants. This places the court's targeting of Israel under a cloud. Will the ICC rubber stamp the arrest warrants, anyway? Why follow Mr. Khan into the abyss?

## Harris's Abortion Plan: No Concessions

If Kamala Harris wins the White House next month, while Republicans (as many analysts expect) regain control of the Senate, how would she try to protect abortion rights? Ms. Harris was asked that in an interview with NBC on Tuesday, and the Vice President refused the idea of any pragmatic compromise. Here's an excerpt from the transcript.

Q: "What concessions would be on the table? Religious exemptions, for example, is that something that you would consider with a Republican-controlled Congress?"

Ms. Harris: "I don't think that we should be making concessions when we're talking about a fundamental freedom to make decisions about your own body."

Q: "To Republicans like, for example, Susan Collins, Lisa Murkowski, who would back something like this on a Democratic agenda, if, in fact, Republicans control Congress, would you offer them an olive branch, or is that off the table? Is that not an option for you?"

Ms. Harris: "I'm not gonna engage in hypotheticals, because we can go on with a variety of scenarios. Let's just start with a fundamental fact: A basic freedom has been taken from the

**Offered a middle ground on religious conscience, she refuses to take it.**

women of America, the freedom to make decisions about their own body, and that cannot be negotiable—which is that we need to put back in the protections of *Roe v. Wade*. And that is it."

The NBC question isn't hypothetical. Sens. Collins and Murkowski proposed legislation in 2022 that was written to "codify the abortion rights

established by *Roe v. Wade*." But Democrats demanded a far more expansive bill, the Women's Health Protection Act, which included a provision exempting the law from the Religious Freedom Restoration Act.

"I have long supported a woman's right to choose, but my position is not without limits, and this partisan Women's Health Protection Act simply goes too far," Ms. Murkowski said.

"It would broadly supersede state laws and infringe on Americans' religious freedoms." Ms. Collins said the Senators' bill, in contrast,

would codify *Roe* without undercutting "basic

conscience protections that are relied upon by healthcare providers who have religious objections to performing abortions." In Chuck Schumer's Democratic Senate, their proposal didn't get a vote.

Ms. Harris talks about "fundamental" freedoms. What about religious conscience?

## Florida vs. California on Mail Ballots

Two weeks from Election Day, nearly 25 million ballots have already been cast, according to the University of Florida's Election Lab vote tracker. That includes 16 million mail votes out of the 63 million mail ballots requested so far. One result of this transformation in voting is that winners might be impossible to call for days or even weeks.

Blame bad policies, and the difference between Florida and California is instructive. In 2020 polls in the Florida panhandle closed at 8 p.m., Eastern time. By a half-hour past midnight, when the Associated Press called the state for Donald Trump, AP said 96% of the expected vote had been tallied.

Meantime, California's Secretary of State issued a news release that Thursday, saying officials were "hard at work," with 12.4 million ballots counted and an estimated 4.5 million still outstanding. In a couple of the state's close U.S. House races, winners weren't called until after Thanksgiving, though the final margin in one of them was more than 1,500 votes (or 0.8%), which is tight but not a squeaker.

What is Florida doing right? After the 2000 recount made the state a punchline, it successfully reformed its elections. Anyone can cast a mail ballot, no excuse required, but the system is set up to ensure speedy results. The deadline to request a blank ballot via the mail is 12 days

before the election. Completed ballots must be received by 7 p.m., local time, on Election Day. In the meantime, clerks are permitted to pre-process mail votes that come in early.

California's rules are intentionally lenient. Every registered voter is sent a mail ballot, and as long as the return envelope has a postmark saying it was sent back by Election Day, it's still valid if it arrives at the clerk's office a week later. This is "a little slower," one proponent in the state Assembly recently said. "But in a society that wants immediate gratification, I think our democracy is worth taking a little time to get it right and to create a system where everyone can participate."

American elections are hardly rushed affairs. They last for months, and mail ballots are sent out to voters with weeks to spare. It isn't too much of a burden to ask that they be returned by Election Day, and this interminable counting of tardy mail ballots is corrosive to public confidence. Late counting opens the door for partisans to raise doubts about races that flip outcomes after Election Day.

This year control of the U.S. House could be decided by a few hotly contested seats, especially in California. Who thinks it will be good for American democracy if the Speaker's gavel comes down to disputed counts and ends up in limbo until December?

## OPINION

## LETTERS TO THE EDITOR

## Joe Epstein Wants a President With Good Taste

Joseph Epstein makes his point that he doesn't care for Donald Trump's personality ("I Can't Back Trump, Who Only Has I's for America," op-ed, Oct. 21). Fair enough. But he can't vote for Kamala Harris either. Life means choices have to be made, and sticking your head in the sand is one. Mr. Epstein convinces me that the "I's" have it.

GERALD STARAITIS  
Naperville, Ill.

Mr. Epstein's declaration that former President Trump "fails to qualify as a suitable candidate" is a gross understatement. The man lost my vote as soon as he referred to Florida Sen. Marco Rubio as "Little Marco," revealing that he had the personality of a nasty 13-year-old boy. Mr. Trump's self-glorification is only part of the reason he continues to nauseate Republicans like me and former Rep. Liz Cheney. Not to cast aspersions on Vice President Harris, for whom I'm voting, but I'd happily vote for just about anyone over Mr. Trump.

ANN M. SCHWARTZ  
New York

time to vent the boiling anger we share with him. I will be holding my breath, and not my nose, when I vote on Nov. 5.

MATT RERES  
Heathrow, Fla.

One of Mr. Epstein's major complaints is that the former president is "immoral" and uses "I" too many times in his public discourse. May I suggest that Mr. Epstein count the number of times he used "I" in his brief op-ed?

SONIA SCHWARTZ  
Valley Stream N.Y.

Mr. Epstein's objections to Mr. Trump's relentless immorality remind me of a comment attributed to Levi Eshkol, prime minister of Israel in the 1960s. Referring to Abba Eban, the great Israeli orator, Eshkol reputedly said, "Eban never gives the right solution, only the right speech." To many Americans, Mr. Trump often has the wrong speech but the right solution.

ROBERT KANTOWITZ  
Lawrence, N.Y.

Mr. Epstein denigrates Mr. Trump's personality. Who doesn't? To me, however, Mr. Trump's choices for the Supreme Court, and other federal courts, as well as his positions on immigration, Israel, energy, etc., were clearheaded, positive decisions for America.

The former president works for us. I have written him on several occasions and told him to quiet down and focus on the issues. So far, the Federal Bureau of Investigation has yet to arrest me.

Should he win, Mr. Trump and his administration will have so much to do and undo that he will have less

NATHAN I. SILVER  
Bethesda, Md.

## Who Gets to Say When the Gaza War Is Over?

Regarding Michael Doran's op-ed "Israel Kills Sinwar, Biden Wants to Move On" (Oct. 19): It is the loser, not the winner, who says a war is over. In World War II, Japan made that determination. Britain decided the American Revolutionary War was done, and that it wasn't worth fighting to keep the colonies in tow. In reverse, the U.S. decided the Vietnam War was finished.

The war in Gaza will follow the same pattern. It will be finished when Palestinians tell Hamas they have suffered enough, and it is then time to make peace with Israel.

PROF. WILLIAM S. COMANOR  
University of California, Los Angeles

It is often reported that Hamas leader Yahya Sinwar's death at Tel al-Sultan resulted from "a chance encounter" with Israeli troops. While that is true, the policy the Israelis followed enhanced the chances of

There is a saying in our armed forces that "leaders eat last." The well-being and success of their team and the people they are charged with protecting is the priority. Iran and its proxies, by contrast, operate under the banner of "civilians die first."

JAMES CONNELLY  
Falmouth, Mass.

How else to explain how the terrorists and their leadership hide in tunnels while civilians are left above ground as human shields?

JERRY SOLOMON  
Naples, Fla.

## The Red Dragon Looks More Like a Paper Tiger

Andy Kessler writes of the parallels between China's property-market implosion and Japan's lost decades of zombie banks that, stuffed with non-performing loans, looked good on paper but were unable to make new loans ("China Is Turning Japanese, Inside View," Oct. 14).

There are substantial differences between the two countries that suggest Japan's experience will be a walk in the park by comparison. Local governments in China have issued perhaps \$2 trillion of debt through off-the-books financing vehicles, for which there is in many cases little hope of repayment. Banks issue mortgages on apartments that aren't yet built. While there are various forbearance schemes afloat, in the main, families have incredibly continued to make payments on these loans in the

hope that the units will be built.

When the local-government-financing-vehicle chickens come home to roost and hardworking Chinese families take to the streets to demand their life savings, two decades of slump will be the least of the Chinese government's problems.

DAVID OWEN ROBINSON  
Mount Vernon, Wash.

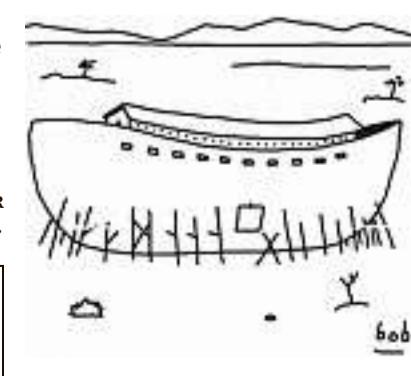
## Heating Up a Cold Shoulder

"Frozen Shoulder Can Develop Out of the Blue" (Personal Journal, Oct. 17) describes the role of inflammation in causing shoulder pain and loss of movement. Part of the problem, and a major source of lost mobility, is the formation of scar tissue in the area. Anti-inflammatory drugs do nothing for this. While surgery is possible, physical therapy and home exercises will gradually stretch the injured tissue and reduce pain while increasing range of motion. Having had the problem myself, I now have two normally working shoulders and can teach my patients exercises rather than send them for more expensive treatments with more side effects.

STELLA FITZGIBBONS, M.D.  
The Woodlands, Texas

## Pepper ... And Salt

THE WALL STREET JOURNAL



"This is your Captain speaking, folks, we are in a weather delay."

Letters intended for publication should be emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

JEFF SOURBEER  
Belleair, Fla.

## OPINION

# Breaking Up Google Is a Fool's Game

By Robert D. Atkinson

**A** word to the Justice Department, which is considering whether to push for a breakup of Google to spur competition in the online search market: Don't. We've seen this movie before and it ended poorly. The 1984 breakup of AT&T was supposed to ignite competition and innovation but did the opposite. If we rush to dismantle Google, we risk undermining our global competitiveness against China and other adversaries.

**Trustbusters intent on sparking innovation and competition risk harming both, to Beijing's benefit.**

AT&T, which Alexander Graham Bell created in the mid-1880s, is the poster child for the dangers of breaking up tech firms. In the postwar period, AT&T was a telecommunications giant with greater size and influence than Google today. Most experts admired it for operating the world's most advanced and reliable telephone system. Its equipment arm, Western Electric (later Lucent), and its research-and-development powerhouse, Bell Labs, were global leaders in innovation, producing technological breakthroughs that shaped the modern world. Yet for nearly 60 years the Justice Department tried to break up AT&T, not because the company failed consumers but because it was too successful as a regulated mo-

nopoly. The government's crackdown gave us AT&T and the seven Bell dwarfs.

Ideological trustbusters couldn't bring themselves to see that monopoly—or at least some degree of size, scale and market power—can be a powerful driver of innovation and productivity. By selling to AT&T domestically, Western Electric had a captive market (as Huawei now does in China), which allowed it to dominate world markets, exporting billions of dollars of equipment annually. No regular company would have funded Bell Labs, as AT&T did, because the spillover benefits to other firms would have been too great. Only a large monopoly like AT&T could afford to incur those costs.

As the U.S. faces a formidable state-backed technological dragon in China, the risks of large tech breakups are even more potent. Before 1979, when shareholder capitalism wasn't as dominant, many U.S. companies invested heavily in basic research to innovate and build world-leading manufacturing enterprises. Very few prioritize either today, which has eroded America's tech advantages.

Large companies that command some market power are exceptions. They, along with many drug companies, are among the small minority of U.S. firms that still invest significant amounts of capital into R&D. The top five big tech companies—Amazon, Apple, Meta, Microsoft and Google's parent, Alphabet—invested an estimated \$154 billion in R&D in 2021: more than every country in the world except the U.S. and China. These



Many of today's antitrust crusaders, drawing inspiration from Justice Louis Brandeis (1856-1941)—who famously railed against the "curse of bigness" in corporate America—are fond of the AT&T breakup, as it supports their arguments against Google and other leading tech firms. A case in point: Tim Wu, a former competition-policy adviser to President Biden, recently wrote that breaking up AT&T's Bell System was responsible for "transforming the telecommunications industry (over time) from an economic backwater into what we now call the internet industries."

Yet the implication that a breakup was necessary is absurd. The government simply needed to mandate interoperability and interchangeability among rival networks and devices. This is exactly what the Federal Communications Commission did in 1980 in the second of its trilogy of "Computer Inquiries," and it's what lawmakers did in the 1996 Telecom Act.

Many antitrust officials today simply don't understand innovation. As the economist Joseph Schumpeter explained, that process and its fruits come when firms have incentives to invest in research and profit from innovations that work. Breaking up large tech companies would undermine those incentives, with serious consequences for innovation and economic growth. That would be a recipe for American decline and Chinese innovation leadership.

*Mr. Atkinson is president of the Information Technology and Innovation Foundation.*

## Trump's Tariffs Won't Bring Us Peace and Prosperity

By Rand Paul

**R**onald Reagan knew what makes a nation prosperous. "Free trade serves the cause of economic progress, and it serves the cause of world peace," he said in a 1982 radio address. That sentiment was in line with years of conservative policy. The Republican Party had long stood for free markets and free trade, principles that helped cement America as the world's economic superpower.

Sadly, many in my own party seem to have forgotten these lessons. A populist faction insists on imposing more and higher tariffs that would raise the prices of everyday goods and services as well as destroy the commercial incentive for nations to live in peace.

Such advocates claim that tariffs protect American workers from foreign competition. In practice, they hurt the workers they purport to help. Consider Chinese-made electronics. When tariffs are imposed on products like smartphones and laptops, as Donald Trump is proposing

to do, American consumers end up paying higher prices. A report from the Consumer Technology Association projects that Mr. Trump's proposed tariffs could raise technology prices for U.S. consumers by as much as 21%. China accounts for more than 90% of U.S. laptop and tablet imports. Its manufacturers won't bear the brunt of these tariffs—American consumers will, as the levy will be passed on to them in the form of higher prices.

This is basic economics at work. When we place a tariff on a foreign product, we artificially inflate its price and allow domestic producers to raise their own. Consider a Chinese-made widget priced at 50 cents competing with an American-made version at \$1. By slapping a tariff on the Chinese widget, raising its price to \$2, American manufacturers have the freedom to raise theirs as high as \$1.99. The consumer is left with no real choice but to pay more. A 2019 estimate by three economists, published in the New York Federal Reserve blog, found that Mr. Trump's first-term tariffs increased

per household annual costs by \$831 between 2018 and 2019. This disproportionately hurts low- and middle-income families.

Tariffs also reduce consumer choice and stifle innovation. When two parties voluntarily exchange goods and services, both sides benefit. When people prosper, their communities do too. This principle holds

### Free trade lowers prices and pre-empts war. Why do some Republicans want protectionism instead?

true at the national and international levels. Free trade has fueled the American economy by opening new markets, reducing prices, and increasing innovation.

Some protectionists claim that imports are a drag on our economy. That is misguided. We don't consider someone's ability to consume more a sign of poverty; the same is true of

a nation. Rising imports often coincide with stronger economic growth.

Trade allows the U.S. to specialize in high-skill industries and benefit from cheaper imported goods, leading to a more efficient and prosperous economy.

In 2019 alone, exports to China supported 1.2 million American jobs. Between 2000 and 2007, trade with China boosted the purchasing power of the average American household by \$1,500 a year. More generally, trade supports more than 41 million jobs in the U.S. economy. Since World War II, reductions in tariffs have contributed an additional 7.3% to American incomes.

Free trade also promotes peace by creating mutual dependencies. As the 19th-century French economist Frédéric Bastiat observed, "If goods don't cross borders, soldiers will." Economically connected nations have more to gain from cooperation. The alternative—protectionist policies and sanctions—often backfires, uniting such adversaries as Russia, China and Iran. History proves that diplomacy and free trade are more

effective for peace and prosperity than tariffs and sanctions.

The choice is clear: We can embrace the principles that have made America the world's largest economy, or we can retreat into the failed policies of protectionism. President Dwight Eisenhower understood the stakes well when he said in a 1958 address: "For us to cower behind new trade walls of our own building would be to abandon a great destiny." He saw the disastrous effects of the 1930 Smoot-Hawley tariff, which sparked a global trade war that exacerbated the Great Depression and fractured international relations.

Eisenhower knew that economic conflict often precedes military combat. Retreating into economic nationalism not only weakens our prosperity but also risks provoking conflicts that put American lives in danger. The alternative—free trade—ensures the peace and security for which we all naturally yearn.

*Mr. Paul, a Republican, is a U.S. senator from Kentucky.*

## Saying 'Don't!' Isn't Deterrence, but It's All Kamala Harris Knows

By Shay Khatiri

**W**hen it comes to war, President Biden and Vice President Kamala Harris couldn't be more self-contradictory. They talk about their unwavering commitments to the defense of Israel and Ukraine, but they hedge by trying to restrain Israelis and Ukrainians.

After the Israel Defense Forces killed Hezbollah honcho Hassan Nasrallah, Ms. Harris issued a three-paragraph statement. She expressed support for Israel and condemned Nasrallah. The beginning of the last paragraph was the most predictable: "President Biden and I do not want to see conflict in the Middle East escalate into a broader regional war."

Fears of escalation have been a theme of the Biden-Harris administration. Such fears have contributed to the current stalemate in Ukraine. Out of concern for escalation, the U.S. has delivered advanced weapons too late and denied Ukraine permission to attack Russian supply lines inside Russia.

Israelis have faced a similar challenge. The Biden-Harris administration prevented them from acting

sooner in Lebanon. It tried to prevent Israel from moving into Rafah. Ms. Harris predicted that a Rafah operation would be a humanitarian disaster because she claimed she had "studied the maps."

In every case these fears have proved baseless. When Ms. Harris issued a statement celebrating the death of Oct. 7 mastermind Yahya Sinwar, she omitted that Israel had ignored her persistent calls for a cease-fire. In fact, she restated that call, apparently undeterred by having gotten it so wrong for so long.

Carl von Clausewitz, the German military theorist, observed that the nature of war is dual: It pulls you simultaneously in opposite extremes, to escalate in pursuit of victory and to de-escalate fearing annihilation. For Mr. Biden and Ms. Harris, this is half true: They are pulled only to de-escalate.

The Biden-Harris administration is simultaneously obsessed with and ignorant about escalation. Game theorist Thomas Schelling, a pioneer in escalation studies, observed that deterrence relies on a threat that leaves something to chance. Mr. Biden and Ms. Harris don't like taking

chances—thus leaving the decision about whether to escalate entirely to the other side. This is especially silly as both Russia and Iran are inferior powers to the U.S.

The current administration is extremely risk-averse. It rarely threatens adversaries to deter them, and it often folds to enemy threats. Ms. Harris recently refused to endorse a military strike on Iran's nuclear facilities. Even Barack Obama would typically say publicly that all options were "on the table."

Strategy is an art, not a science. A good strategy develops organically based on lessons learned throughout the prosecution of war. Adaptation is the highest strategic virtue, which the current administration utterly lacks.

The administration is incapable of learning from either its rare successes or typical mistakes. Despite pleas from the British and French governments, the Biden-Harris administration won't allow Ukraine to hit targets inside Russia with weapons containing American parts—even if those weapons were manufactured in Europe. In the Middle East, the U.S. continues to call for a

cease-fire and reduce the scale of the Israeli response to Iran's recent missile barrage.

The U.S. succeeded in deterring Iran for months when Mr. Biden deployed aircraft-carrier strike groups to the region in October 2023 and told Iran, "Don't!" But when Iran attacked Israel in April, Mr. Biden

### Four more years of phobia about escalation would make the world a more dangerous place.

failed to make good on his threat. Instead, he turned to Israel and again said, "Don't!" He urged Prime Minister Benjamin Netanyahu to "take the win" because the attack failed to inflict serious damage on Israel.

For Supreme Leader Ali Khamenei, the attack on Israel was a theatrical production aimed at a domestic political audience. It was meant to enhance his stature as a strongman. A forceful Israeli response could have

damaged Mr. Khamenei's public image inside Iran. By holding Israel back, the U.S. failed to deter the next attack, which came after the IDF eliminated Nasrallah. Now the administration is doing the same thing.

Escalation prevention isn't the political objective of war; victory is. Escalation management is a tool that serves a political purpose. After three years of war, Mr. Biden and Ms. Harris have proved their inability to learn this point. They treat escalation prevention as a political objective in itself and at the cost of victory by Ukraine and Israel.

Expect more of the same if Ms. Harris becomes president. Her national-security confidant Philip Gordon also trades in escalation-phobia. He warns constantly about the rise of tensions in the Middle East and the potential for a regional war. There's no public evidence that he and Ms. Harris favor lifting current restrictions on the use of U.S. weapons and delivering large quantities of deep-strike munitions.

In a recent interview, Ms. Harris said that she couldn't think of anything the current administration had done wrong. That bodes ill for American national security and global stability. Should Ms. Harris move into the Oval Office next year, Iran will almost certainly continue to threaten a regional war. Vladimir Putin will test her by returning to nuclear threats. European allies might begin to accommodate Russia, fearing an unreliable U.S. Or they could adopt an aggressive posture toward Russia that could end in a pre-emptive war. A defeated Ukraine would radically change European attitudes.

The phobia of escalation will only invite more war. Ms. Harris and her crew should stop being self-contradictory and commit themselves to the victory of America's partners.

*Mr. Khatiri is a vice president and senior fellow of the Yorktown Institute.*

## THE WALL STREET JOURNAL.

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## Notable & Quotable: The Fall

Melissa Hart and Negin Nazarian  
writing for *Nature*, Oct. 17:

Hello from the Southern Hemisphere.... Despite the clear signs of spring here, we find ourselves inundated with invitations to events that speak of fall or autumn, or newsletters announcing workshops that will run this coming winter. It leaves us wondering: are we invited at all into this season different from our own?... To address these issues, here are some recommendations.

Avoid naming seasons for events or communication. This might not be an issue when inviting researchers

from a single country, but it's crucial if you're trying to attract an international audience.

Provide specific dates and months. Even saying "summer (Northern Hemisphere)" implies the Euro-American-centric approach....

Respect work-life balance consistently around the globe. It's well-known that August is often avoided for events owing to European holidays. Let's extend the same courtesy by steering clear of scheduling major events in January, when many in the Southern Hemisphere are on holiday, and many in the world are celebrating the lunar new year.

L

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The phobia of escalation will only invite more war. Ms. Harris and her crew should stop being self-contradictory and commit themselves to the victory of America's partners.

*Mr. Khatiri is a vice president and senior fellow of the Yorktown Institute.*

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By EVERNORTH

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, October 24, 2024 | B1

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## Tesla Posts Surprise Rise in Profit

Earnings get lift from higher sales of regulatory credits to other carmakers

By BECKY PETERSON

**Tesla** reported surprisingly strong earnings for the third quarter, helping the electric carmaker to regain momentum after a tumultuous start to the year in which its profit fell for two straight quarters.

Net income was \$2.2 billion for the July-to-September period, a 17% increase from a year earlier and lifted in large part by higher sales of regulatory credits to other automakers and the strength of Tesla's energy business.

Global deliveries also rose in the third quarter, helping to boost revenue by 8% to \$25.2 billion.

Tesla's stock was up 12% in after-hours trading Wednesday, following the earnings release and call.



Tesla drivers recharge their vehicles at a Tesla Supercharger Station in Springfield, Va.

pany will instead release lower-cost versions of its existing models that will be priced below \$30,000 after subsidies, he added. Those cars will arrive in the first half of 2025.

After that, its next car will be the dedicated robotaxi, with no steering wheel or pedals.

"Having a regular \$25,000 model is pointless," Musk said. "It would be silly."

The Austin, Texas, automaker said quarterly revenue recognized from sales of regulatory credits was its second highest ever. These credits—essentially pure profit for Tesla—are sold to other automakers who buy them to meet emissions requirements.

The company's energy business also stood out, achieving a record gross margin of 30.5% in the third quarter and helping to offset a decline in selling prices for many of its models.

Overall, Tesla's closely

Please turn to page B2

Chief Executive Elon Musk, who hasn't set a sales-increase target for this year, said Wednesday that Tesla could see 20% to 30% "vehicle growth" in 2025. That in-

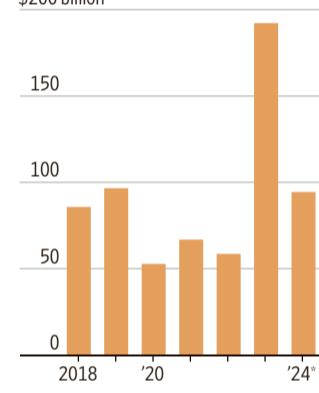
crease would mark a significant improvement from this year, in which global deliveries are down nearly 6% for the first three quarters of 2024.

"These are just my best

guesses," Musk said on the earnings call.

Musk confirmed Wednesday Tesla has abandoned plans for a long-awaited \$25,000 electric car. The com-

Total value of mergers and acquisitions announced by U.S. oil-and-gas producers



\*As of Sept. 30.  
Source: Enverus

## Obscure Buyout Firm Logs 79-Fold Return

By LUIS GARCIA

Patience paid off in a big way for Lime Rock Management.

The private-equity firm recently sold the shares it received as part of the August sale of its majority stake in oil-and-gas producer **Crown-Rock**, notching what is perhaps one of the buyout industry's biggest scores.

Energy-focused Lime Rock grossed 79 times the \$96.5 million it had invested in Midland, Texas-based CrownRock since forming the oil patch operator some 17 years ago, according to fund investors and people familiar with the matter. The return includes dividends representing roughly 15 times Lime Rock's outlay that were paid from CrownRock's cash flow over the life of its investment, the people said.

"It's the highest return I've ever seen, certainly in the natural-resources space but also in private equity—79-times gross return, cash on cash, during the entire holding period," private markets investor Greg Jansen said. He spent more than two decades with asset manager Commonfund Capital, now called CF Private Equity, ultimately leading investments across strategies such as natural resources, private equity and venture capital before retiring in 2016.

Lime Rock held its CrownRock investment far longer than the typical five- to eight-year period common among private-equity firms. As a result, the company's development correlates with the evolution of the shale industry itself, benefiting from improvements in oil-extraction technologies early on and energy buyers' increased focus on cash flow-generating oil fields at a later stage.

CrownRock was acquired by Please turn to page B6

## Wall Street Is Finding New Ways To Slice and Dice Loans Into Bonds

By MATT WIRZ

Wall Street is cranking up its complex bond machine again.

**Goldman Sachs** this month sold \$475 million of public asset-backed securitization, or ABS, bonds backed by loans the bank makes to fund managers that tide them over until cash from investors comes in. The first-of-its-kind deal is a lucrative byproduct of the New York bank's push into loans to investment firms, such as these so-called capital-call lines.

Goldman's new deal reflects two trends transforming financial markets. Increasingly large managers of private-debt and private-equity funds are moving up in the Wall Street pecking order, but they often need money fast. Banks, once again, are reinventing themselves to adapt.

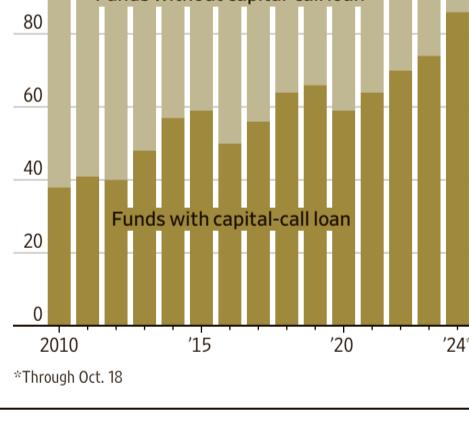
Bankers say the capital-call ABS and similar innovations help them safely serve clients while bringing in rich fees. But such efforts have preceded market excess in the past. Skeptics see parallels between CDOs (the collateralized debt obligations that helped fuel the financial crisis in 2008) and the growing use of SRTs (synthetic risk transfers), NAV loans (based on net asset values) and more.

The transactions are relatively small for now. Still, they are intertwining banks (in Wall Street parlance, the sell side) with investors (the buy side) in ways that are new and difficult

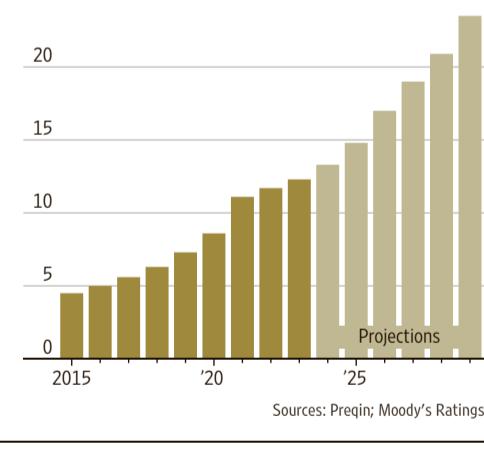


Goldman's capital-call bond is backed by a bundle of loans made to more than 150 private funds.

Percentage of private-market funds using capital call lines



Private fund assets under management



## McDonald's Probe Centers on Onions

By HEATHER HADDON AND JESSE NEWMAN

**McDonald's** is examining its onion supply as public health officials and the burger chain work to pin down the source of an E. coli outbreak linked to its Quarter Pounders.

The Centers for Disease Control and Prevention said Tuesday that early indications were that slivered onions served on the McDonald's burger are a likely source of the outbreak, and that food safety officials were examining both the onions and beef patties used in the Quarter Pounders.

Federal health officials on Tuesday said that the outbreak had led to one death and dozens of illnesses across 10 states over a roughly two-week period that ended Oct. 11. McDonald's said it removed Quarter Pounders from menus in the affected areas, and that other menu items remained safe to eat.

The food-safety crisis comes as McDonald's has been working to revive sales and re-es-

tablish its reputation as a provider of affordable meals for consumers. In July, the chain said U.S. same-store sales in the prior quarter declined nearly 1%, the first such decrease since 2020.

The company's shares tumbled 5.1% Wednesday, cutting about \$11 billion from the company's market value since Tuesday's close. It was the stock's largest percent decline since March 2020, according to FactSet data.

McDonald's spokespersons said Wednesday that the raw onions used on Quarter Pounders served in the affected area were sourced from a single supplier and processed at a single facility. The onions are washed and sliced and go through a series of cleanses at the facility before being packaged in bags and shipped refrigerated to restaurants, where they are kept refrigerated to safe to eat.

Please turn to page B5

◆ Precautions to take against E. coli..... B5

## INSIDE



### BUSINESS NEWS

Gucci's parent warns of a big drop in profit this year as luxury sales slump. B6



### HEARD ON THE STREET

Returning Starbucks to its old vibe could come at a cost. B11

## AT&T's Earnings Beat Expectations

By DENNY JACOB

**AT&T**'s better-than-expected earnings helped investors look past a sizable goodwill impairment charge and disappointing subscriber gains.

The telecom company's shares rose 4.6% Wednesday.

AT&T added 403,000 postpaid phone connections during the quarter, which was down from a year earlier and below analysts' forecasts. The company also added fewer fiber customers year-over-year.

Quarterly revenue declined to a weaker-than-expected \$30.2 billion. **Verizon** on Tuesday recorded similar results, with disappointing revenue and an increase in postpaid phone connections.

Revenue was weighed down by AT&T's business wireline and mobility equipment units. Analysts expected \$30.45 billion.

AT&T said its operating expenses increased due to a \$4.4 billion noncash goodwill im-

Mixed Earnings Extend Stocks' Pullback

By DAVID UBERTI

The stock market opened in the red and extended declines after another mixed round of earnings reports on Wednesday, dragging all three major indexes to their steepest declines in weeks.

The slide spanned soda makers, a coffee giant and an aircraft manufacturer, with losses by chip stocks adding momentum to the broader market's turn lower in the afternoon.

The technology-heavy Nasdaq Composite led the retreat with a decline of 1.6%, or 296 points, to 18276.65. The Dow Jones Industrial Average fell 1%, or 410 points, to 42514.95, while the S&P 500 dropped 0.9%, or 54 points, to 5797.42.

Investors have tapped the brakes on stocks' record run, jeopardizing what could be their seventh straight week of gains, while they unpack a barrage of earnings reports offering snapshots of the health of U.S. consumers.

Even though the American economy remains robust, the companies reporting so far have shared outlooks that many investors view as good, but not great.

With businesses valued so highly relative to profits, said José Torres, senior economist at Interactive Brokers, "any disappointment in the outlook for the bottom line can significantly impact stock-market performance."

**Boeing** reported a \$6.2 billion quarterly loss, its biggest since the pandemic upended global air travel.

Chief Executive Kelly Orteberg said the plane maker needs a culture change. Striking machinists rejected a revised contract offer from the company late Wednesday. Boeing also said it will burn through cash in the next three quarters. Shares declined 1.8% Wednesday and have plunged 40% this year.

**Coca-Cola** slipped 2.1% Wednesday after posting soft sales that some analysts have attributed to price increases.

**Starbucks** shares ticked 0.9% higher after the coffee chain suspended guidance for next fiscal year and a new chief executive called for a strategic overhaul.

Meanwhile, **AT&T** shares rose 4.6% thanks to better-than-expected earnings and despite booking a \$4.4 billion impairment related to its business-wireline unit.

Market-moving reports continued after the bell with earn-

Please turn to page B10

Please turn

B2 | Thursday, October 24, 2024

THE WALL STREET JOURNAL.

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	H	P
Alphabet.....B10	Heineken.....B3	Omnicom.....B6
Amazon.com.....B6,B10	I	PepsiCo.....B3
American Airlines.....A3	International Business Machines.....B1,B4	Perplexity.....B4
Apollo Global Management.....B2	Interpublic.....B6	Procter & Gamble.....B3
Apple.....A12,B11	J	Publicis Groupe.....B6
Arm.....B10,B11	Jack in the Box.....B5	Q
AT&T.....B1	K	Qualcomm.....B10,B11
B	Kering.....B6	R
Berkshire Hathaway.....A4	Kimberly-Clark.....B3	Reckitt Benckiser.....B3
Biogen.....B3	KKR.....B2	S
Blackstone.....B2	L	Spotify.....B4
Boeing.....A1,B1	M	Starbucks.....B1,B11
Britvic.....B3	Nestlé.....B3	T
C	News Corp.....A2,B4	Taylor Farms.....B5
Carlsberg.....B3	Nokia.....B11	Tesla.....B1
Coca-Cola.....B1	Nvidia.....B10	U
Cooper Investors.....B4	Occidental Petroleum.....B6	Unilever.....B6
CrownRock.....B1	Old Dominion Freight Line.....B5	V
D	Zhejiang Geely.....B2	Verizon Communications.....B4
Deutsche Bank.....B6,B11	E	Volvo Car.....B2
F	F	W
Frontier Communications.....B4	G	WPP.....B6
G	H	Y
Glendon Capital Management.....B4	I	Yum Brands.....B5
	J	Z
	K	
	L	
	M	
	N	
	O	
	P	
	Q	
	R	
	S	
	T	
	U	
	V	
	W	
	X	
	Y	
	Z	

## INDEX TO PEOPLE

A	O
Aggarwal, Neil.....B2	Frantoni, Mike.....A2
Anwall, Bjorn.....B2	Freeman, Marty.....B5
B	G
Brink, Dolf van den....A4,B3	Gardiner, Andrew.....B11
Buffet, Warren.....B6	Gates, Bill.....A4
C	Ghaim, Sam.....B4
Caso, Chris.....B11	J
Chambers, William.....B6	Jansen, Greg.....B1
Choudhury, Roy.....B2	K
D	Kavanaugh, James.....B4
Duranton, Sylvain.....B4	L
E	Narasimhan, Laxman.....B11
Elezaj, Alex.....A2	M - N
Erlinger, Joe.....B5	McLane, J.....B6
F	Messer, Heidi.....B4
Farber, Jonathan.....B6	Musk, Elon.....B1
Federighi, Craig.....A12	Niccol, Brian.....B11
	O
	Ortberg, Kelly.....B1
	G
	Poulou, Armelle.....B6
	R
	Rasgon, Stacy.....B11
	J
	Read, Mark.....B6
	Rosa, Ariel.....B5
	S
	Saireddy, Maheshwar.....B2
	Schultz, Howard.....B11
	Sewing, Christian.....B6
	Srinivas, Aravind.....B4
	T
	Torres, José.....B1
	Y
	Yun, Lawrence.....A1



A Tesla Cybertruck car displayed at Paris Motor Show.

## Tesla Posts Surprise Profit Rise

Continued from page B1  
watched operating margin was 10.8%, up from 7.6% a year earlier.

The Cybertruck, which had been losing money since its launch last November, achieved a positive gross margin for the first time in the third quarter.

Tesla's core auto business remains a focus as the profit driver behind Musk's future bets on artificial intelligence and robotics. The company said it plans to spend more than \$10 billion on capital expenditures this year as it expands its data centers and takes other steps to improve software core to Musk's autonomous-driving future.

Next year, Tesla plans to release a fully autonomous version of its driver-assistance technology, a feature the company calls "Full Self-Driving." Tesla will initially release the software on a test fleet of ve-

hicles before allowing customers to download it to the cars, said Ashok Elluswamy, its vice president for Autopilot.

Tesla also plans to make its paid ride-hailing app available next year, Musk said.

Tesla's global sales got a boost in the third quarter, aided by its strong performance in China and a slew of financing deals that helped counter the impact of high interest rates. Still, its global deliveries are trailing last year's results, putting pressure on Tesla to deliver an un-

usually strong fourth quarter to beat 2023's performance.

Questions

also remain about Tesla's ability to continue expanding its car business long term, especially as competition

gets tougher in

the electric-car space. The

company has already resorted

to price cuts and other sales

promotions to help stimulate

sales for some of its older

models, denting its profitability

in recent quarters.

Musk has urged investors to view Tesla as an AI and robotics company, arguing these technologies could boost its market value to more than \$30 trillion. However, those bets are still a few years away from becoming a reality.

17

Percent increase in  
Tesla's profit for the  
July-September  
period.

the electric-car space. The company has already resorted to price cuts and other sales promotions to help stimulate sales for some of its older models, denting its profitability in recent quarters.

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### Watch a Video: A Train Architect Designs The Perfect Commuter Train



From the width of the doors, to the position of the handholds, minor tweaks to a train's design can dramatically change passenger flow and comfort. Scan this code to see what a perfected commuter train looks like.

## BUSINESS & FINANCE

# Volvo Car Reduces Its Guidance

By IAN WALKER

**Volvo Car** cut its full-year guidance and said it now anticipates negative cash flow due to lower sales expectations and a weak market.

The Swedish carmaker—which is majority owned by China's **Zhejiang Geely Holding Group**—made the disclosure Wednesday despite reporting market-beating third-quarter earnings.

It expects full-year sales to grow 7% to 8% compared with previous guidance of 12% to 15%. Retail sales in 2023 were 708,700 cars.

The company also forecasts negative cash flow in the single-digit-billion Swedish kronor range, compared with previous guidance for Volvo to be cash neutral. However, it is still targeting to be cash neutral next year with strong free cash flow from 2026.

Given the worsening market environment, the company said it is taking further actions to reduce its cost base, including investments and lower cost structure to free up cash.

Earlier this month, the company said Deputy Chief Executive Officer Bjorn Anwall was leaving as part of a broad leadership shuffle as it gears up to navigate an in-



The automaker expects full-year sales to grow by 7% to 8%, less than its previous range.

creasingly challenging auto market.

The global transition to cleaner vehicles has stuttered, denting the global auto industry and prompting Volvo to continue producing hybrid vehicles for longer than originally planned.

Escalating tensions around tariffs also have clouded the future for carmakers. After the European Union confirmed plans to move ahead with tariffs of up to 45% on electric vehicles made in China, many European manufacturers have expressed concern over retaliation, with Beijing saying it

will continue to study measures such as raising tariffs on imported large-engine vehicles.

Volvo trimmed its earnings targets for 2026 in September after warning of the complex market conditions and increasing concern around tariffs after it abandoned plans to solely sell purely electric vehicles by the end of the decade.

Net profit attributable to

shareholders for the quarter was 4.21 billion kronor, or \$399.2 million, compared with 3 billion kronor for the comparable period a year earlier,

and a consensus of 3.645 billion kronor taken from FactSet and based on the forecasts of five analysts.

Revenue was 92.78 billion kronor compared with 92.045 billion kronor a year earlier and a consensus of 88.83 billion kronor. It sold 172,800 cars, up from 167,500 cars for the third quarter of last year.

Earnings before interest, taxes, and excluding its share of income in joint ventures and associates—a company-preferred metric—was 5.7 billion kronor compared with 6.1 billion kronor in the year-ago period.

## Wall Street Firms Push New Bonds

Continued from page B1

to parse for analysts, regulators and others. "There's a lot of scrutiny on the potential for spillover of exposure from private credit into the broader banking system," said Roy Choudhury, a managing director at Boston Consulting Group who advises banks on business with private-fund managers.

Capital-call loans function like credit cards for private-fund managers. The funds borrow money to invest quickly in private debt, private equity, real estate and infrastructure. They then "call up" cash commitments from clients in the funds, mostly institutions such as pensions and insurers, and repay the loans when the clients deliver.

Defaults on capital-call commitments from large institutions "have been historically close to 0%," according to a marketing document for Goldman's bond viewed by The Wall Street Journal. That makes the bonds extremely safe, said debt fund managers to whom Goldman offered the deal. Even so, the new products have yet to be tested through market cycles.

"We've never seen these types of capital-call loans securitized in public markets, so there's not a lot of data on how they'll perform," said Neil Aggarwal, head of securitized products at Reams Asset Management, which manages about \$29 billion of debt investments.

Goldman started a concerted push into fund finance about five years ago, part of a strategy to increase lending for a steadier source of revenue than investment banking and trading. Top executives saw an opening to expand market share in 2023, when Signature Bank, a large capital-call lender, founded. Goldman bought up \$9 billion of Signature loans linked to \$15 billion of capital-call commitments. "The Signature transaction was not just about buying loans," said Maheshwar Saireddy, head of Goldman's mortgage and structured products. "It was a way to get closer to those clients."

The firm makes fees from extending the loans to fund managers such as **Apollo Global Management** and **KKR**, and more when it bundles up the loans and turns them into bonds. That conversion also moves them off Goldman's books, freeing up cash.

Goldman's loans to investment firms and the wealthy are paying off. The so-called FICC financing group reported a record \$949 million of revenue in the third quarter, fueling a 45% increase in the firm's profit.

The bank still owns most of its capital-call loans, but re-packaging even a small amount into investment-grade bonds sets the stage for future sales to large debt investors. The move gives the bank a new way to

compete against, and sometimes cooperate with, the private-debt funds that increasingly dominate the market for asset-based finance.

**Blackstone**, the largest private-fund manager in the world, put about \$25 million into Goldman's capital-call deal in exchange for equity, according to a marketing document viewed by the Journal.

As Goldman and other banks make more capital-call loans to private-fund managers, they are also buying insurance from many of the same investment firms to protect against potential losses from corporate, consumer and real-estate loans. The so-called synthetic risk transfers, or SRTs, help banks

reduce risk to meet new regulatory requirements and give fund managers investments to put into their popular private-credit funds.

Some private-credit funds are developing another product that is similar to capital-call lines called net-asset-value, or NAV loans, made to private-equity fund managers. Rising interest rates have made it harder for private-equity funds to sell companies they own to repay their limited partners. NAV loans help them to start returning cash to clients until they can dispose of the companies.

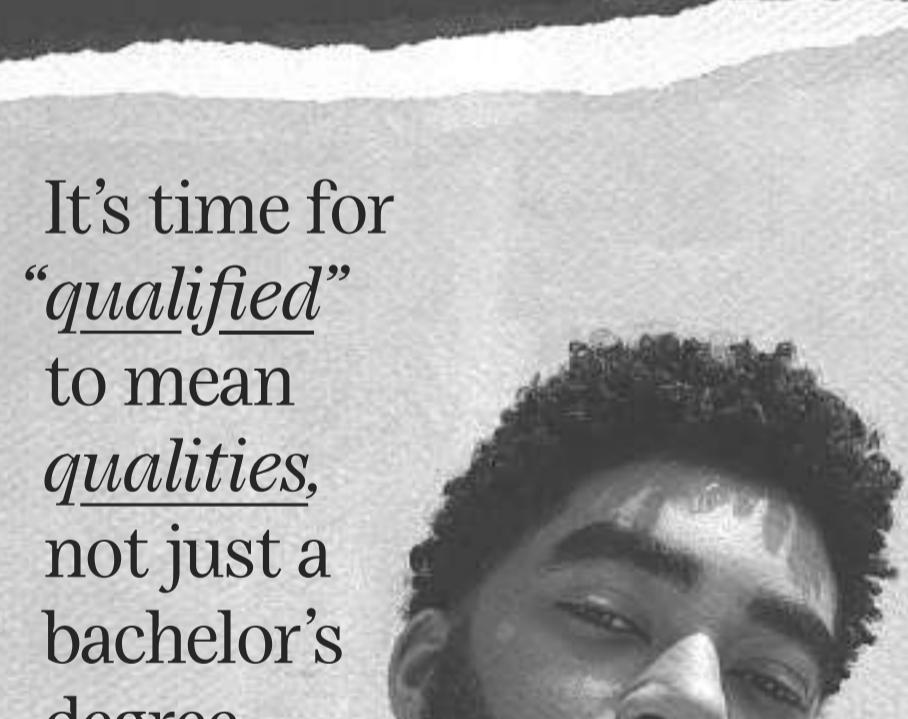
Many of the firms that manage private-equity funds also manage private-credit funds. The rollout of the products

has set off some alarm bells.

The International Monetary Fund published a report in April warning that "interconnections and potential contagion risks many large financial institutions face from exposures to the asset class are poorly understood and highly opaque."

Goldman's capital-call bond is backed by a bundle of loans made to more than 150 private funds, which in turn have commitments from over 4,000 of the funds' clients, according to the marketing document.

Credit-rating firm Morningstar DBRS assigned a triple-A rating to \$450 million of the bonds, while \$25 million of the debt received a double-A rating.



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## BUSINESS NEWS

# Lysol Maker's Revenue Slides

Reckitt Benckiser says result was better than analysts feared; shares climb

By MICHAEL SUSIN

Lysol maker **Reckitt Benckiser** reported third-quarter revenue that fell less than analysts expected, as easing price increases drew shoppers to buy more of the group's hygiene and health products.

The U.K. consumer-goods company—which makes Dettol cleaning products and Durex condoms—said Wednesday it was on track to hit its full-year targets, with all businesses well-placed to post like-for-like revenue growth in the fourth quarter.

The results sent shares of Reckitt up 4% in European trading, making it one of the biggest gainers in the FTSE 100. However, shares remain down since the start of the year, after legal woes in the U.S. over the company's infant-formula products sent the stock to the lowest in more than a decade in April.

Reckitt is in the midst of a major overhaul of its portfolio to focus on its faster growing, more-profitable brands in the hygiene and healthcare segments as it navigates an in-



HOLIE ADAMS/BLOOMBERG NEWS

**The company makes Dettol cleaning products, among others.**

creasingly challenging consumer environment.

In July, the company said it would unload some of its home-care brands, including Air Wick air fresheners and Cillit Bang cleaners, and look at options for its Mead Johnson Nutrition business, home to the Enfamil and Nutramigen brands.

The company achieved like-for-like revenue growth for its bigger hygiene and health segments, but this was offset by a sharp drop in its smaller nutrition business that was hurt by tornado damage to a key warehouse in the U.S. Still, the hit to nutrition sales was smaller than initially expected in July, it said.

Reckitt said net revenue in the quarter was £3.455 billion, or about \$4.49 billion, compared with £3.6 billion in the same period last year. On a like-for-like basis, group revenue declined 0.5%.

Analysts expected sales at £3.41 billion and a group-revenue decline of 1.7%, according to consensus estimates compiled by the company.

The company's revenue reflected an increase in price/mix—the metric used by consumer-goods companies to reflect how much its products were sold for—of 0.9%, while sales volumes were down 1.4%. Analysts had expected a volume

drop of 3.1% but a 1.4% price/mix increase.

The price/mix increase came in below 1% for the first time in more than four years, hinting at a change in the trend of consumer-goods companies passing inflationary cost pressures to consumers—often at the expense of sales volumes as shoppers tighten their household budgets. Reckitt has reported declines in sales volumes in every quarter since the third quarter of 2022.

Reckitt's results come after consumer-goods companies such as **Nestlé**, **PepsiCo** and **Kimberly-Clark** warned on their sales outlooks amid signs of weakening demand. **Procter & Gamble**, meanwhile, signaled it is holding the line on prices.

Reckitt said its health and hygiene businesses delivered a solid quarter of growth, with sequentially improved market share despite a more competitive market backdrop in developed markets.

The company confirmed its expectations for revenue growth of 1% to 3% on a like-for-like basis for the year.

For the year, analysts expect revenue growth on a like-for-like basis of 1.5%, lifted by a price rise of 1.9% while volumes are forecast to drop 0.4%, according to the estimates.

## U.K.: Lilly Alzheimer Drug Too Pricey

By HELENA SMOLAK

England's drug-cost regulator rejected **Eli Lilly**'s Alzheimer's drug for use in the country's public health system, marking the second time a treatment for the disease has been deemed too costly.

The U.K.'s Medicines and Healthcare products Regulatory Agency approved the drug, donanemab, on Wednesday. Simultaneously however, the National Institute for Health and Care Excellence said the treatment wasn't

good value for money to the taxpayer and rejected it for use in the National Health Service. The independent committee, known as NICE, decides on reimbursement for the public health system in England.

It attributed its decision to what it called significant uncertainties about the drug's benefits to patients, in addition to high costs to treat its severe side effects.

Clinical trials showed that the U.S. pharma giant's monthly injection—also known

as Kisunla—slowed early-stage Alzheimer's by four to seven months through the reduction of amyloid proteins. Patients experienced side effects of brain swelling and bleeding that would require extensive monitoring in hospital, NICE said.

It is estimated that around 70,000 people would have been eligible for Eli Lilly's treatment in England, it added.

The health watchdog said it asked the company to provide further information on the drug as it will make a final decision on Nov. 20.

Eli Lilly said it would continue to work closely with NICE during the consultation period ahead of the final decision.

"Lilly remains confident in the clinical and cost-effectiveness of donanemab and the value that it can bring to patients and to the NHS," a spokesman for Eli Lilly said.

NICE's decision follows a prior rejection of **Eisai**'s and **Biogen**'s Alzheimer's treatment lecanemab, despite being approved for use in the U.K.

## Carlsberg Deal Faces Antitrust Scrutiny

By IAN WALKER

vices in the country and invited initial comments on it.

The second invite is to offer interested third parties a further opportunity to submit views about the impact that the proposed merger could have on competition in the U.K., the CMA said.

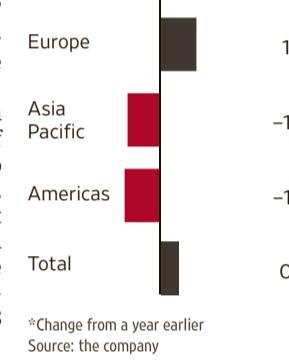
Danish brewer Carlsberg—which houses its namesake larger brand as well as Somersby cider and Garage alcopop brands—agreed to buy London-listed soft drinks maker Britvic in July as part of a plan to expand in the nonalcoholic beverage market and reduce reliance on beer sales.

Britvic houses Fruit Shoot, Robinsons, Tango and J20 among its brands.

## Heineken Sales Decline As Drinkers Cut Back

By MICHAEL SUSIN  
AND MAURO ORRU

Heineken's beer volume by region in the third quarter\*



\*Change from a year earlier

Source: the company

are spending less on alcoholic beverages.

Van den Brink said Heineken remained on track for its gross savings target of €500 million this year.

The group said it continued to expect operating profit before exceptional items and amortization to grow 4% to 8% organically for the year.

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# Big Frontier Investor Is Latest To Oppose a Sale to Verizon

Glendon Capital says Verizon's \$9.6 billion offer to buy Frontier is too low

By DEAN SEAL

**Frontier Communications'** second-largest investor is the latest stakeholder to come out against the company's proposed \$9.6 billion acquisition by **Verizon Communications**.

**Glendon Capital Management** sent a letter to Frontier's board on Wednesday saying the \$38.50 per-share acquisition price offered by Verizon significantly undervalues the telecommunications company's assets and earnings trajectory. "We recognize the strategic merits of combining with a U.S. wireless carrier as the telecommunications industry continues to converge, but we believe a sale at this price



Verizon agreed in September to purchase Frontier.

does not adequately capture Frontier's progress and momentum," Glendon said.

The firm, which owns almost 10% of Frontier's shares outstanding, is calling on the board to push back the Nov. 13 shareholder vote on the acqui-

sition so that investors can "understand the standalone case for the company."

Verizon agreed in September to acquire Frontier in a deal that values the company at about \$20 billion including debt. The two companies said

at the time that they expected the transaction to close in about 18 months, subject to approval from shareholders and regulators.

**Cooper Investors**, a smaller Frontier investor, said earlier this month that it also believes the deal price is too low and that it would vote against the transaction.

Glendon was initially a holder of Frontier's debt during its Chapter 11 proceedings and became one of the company's top investors following its emergence from bankruptcy in 2021.

The firm now contends that the enterprise value of Frontier is at least \$26 billion, which is 30% higher than the \$20 billion ascribed by the Verizon transaction. Glendon said the board and its strategic review committee largely relied on analyses in their valuation process that were "fundamentally flawed."

## Perplexity Backs Revenue Share for News

By ROLFE WINKLER

**Perplexity** wants to reach revenue-sharing partnerships with news publishers that have criticized the AI-search startup for allegedly misappropriating their content, its chief executive said Wednesday.

Aravind Srinivas, who also founded Perplexity, made the comments at WSJ Tech Live two days after Wall Street Journal parent Dow Jones and sister publication the New York Post sued his startup for copyright infringement. Other news publishers have sent Perplexity legal notices requesting that the search engine stop using their content.

Perplexity uses generative artificial intelligence to power a search engine that it wants to compete with **Alphabet's** Google.

Srinivas threw cold water on the idea of signing licensing agreements with publishers that would pay them directly for the websites' content that Perplexity feeds into its algorithms to help its chatbot generate answers for users.

Instead, he articulated a vision where Perplexity would share advertising revenue with publishers, a pool of money he said would grow over time. He compared it to the revenue splits that music-streaming service **Spotify** offers artists. Perplexity at the end of July announced partnerships along those lines with a handful of publishers,



Perplexity CEO Aravind Srinivas threw cold water on licensing agreements with publishers.

including Time and Fortune.

As part of that effort, Srinivas said Perplexity is launching its advertising program later this month.

Also as part of possible commercial deals, he proposed supplying publishers with Perplexity-powered chatbots that would provide answers to user queries on the publishers' sites, based on their own content.

In its lawsuit, Dow Jones touted the value of licensing agreements that it and other publishers have signed with other technology companies.

**News Corp**, owner of Dow Jones and the Post, earlier this year struck a content-li-

censing partnership with Perplexity rival **OpenAI** that could be worth more than \$250 million over five years for the news conglomerate.

Srinivas said representatives of Dow Jones had reached out to Perplexity "around" June and that it responded, saying it was open to talking and "interested in a proper commercial discussion."

"We certainly were very surprised about the lawsuit because we actually wanted a conversation," he said.

The Dow Jones and Post lawsuit said Perplexity hadn't responded to a July letter from News Corp publishers

addressing "unauthorized use" of the publisher's copyrighted works and offering to discuss a potential licensing deal.

Dow Jones declined to comment on Wednesday.

Srinivas said Perplexity is experiencing fast growth. It fielded 350 million user queries in September alone, up from 500 million for all of 2023. He hopes that by 2026 the service could answer half a billion queries a day.

"I don't think just licensing content is the only solution. Neither am I saying our publisher program is already there," he said. "I hope that more conversations will get us there."

## IBM's Revenue Rises In Third Quarter as AI Demand Booms

By CONNOR HART

**International Business Machines** posted higher revenue in the third quarter as demand for artificial intelligence offset a shaky consulting environment.

The tech company's generative AI book of business has now topped \$3 billion, up more than \$1 billion compared with the second quarter.

About 20% of that is related to software solutions, with the rest coming from consulting.

"We're pretty confident around the growth trajectory," Chief Financial Officer James Kavanaugh said of the AI business.

IBM swung to a net loss of \$330 million, compared with a profit of \$1.7 billion last year, hurt by a one-time charge of about \$2.7 billion related to the transfer of a portion of its U.S. defined-benefit pension plan obligations to a third-party insurer.

Adjusted per-share earnings were \$2.30, beating the \$2.22 that analysts surveyed by FactSet expected.

IBM expects fourth-quarter revenue growth to be similar to the third quarter on a constant-currency basis.

## Companies Look Past Chatbots for AI Payoff

By STEVEN ROSENBUCH

Two years after the launch of OpenAI's ChatGPT, many companies display a level of enthusiasm for artificial intelligence that seems to leave much of the public bewildered.

Sure, generative AI-based chatbots are useful. But do they really justify the \$632 billion that research firm IDC estimates companies worldwide will spend on AI by 2028?

The disconnect reflects the fact that discussion of AI, and the public's understanding of it, largely focuses on the public-facing chatbots. Behind the scenes, a lot of companies are deploying more-specialized, internal AI tools that tap their data—and that is where they are looking for the real payoff from AI.

Such companies are connecting large language models to their data with a technique known as retrieval-augmented generation, or RAG. It is an obscure term, but at heart the idea is fairly straightforward:

Retrieve a company's data and use it to augment the work of generative AI.

"It's massive. Most of what we do is RAG-based," said Sylvain Duranton, global leader of BCG X, a tech build-and-design unit of Boston Consulting Group that has worked with large corporations.

AI's infamous hallucinations reflect the fact that large language models are trained on the internet.

It was possible to prompt an AI chatbot to expound on the differences between eggs from a hen and eggs from a cow because it was trained on internet data that included a video-game with cow eggs, Duranton said.

If a company creates an AI-based call-center agent, on the other hand, it will use RAG technology to import the processes, procedures and data used by human agents or operators.

The agent's large language model extracts its answers from that data.

"It's a way to protect yourself," Duranton said.

Once in place, however, these systems can open up a range of uses that go beyond call-center agents and other now-familiar enterprise AI applications such as writing software code.

Shorenstein Properties, a real-estate investment company based in San Francisco, is in a pilot program that is designed to lead to the automated tagging of all of its files using a RAG-based AI system.

The goal is to eliminate many of the drawbacks in a time-consuming manual system, in which people might make errors or simply skip the process altogether. The company plans to put the tagging system into production in the next few months.

Files can also be organized quickly into "knowledge bases" and interrogated with AI, according to Egnyte, a cloud-based platform that companies use to access, share and manage business content.

Shorenstein in the past few weeks has started a proof-of-concept project using Egnyte to extract data from prospectuses on properties for sale, documents that can often run 60 pages, and organize it into reports that could help the company make efficient business decisions and improve processes.

The creation of knowledge bases also might allow Shorenstein to analyze lease data for a city and almost instantly assess which ones are about to expire, which it says helps with market and data analysis, according to Sam Ghnaim, senior vice president, information technology, at Shorenstein.

Developing these new capabilities requires more than just tech.

Technology previously allowed for a decentralized approach to IT architecture, according to Duranton, the BCG X leader. But today's AI requires constant access to all of an enterprise's data, which means it needs to be deeply and broadly interconnected to the entire architecture, he said.

Deeper applications of AI often will require equally deep changes in workflow and processes as well, according to Heidi Messer, chairperson and co-founder of Collective[i], an enterprise AI company that produces intelligence, applications and agents designed to generate revenue insights and optimization across business functions.

A corporation's revenue team might forecast demand each quarter, for example, by polling business leaders throughout the company. It is hardly a scientific process, which explains why surprises are relatively common when companies report their actual results.

Over time, it might turn out that AI makes more-reliable revenue predictions. But that would require changing the way the revenue team works.

The older practice of data collection would come to an end, and the team might work more closely with other units in the company on functions such as supply chain management, pricing and hiring, Messer said.

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## BUSINESS &amp; FINANCE

# Outbreak Traced to Onions

Continued from page B1  
ated, they said.

Onions supplied by the facility have been retrieved and it currently isn't supplying McDonald's, the chain spokespersons said. If the onions are found to be the source of the outbreak, they said it would be the first time an onion has been identified as a carrier for the specific strain of E. coli linked to the illnesses.

Produce giant **Taylor Farms**, which supplied the onions to the affected McDonald's locations, said it is cooperating fully with CDC and the Food and Drug Administration. Based on information it received from the agencies, the company said, it removed yellow onions produced at its Colorado facility from the market.

Taylor said it tests both raw and finished products for pathogens, and has found no traces of E. coli. It said it hasn't seen E. coli associated with onions in the past.

"Our priority is the health and wellness of our customers and consumers and the safety and quality of our products," said a Taylor spokesperson.

McDonald's representatives said the company has separately examined the Quarter Pounder beef patties, which are bought from several suppliers



**E. coli has been linked to McDonald's Quarter Pounders.**

in the affected area. The chain's policy requires cooking the patties to a minimum internal temperature of 175 degrees, above the 160 degrees required to kill E. coli pathogens, and they said the company hadn't found any signs that there were problems with food preparation.

The company is slated to issue its financial report for the most recent quarter next week. Many Wall Street analysts had expected McDonald's to be one of the few positive stories for restaurants during this earnings cycle.

McDonald's and other restaurant chains have struggled to maintain traffic as Americans spend less on eating out, which industry executives have partly attributed to rising menu prices. Lower-income consumers in particular are eating out less, McDonald's has said, and the chain has responded this year with a \$5 meal deal and new menu items,

including a Chicken Big Mac. Shares of some of McDonald's rivals, including **Jack in the Box** and **Yum Brands**, climbed Wednesday.

Some Wall Street analysts took a wait-and-see approach to the outbreak, saying that the McDonald's situation so far appears more contained than similar problems that Jack in the Box and Chipotle Mexican Grill faced in the past. Chipotle's food-safety problems spanned years, with reporting on new cases keeping the chain's troubles in the spotlight.

Some analysts said they nevertheless expected the outbreak to hurt McDonald's business and downgraded their views on the stock in response. Some McDonald's operators said their sales on Wednesday morning were down after news of the investigation was reported, while others said they were stable.

—Roshan Fernandez contributed to this article.

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### CLASS ACTION

#### UNITED STATES DISTRICT COURT

#### MIDDLE DISTRICT OF TENNESSEE

ROBERT STROUGO, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. TIVITY HEALTH, INC., et al., Defendants.

) Civil Action No. 3:20-cv-00165  
 ) **CLASS ACTION**  
 ) Judge Waverly D. Crenshaw, Jr.  
 ) Magistrate Judge Jeffery S. Frensel  
 ) SUMMARY NOTICE OF PENDENCY OF CLASS ACTION

#### TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED TIVITY HEALTH, INC. COMMON STOCK BETWEEN MARCH 8, 2019 AND FEBRUARY 19, 2020, INCLUSIVE

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Middle District of Tennessee, that the lawsuit that is now pending in that Court under the caption *Strougo v. Tivity Health, Inc., et al.*, Civil Action No. 3:20-cv-00165 (M.D. Tenn.) (the "Action") against Tivity Health, Inc. ("Tivity Health"), Donato Tramuto, Adam C. Holland, and Dawn Zier, has been certified as a class action on behalf of the Class, except for certain persons and entities that are excluded from the Class by definition as set forth in the full printed Notice of Pendency of Class Action ("Notice").

IF YOU ARE A MEMBER OF THE CLASS, YOUR RIGHTS WILL BE AFFECTED BY THIS ACTION. A Postcard Notice is currently being mailed or emailed to known Class Members. If you have not yet received the Postcard Notice, or you wish to obtain a copy of the Notice, you may contact the Notice Administrator at:

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 c/o Gilardi & Co. LLC  
 P.O. Box 30030-1171  
 Los Angeles, CA 90030-1171  
 1-888-756-7630  
[www.TivityHealthSecuritiesLitigation.com](http://www.TivityHealthSecuritiesLitigation.com)

Inquiries, other than requests for the Notice, may be made to Class Counsel:

Christopher M. Wood, Esq.  
**ROBBINS GELLER RUDMAN & DOWD LLP**  
 200 31st Avenue North  
 Nashville, TN 37203  
 1-615-244-2203

If you are a Class Member, you have the right to decide whether to remain a member of the Class. *If you choose to remain a member of the Class, you do not need to do anything at this time other than to retain your documentation reflecting your transactions and holdings in Tivity Health common stock.* You will automatically be included in the Class. If you are a Class Member and do not exclude yourself from the Class, you will be bound by the proceedings in this Action, including all past, present, and future orders and judgments of the Court, whether favorable or unfavorable. At this time there has been no monetary recovery, and there is no guarantee that one will be obtained in the future.

If you ask to be excluded from the Class, you will not be bound by any order or judgment of this Court, and you will not be eligible to receive a share of any money which might be recovered for the benefit of the Class. To exclude yourself from the Class, you must submit a written request for exclusion postmarked no later than **December 2, 2024**, in accordance with the instructions set forth in the full printed Notice. Please note, if you decide to exclude yourself from the Class, you may be time-barred from asserting the claims covered by the Action by a statute of repose. Pursuant to Rule 23(e)(4) of the Federal Rules of Civil Procedure, it is within the Court's discretion as to whether a second opportunity to request exclusion from the Class will be allowed if there is a settlement in the Action.

Further information may be obtained by directing your inquiry in writing to the Notice Administrator or by visiting [www.TivityHealthSecuritiesLitigation.com](http://www.TivityHealthSecuritiesLitigation.com).

Please Do Not Call or Write the Defendants or the Court with Questions.

DATED: September 26, 2024

BY ORDER OF THE COURT:  
 United States District Court  
 for the Middle District of Tennessee

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# Take Precautions to Be Safe From E. Coli

Look for symptoms and follow food-safety guidelines to keep illness at bay

By DOMINIQUE MOSBERGEN AND HEATHER HADDON

Federal health officials have linked an E. coli outbreak to McDonald's Quarter Pounders sold in several states.

One person from Colorado has died and dozens of others have been sickened in 10 states, the Centers for Disease Control and Prevention said. The agency said the first illness was reported in September.

Here is what McDonald's customers should know about the outbreak:

#### What was the cause of the outbreak at McDonald's?

McDonald's said that a subset of illnesses may be linked to slivered onions used in the Quarter Pounder and that the onions are sourced from a single supplier that served three distribution centers.

Colorado health officials said the Food and Drug Administration's early read was that onions were the outbreak's source, and that the slivered onions are used primarily on Quarter Pounders and not other McDonald's menu items. The Agriculture Department also is looking into the burgers' beef patties, state officials said.

The company didn't name the supplier and said it paused distribution of slivered onions to stores in certain areas.

Local restaurants were told to remove the product from their supply.

McDonald's has temporarily pulled the Quarter Pounder from restaurants in Colorado, Kansas, Utah and Wyoming, in addition to portions of Idaho, Iowa, Missouri, Montana, Nebraska, Nevada, New Mexico and Oklahoma.

Other beef products, including McDonald's cheeseburger, hamburger, Big Mac, McDouble, and Double Cheeseburger aren't affected, the company said.

#### How many people have been infected with E. coli?

Forty-nine people have been infected with a strain of E. coli with dates of illness ranging from Sept. 27 to Oct. 11, the CDC said.

Ten people have been hospitalized, including a child who developed a serious condition that can cause kidney failure.

The person who died in the outbreak was an older adult in Colorado who had underlying conditions, state and federal health authorities said Tuesday. Most sick people are from Colorado or Nebraska.

The CDC said the tally of sick people is likely higher than the reported figure, in part because many recover without medical treatment

and aren't tested for the bacteria.

It also can take up to four weeks to determine whether a sick person is connected to an outbreak.

Official tallies are updated periodically based on information that public-health officials gather.

Avoid recalled products, wash your hands often and follow food-safety guidelines, the CDC says. That includes washing your utensils and countertops well, keeping raw meat products separate and cooking foods to the right temperature.

"Always do salads before you do meat. Make sure you wash your hands after you handle meat. Never give an undercooked hamburger to a child. Never," said Dr. Cynthia Sears, an infectious-disease expert at Johns Hopkins University.

#### How do public-health officials identify an outbreak of a foodborne disease?

Some foodborne illnesses including Shiga toxin-producing E. coli are known as notifiable diseases, which health-care providers must report to local or state public-health officials. The information can then be provided to the CDC. The agency conducts surveillance of foodborne illnesses across the country, monitoring trends and potential outbreaks.

The CDC said it was first contacted on Oct. 10 by public-health officials about an increase in E. coli cases in Colorado. The CDC investigated and discovered that people in other states had recently been sickened by E. coli with the same DNA fingerprint as the one detected in Colorado. That suggested an outbreak involving several states, said Laura Gieraltowski, an epidemiologist with CDC's foodborne-diseases division.

"People that are sick with the same DNA fingerprinted strain of a bacteria are more likely to have gotten sick from the same source," Gieraltowski said.

#### How common are foodborne illnesses?

About 48 million people are sickened by foodborne diseases including E. coli every year, the CDC said. About 3,000 people die because of such illnesses.

Some foodborne infections including those caused by Shiga toxin-producing E. coli and the parasite Cyclospora have been increasing in the U.S., the CDC said. The rise may be because of improved detection of these diseases, the agency said. But factors including climate change, intensive farming practices and the increasing complexity of food supply chains have been linked to the rise of some foodborne illnesses, studies suggest.

Young children, older adults and people with weakened immune systems are at increased risk of severe disease.

#### How can a suspected E. coli illness be treated? And can you prevent infection?

There isn't a specific treatment for foodborne E. coli. Anyone with diarrhea or vomiting should drink plenty of fluids to stay hydrated. Antibiotics aren't recommended for Shiga toxin-producing E. coli and can make infections worse.

For people experiencing severe symptoms of a suspected E. coli infection, health officials recommend seeing a doctor and telling them what they ate. Hospitalization may be necessary to monitor the infection.

In rare cases, patients may need intravenous fluids and kidney dialysis.

Food businesses and people

# Trucker ODFL's Earnings Slip

By DON NICO FORBES

**Old Dominion Freight** Line's profit and revenue slipped in the third quarter as declining freight demand offset improved pricing.

The Thomasville, N.C., trucker posted a profit of \$308.6 million, or \$1.43 a share, down 9% from \$339.3 million, or \$1.54 a share, in the same quarter a year ago.

Analysts were expecting earnings per share of \$1.43, according to FactSet.

Revenue fell 3% to \$1.47 billion, coming in below analyst expectations of \$1.49 billion.

The fall was driven by a 4.8% drop in less-than-truckload tons per day, and partially offset by a 4.6% rise in LTL revenue per hundredweight, excluding fuel surcharges, a key measure of pricing strength.

The result is the first annual decline in quarterly profit and revenue for ODFL this year. The company's less-than-truckload corner of the market—in which shipments

from multiple customers are combined on a single truck—had earlier bucked negative trends in the broader trucking market due to tight capacity and relatively stable rates.

Revenue and shipments also declined slightly from the second to the third quarter, a weak signal for goods demand heading into the crucial fall peak shipping season.

"Old Dominion's third-quarter financial results reflect ongoing softness in the domestic

economy," said Chief Executive Marty Freeman. He said a challenging operating environment and strong comparable results last year also dragged down results.

Citi analyst Ariel Rosa said in a research note that although ODFL's earnings slipped, "this result hardly reflects the deterioration in the favorable LTL industry structure that some had feared."

ODFL's shares fell 5.5% Wednesday to \$188.67.



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## BUSINESS &amp; FINANCE

# Deutsche Bank Records Higher Profit

Germany's largest lender by assets cited strength in investment banking

By ELENA VARDON

**Deutsche Bank** said growth in its investment-banking division and the partial release of provisions linked to a long-running legal dispute led it to beat profit expectations for the third quarter.

Germany's largest lender by total assets also signaled Wednesday that share buybacks, paused earlier this year after a court decision on a legal case stemming from the acquisition of its former rival Postbank more than a decade ago, are in the cards again.

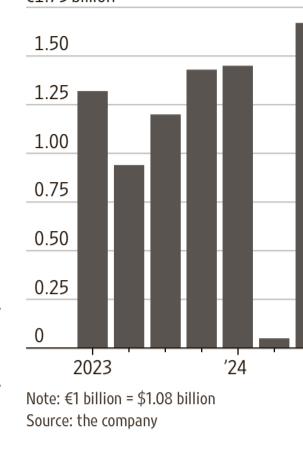
The results came as a Cologne higher regional court

ruled that Deutsche Bank must pay 13 plaintiffs the difference between the 57.25 euros, or \$61.83, a share it paid for a 30% stake in Postbank in 2008 and the takeover price of €25 a share it offered in 2010, after the financial crisis had taken a significant toll on the stock.

Before Wednesday's ruling, Deutsche Bank had already reached settlements with around 70% of the plaintiffs in the case, which allowed it to release €440 million out of a €1.3 billion litigation charge it previously booked. The lender said it considers itself fully protected.

The provision release helped the bank report an after-tax profit for the three months ended Sept. 30 of €1.67 billion, or roughly \$1.8 billion, a 39% jump compared with the same period the previous year. This surpassed a €1.56 billion estimate taken

## Deutsche Bank's quarterly after-tax profit



from a company-compiled consensus.

The bank's multiyear turnaround effort got a boost in recent quarters from higher interest rates, but as that tailwind loses steam with central banks cutting rates, a re-

bound in investment-banking activity is lifting its top line.

Revenue came in at €7.5 billion, ahead of the expected €7.31 billion and 5% higher than a year earlier. Higher investment-banking revenue and asset-management fees more than offset lackluster results in the corporate and private banks where it booked higher provisions for loan losses. Deutsche Bank still expects its revenue to amount to around €30 billion for 2024.

The difficult German economic environment seems to be taking a toll on Deutsche Bank's revenue, JPMorgan analysts wrote in a note to clients.

For the year, the bank now forecasts loan-loss provisions of around €1.8 billion, or around 38 basis points of its loan book, up from previous downgraded guidance of slightly above 30 basis points.

Total loan-loss provisions amounted to €494 million in the quarter, more than double what it put aside for the same quarter the previous year and above estimates of €441 million.

In July, the lender had flagged continued pressure from its exposure to commercial real estate. Third-quarter provisions in this area fell by one-third compared with the previous quarter, it said.

Deutsche Bank's U.S. shares finished Wednesday's trading 1.4% lower as the market digested what some analysts called an overwhelming set of results. The heavier provisions overshadowed progress elsewhere, UBS said.

The group's adjusted costs—which exclude litigation expenses—amounted to €5 billion, in line with its guidance and with expectations. "We will continue on

our path of profitable growth and exceed our original goals for capital distributions to shareholders," Chief Executive Christian Sewing said.

Deutsche Bank said it is seeking authorization to restart share buybacks now that it has settled a majority of Postbank litigations. Wednesday's ruling doesn't affect the bank's capital plans and the announced share buyback, Sewing said in a conference with analysts.

Sewing has promised to return more than €8 billion to shareholders via dividends and buybacks between 2022 and 2026.

The reiteration of this target should confirm that the pickup in provisions for bad loans isn't expected to derail capital distribution plan, RBC Capital Markets noted.

◆ Heard on the Street: A 'Goldilocks' period?..... B11

## Firm Logs 79-Fold Return

Continued from page B1

Warren Buffett-backed **Occidental Petroleum** in a \$12.4 billion deal that included cash, stock and the assumption of CrownRock debt.

The deal with Occidental followed a number of mergers among large energy companies and acquisitions of other private equity-backed oil patch assets in recent years, particularly across the Permian Basin in Texas and New Mexico, as U.S. industry consolidation accelerated. The total value of mergers and acquisitions among U.S. oil-and-gas producers reached a record of \$192.24 billion last year, more than three times the \$58.57 billion total in 2022, according to industry researcher Enverus.

This year through September saw deals totaling \$94.4 billion, Enverus said.

Before the sale, CrownRock survived deal frenzies as well as oil-price downturns that tested Lime Rock's resolve to hold on to the company, said Jonathan Farber, a Lime Rock co-founder and managing director.

**Some wanted to sell back in 2012 when Lime Rock stood to make a fivefold return.**

meant CrownRock could be patient while oil producers were experimenting with various fracking techniques, said J. McLane, chief investment officer at the Lime Rock Partners strategy, which invested in CrownRock. For example, CrownRock drilled its first horizontal well in 2015, years after directional drilling had become widespread in the U.S. That helped the company avoid the issues of interference with other wells and pressure drops in unextracted crude that plagued early adopters of the method, McLane said.

"We waited long enough to understand what the optimum drilling strategy was going to be," he said.

Lime Rock and CrownQuest Operating, an oil-and-gas investment firm founded by Texas oilman and future billionaire Tim Dunn and his longtime business partner Bobby Floyd, formed CrownRock as a partnership in 2007. Lime Rock owned a 57% stake in the business, Farber said.

CrownQuest managers, employees and others connected to the firm owned the remaining 43% of CrownRock, which operated on 94,000 acres in the Midland Basin of West Texas, part of the broader, oil-rich Permian.

As CrownRock's profits rose, a debate began brewing about the right time to sell,

McLane said. Those discussions intensified in 2012, when the firm was looking at a fivefold return.

"The pressure started mounting inside Lime Rock" by the next year, McLane said of the internal debate. He said the discussion centered on questions such as: "Why are we holding a 7x, 8x [return] investment in the portfolio? Why are we not even talking about whether we should be selling this thing?"

A crucial moment came when Lime Rock's investment team went through a three-hour presentation in 2013 that resulted in an "eerily accurate" forecast of the returns the company would generate if it followed its drilling plans, Farber said. That convinced Lime Rock's managers to hold on to the investment, he said.

The long-term approach

"There have been many opportunities over the 17-year holding period of CrownRock to sell the business. There's been significant pressure coming from various parties for us to sell," he said. "An understanding of the ultimate value of the asset and confidence in the management team gave us the conviction to hold the investment far longer than most people would."

Jansen also benefited from Lime Rock's patience, as he participated in a \$1.9 billion continuation fund that the firm raised about six years ago to extend its ownership of CrownRock while letting earlier investors cash out. That fund returned 3.8 times invested capital for Jansen and other new investors, before expenses.

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## MARKETS DIGEST

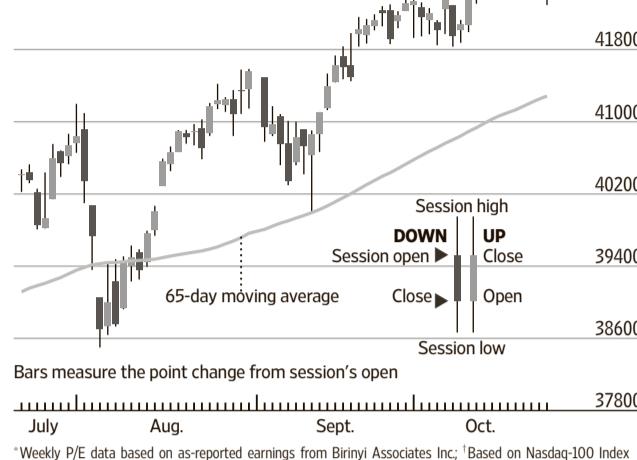
## EQUITIES

## Dow Jones Industrial Average

**42514.95** ▼409.94, or 0.96%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.21 23.72  
P/E estimate \* 21.99 18.47  
Dividend yield 2.03 2.19  
All-time high 43275.91, 10/18/24

Current divisor 0.15221633137872



Bars measure the point change from session's open

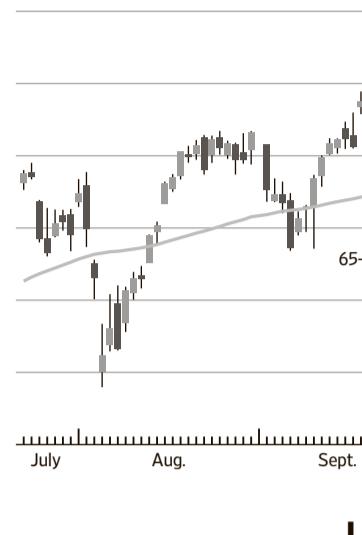
July Aug. Sept. Oct.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; Based on Nasdaq-100 Index

## S&amp;P 500 Index

**5797.42** ▼53.78, or 0.92%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 25.10 20.14  
P/E estimate \* 24.15 19.48  
Dividend yield \* 1.26 1.68  
All-time high 5864.67, 10/18/24



July Aug. Sept. Oct.

## Nasdaq Composite Index

**18276.65** ▼296.47, or 1.60%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 32.12 29.89  
P/E estimate \* 30.27 26.52  
Dividend yield \*\* 0.77 0.87  
All-time high 18647.45, 07/10/24



July Aug. Sept. Oct.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr.ann.
<b>Dow Jones</b>										
Industrial Average	42834.40	42293.17	<b>42514.95</b>	-409.94	-0.96	43275.91	32417.59	<b>28.7</b>	12.8	<b>6.0</b>
Transportation Avg	16215.79	15995.04	<b>16087.50</b>	-162.44	-1.00	16562.66	13556.07	<b>15.8</b>	1.2	<b>0.7</b>
Utility Average	1071.38	1061.07	<b>1071.27</b>	10.51	<b>0.99</b>	1071.27	812.89	<b>30.5</b>	21.5	<b>5.2</b>
Total Stock Market	57766.52	57042.38	<b>57400.83</b>	-522.31	-0.90	58160.93	40847.04	<b>38.3</b>	20.1	<b>6.8</b>
Baron's 400	1239.66	1226.27	<b>1234.02</b>	-6.73	-0.54	1263.18	907.97	<b>34.9</b>	15.1	<b>5.0</b>

## Nasdaq Stock Market

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr.ann.
Nasdaq Composite	18509.19	18146.61	<b>18276.65</b>	-296.47	-1.60	18647.45	12595.61	<b>42.5</b>	21.8	<b>6.6</b>
Nasdaq-100	20312.78	19934.92	<b>20066.96</b>	-316.69	-1.55	20675.38	14109.57	<b>39.5</b>	19.3	<b>9.3</b>

## S&amp;P

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr.ann.
500 Index	5834.85	5762.41	<b>5797.42</b>	-53.78	-0.92	5864.67	4117.37	<b>38.5</b>	21.5	<b>8.5</b>
MidCap 400	3140.11	3102.30	<b>3122.46</b>	-16.85	-0.54	3198.21	2326.82	<b>33.1</b>	12.3	<b>3.7</b>
SmallCap 600	1400.96	1382.38	<b>1393.23</b>	-8.76	-0.62	1442.34	1068.80	<b>29.4</b>	5.7	<b>0.3</b>

## Other Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr.ann.
Russell 2000	2226.41	2195.47	<b>2213.84</b>	-17.69	-0.79	2286.68	1636.94	<b>34.1</b>	9.2	<b>-1.1</b>
NYSE Composite	19653.36	19493.42	<b>19594.24</b>	-59.13	-0.30	19884.81	14675.78	<b>31.4</b>	16.3	<b>4.6</b>
Value Line	619.51	611.90	<b>615.78</b>	-3.73	-0.60	630.13	498.09	<b>22.1</b>	3.7	<b>-3.1</b>
NYSE Arca Biotech	5893.65	5786.98	<b>5812.30</b>	-78.01	-1.32	5953.12	4544.40	<b>25.3</b>	7.3	<b>1.2</b>
NYSE Arca Pharma	1066.05	1057.78	<b>1063.48</b>	-2.57	-0.24	1140.17	845.32	<b>20.0</b>	16.8	<b>11.7</b>
KBW Bank	122.10	120.68	<b>121.65</b>	0.40	<b>0.33</b>	122.91	71.71	<b>68.3</b>	26.7	<b>-5.2</b>
PHLX® Gold/Silver	173.73	170.87	<b>172.43</b>	-3.31	-1.88	175.74	102.94	<b>51.5</b>	37.2	<b>8.7</b>
PHLX® Oil Service	75.77	74.15	<b>74.51</b>	-1.03	-1.37	95.25	72.67	<b>-17.2</b>	-11.2	<b>5.0</b>
PHLX® Semiconductor	5190.65	5061.40	<b>5131.37</b>	-59.34	-1.14	5904.54	3185.18	<b>60.1</b>	22.9	<b>15.0</b>
Cboe Volatility	20.47	18.18	<b>19.24</b>	1.04	<b>5.71</b>	38.57	11.86	<b>-4.7</b>	54.5	<b>7.6</b>

§Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

## International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	<b>844.34</b>	-6.93	<b>-0.81</b>	16.1
	<b>MSCI ACWI ex-USA</b>	<b>340.55</b>	-2.08	<b>-0.61</b>	7.6
	<b>MSCI World</b>	<b>3697.60</b>	-33.72	<b>-0.90</b>	16.7
	<b>MSCI Emerging Markets</b>	<b>1141.81</b>	-0.38	<b>-0.03</b>	11.5
<b>Americas</b>	<b>MSCI AC Americas</b>	<b>2181.16</b>	-20.10	<b>-0.91</b>	20.3
Canada	<b>S&amp;P/TSX Comp</b>	<b>24573.62</b>	-143.08	<b>-0.58</b>	17.2
Latin Amer.	<b>MSCIEM Latin America</b>	<b>2153.10</b>	-17.29	<b>-0.80</b>	-19.1
Brazil	<b>Bovespa</b>	<b>129233.11</b>	-718.26	<b>-0.55</b>	-3.7
Chile	<b>S&amp;P IPSA</b>	<b>3620.96</b>	6.67	<b>0.18</b>	4.4
Mexico	<b>S&amp;P/BMV IPC</b>	<b>52142.13</b>	-226.56	<b>-0.43</b>	-9.1
<b>EMEA</b>	<b>STOXX Europe 600</b>	<b>518.84</b>	-1.56	<b>-0.30</b>	8.3
Eurozone	<b>Euro STOXX</b>	<b>509.38</b>	-1.68	<b>-0.33</b>	7.4
Belgium	<b>Bel-20</b>	<b>4281.87</b>	2.10	<b>0.05</b>	15.5
Denmark	<b>OMX Copenhagen 20</b>	<b>2493.80</b>	-7.91	<b>-0.32</b>	9.2
France	<b>CAC 40</b>	<b>7497.48</b>	-37.62	<b>-0.50</b>	-0.6
Germany	<b>DAX</b>	<b>19377.62</b>	-44.29	<b>-0.23</b>	15.7
Israel	<b>Tel Aviv</b>	<b>2155.40</b>	...		15.6
Italy	<b>FTSE MIB</b>	<b>34697.23</b>	-36.29	<b>-0.10</b>	14.3
Netherlands	<b>AEX</b>	<b>889.97</b>	-7.33	<b>-0.82</b>	13.1
Norway	<b>Oslo Bors All-Share</b>	<b>1655.07</b>	-7.09	<b>-0.43</b>	8.9
South Africa	<b>FTSE/JSE All-Share</b>	<b>86464.19</b>	-288.69	<b>-0.33</b>	12.4
Spain	<b>IBEX 35</b>	<b>11865.20</b>	32.50	<b>0.27</b>	17.5
Sweden	<b>OMX Stockholm</b>	<b>985.37</b>	1.14	<b></b>	



## BIGGEST 1,000 STOCKS

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are consolidated from trades reported by various market centers, including securities exchanges, Finra, electronic communications networks and other broker-dealers. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
i-New 52-week high; t-New 52-week low; dd-Indicates loss in the most recent four quarters.

**Stock tables reflect composite regular trading as of 4 p.m. ET and changes in the official closing prices from 4 p.m. ET the previous day.**

Wednesday, October 23, 2024

Net  
Stock Sym Close Chg

Net  
Stock Sym Close Chg

A B C

BioMarinPharm HMB 69.98 -0.50

Birkenteck BNTX 110.98 0.10

Birkentstock BIRK 50.32 -0.37

BlackRock BLK 98.16-12.65

BlockHr BRD 40.18 -0.49

BlockSpace BTI 71.39 -1.43

BlueWolfCapital OWL 23.05 -0.11

Booking BKNG 431.00-64.77

BroadridgeBnkr BRDR 216.38 -0.54

BrownSti BSX 87.45 -0.56

BristolMyers BMY 53.06 0.30

BrookfieldBnkr BIP 35.12 -0.57

BrookfieldRenew BEPC 34.31 -0.02

BrownForman BG 157.06 -0.80

BrownFormanBnkr BFB 48.79 -0.07

BrownForm

## MARKETS

# Earnings Extend Stocks' Fall

*Continued from page B1*  
ings by Tesla and IBM. Investors are awaiting a jammed slate next week, when Alphabet, Microsoft, Meta Platforms and Amazon.com report.

Elsewhere in the stock market, McDonald's was the Dow industrials' worst-performer after federal officials said they were investigating Quarter Pounders as the potential source of an E. coli outbreak across 10 states. The company's shares fell 5.1%, their largest single-day drop since the outset of the Covid-19 pandemic.

While earnings have been top of mind on Wall Street, positive data about the U.S. economy has scrambled investors' expectations for Federal Reserve interest-rate cuts and pushed up bond yields.

The yield on the 10-year Treasury, which is heavily in-

fluenced by the outlook for short-term interest rates set by the Fed, surpassed 4.2% this week for the first time since July and settled Wednesday at 4.240%.

Political jitters have added to the pressure.

In recent weeks, Wall Street has ramped up bets on a Republican sweep of the White House and Congress that could pave the way for tax cuts, spending bumps and tariffs on foreign goods. Most economists believe the agenda will buoy inflation and lead to higher interest rates over time.

Safe returns from bonds could peel away some investors from riskier assets such as stocks, particularly in industries that need to borrow money to fund innovation such as artificial intelligence. On Wednesday, shares fell in many of the companies that design or manufacture chips needed for AI, including Nvidia's 2.8% decline. Qualcomm and Arm also posted losses amid a licensing dispute. Qualcomm shares dropped 3.8% while Arm's American depositary receipts declined 6.7%.

The impact of climbing Treasury yields has already rippled into the housing market, where high prices and mortgage rates are keeping

buyers on the sidelines.

Existing-home sales in September fell 1% from a month earlier to a seasonally adjusted annual rate of 3.84 million, the National Association of Realtors said Wednesday, on pace for their worst year since 1995.

In commodity markets, benchmark U.S. crude futures fell 14%, to \$70.77 a barrel, weighing on energy stocks. Oil prices have retreated about 17% from a year ago despite continuing fighting across the Middle East.

## AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### 17-WEEK BILLS

Applications	\$190,552,682,900
Accepted bids	\$64,178,462,900
*noncompetitively	\$491,011,500
*foreign noncompetitively	\$75,000,000
Auction price (rate)	98.530681 (4.44%)
Coupon equivalent	4.574%
Bids at clearing yield accepted	15.12%
Cusip number	912797R00

The bills, dated Oct. 29, 2024, mature on Feb. 25, 2025.

### 19-YEAR, 10-MONTH BONDS

Applications	\$33,903,724,000
Accepted bids	\$13,219,300,000
*noncompetitively	\$65,617,100
*foreign noncompetitively	\$0
Auction price (rate)	93.984213 (4.590%)
Interest rate	4.125%
Bids at clearing yield accepted	61.60%
Cusip number	912810UD8

The bonds, dated Oct. 31, 2024, mature on Aug. 15, 2044.

**Starbucks**  
The coffee chain's new chief executive officer called for a big overhaul after disclosing steep quarterly setbacks in the biggest markets. Shares increased 0.9%.

**McDonald's**  
The restaurant chain's shares slid 5.1% after its Quarter Pounder hamburgers were linked to a deadly E. coli outbreak.

**Tesla**  
Shares climbed about 9% in after-hours trading following the U.S. electric-car manufacturer's report of a surprise increase in net income on stronger revenue.

**AT&T**  
The telecommunications company's shares rallied 4.6% after it posted better-than-expected quarterly adjusted earnings.

**Spirit Airlines**  
Shares in the troubled carrier rocketed 46% after The Wall Street Journal reported that Frontier Airlines is exploring a renewed bid for Spirit.

**Mattel**  
The toy maker said it expects sales to fall this year after a steep decline in Barbie sales led to lower revenue in the third quarter. Shares fell 1.8%.

**IBM**  
The tech company posted higher revenue in the third quarter as demand for artificial intelligence offset a shaky consulting environment.

## STOCK SPOTLIGHT

**Enphase Energy**  
Shares dropped 15%. The solar-energy and battery company reported a decline in profits and revenue, partly reflecting slower demand in Europe.

**Qualcomm**  
Arm is canceling a license that allows Qualcomm to use its intellectual property to design chips, Bloomberg reported. Qualcomm shares fell 3.8% and Arm's U.S.-listed shares dropped 6.7%.

**Boeing**  
Shares fell 1.8% after the plane maker posted its biggest quarterly loss since 2020.

**Lord Abbett**  
The toy maker said it expects sales to fall this year after a steep decline in Barbie sales led to lower revenue in the third quarter. Shares fell 1.8%.

**Putman Funds**  
Shares in the troubled carrier rocketed 46% after The Wall Street Journal reported that Frontier Airlines is exploring a renewed bid for Spirit.

**Vanguard Index Fds**  
Shares in the troubled carrier rocketed 46% after The Wall Street Journal reported that Frontier Airlines is exploring a renewed bid for Spirit.

**UPS**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

**Union Pacific**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

**Southwest Airlines**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

**Honeywell**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

**American Airlines**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

Shares fell about 3% in after-hours trading.

**Whirlpool**  
The appliance maker recorded third-quarter sales slightly below Wall Street expectations but it is planning for a post-election bump in business. The stock rose 3.8% in after-hours trading.

**Packaging Corp. of America**  
Shares surged 5.5% after the cardboard-box maker surprised Wall Street—and its executives—by reporting record production and a 26% increase in third-quarter sales.

**THURSDAY'S EVENTS:**

Weekly jobless claims at 8:30 a.m. will be followed by new-home sales data for September at 10 a.m.

## EXPECTED EARNINGS:

**UPS**  
**Union Pacific**  
**Southwest Airlines**  
**Honeywell**  
**American Airlines**

## Mutual Funds

Data provided by **THE WALL STREET JOURNAL**

Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret	Fund	Net NAV	Chg %	YTD % Ret
<b>Wednesday, October 23, 2024</b>															
<b>Fund</b>	<b>Net NAV</b>	<b>Chg %</b>	<b>YTD % Ret</b>	<b>Fund</b>	<b>Net NAV</b>	<b>Chg %</b>	<b>YTD % Ret</b>	<b>Fund</b>	<b>Net NAV</b>	<b>Chg %</b>	<b>YTD % Ret</b>	<b>Fund</b>	<b>Net NAV</b>	<b>Chg %</b>	<b>YTD % Ret</b>
<b>AB Funds</b>	11.23	-0.09	4.5	<b>Artisan Funds</b>	38.48	-0.34	22.8	<b>LgCo</b>	20.71	-0.20	22.9	<b>OTC</b>	20.78	-0.34	26.4
<b>MuniIncomeShare</b>	50.68	-0.24	11.3	<b>US CoreEq1</b>	43.06	-0.35	20.5	<b>GlexUSDInstPr</b>	15.48	-0.12	9.9	<b>Puritn</b>	25.02	-0.18	17.3
<b>AB Funds - ADV</b>	113.08	-1.49	21.9	<b>US CoreEq2</b>	38.54	-0.30	19.8	<b>GrowthCompany</b>	29.52	-0.51	31.5	<b>SAUSMinVollndFd</b>	22.63	-0.09	21.2
<b>LoCapGrAdv</b>	113.08	-1.49	21.9	<b>AggBdInst</b>	9.84	-0.02	2.6	<b>IntlDixInstPrem</b>	50.92	-0.46	7.9	<b>SAUSQTyldx</b>	21.74	-0.26	23.7
<b>American Century Inv</b>	10.19	-0.02	3.1	<b>CorBdInst</b>	14.33	-0.07	10.5	<b>FdZroIgCpx</b>	37.04	-0.57	25.6	<b>SrsEmrgMkt</b>	19.85	-0.11	14.5
<b>Ultra</b>	92.01	-1.43	23.5	<b>BlackRock Funds</b>	5.54	-0.02	7.7	<b>SrsGroCoRetail</b>	15.23	-0.12	10.0	<b>CoreBond</b>	10.30	-0.02	3.0
<b>American Funds CI A</b>	7.16	-0.02	7.7	<b>US LdgVa</b>	51.01	-0.14	16.2	<b>FF2030</b>	33.82	-0.20	7.2	<b>CorpPlusRd</b>	7.25	-0.02	3.6
<b>AmpcA</b>	44.46	-0.52	18.9	<b>Dodge &amp; Cox</b>	108.80	-0.22	11.0	<b>Freedom2035</b>	16.27	-0.11	12.6	<b>Lord Abbott I</b>	18.57	-0.30	30.1
<b>AMutlA</b>	59.52	-0.14	18.1	<b>BlackRock Funds III</b>	10.43	-0.01	11.1	<b>Freedom2040</b>	20.20	-0.18	21.5	<b>PutmFund Class A</b>	26.42	-0.03	16.6
<b>BalA</b>	36.26	-0.21	14.4	<b>IHS85P500IdxK</b>	67.91	-6.28	22.8	<b>GlexUSDInstPr</b>	14.39	-0.11	9.4	<b>Growth</b>	107.24	-1.63	23.8
<b>BondA</b>	11.32	-0.03	2.0	<b>BlackRock Funds Inst</b>	14.39	-0.08	11.1	<b>LgCapGwth</b>	77.61	-1.12	29.0	<b>MuHYAdml</b>	10.67	-0.09	2.7
<b>CapBda</b>	73.25	-0.29	12.8	<b>StratificOptpny</b>	9.51	-0.02	4.8	<b>JPMorgan R Class</b>	109.02	-0.07	9.0	<b>MuTAdml</b>	10.83	-0.03	1.2
<b>CapWGra</b>	68.34	-0.63	15.0	<b>Stock</b>	27.63	-0.22	10.5	<b>R2030</b>	10.57	-0.30	30.1	<b>WellnAdml</b>	26.72	-0.05	11.6
<b>EupacA</b>	58.43	-0.57	9.3	<b>TotalMarketBd</b>	159.70	-1.46	21.4	<b>CoreBond</b>	10.30	-0.02	3.0	<b>WindrslAdml</b>	15.77	-0.03	2.6
<b>FdnWvA</b>	86.19	-0.76	22.1	<b>MktNeutl</b>	14.96	-0.01	6.4	<b>FF2050</b>	20.20	-0.18	21.5	<b>PutmFund Class Y</b>	17.45	-0.03	15.1
<b>GwthA</b>	78.16	-0.97	23.7	<b>Fidelity Advisor I</b>	21.29	-0.12	8.8	<b>FF2030</b>	14.39	-0.11	9.4	<b>PutmFund Class Y</b>	17.45	-0.03	15.1
<b>Hi TrA</b>	9.80	-0.02	8.5	<b>Fidelity Freedom</b>	10.94	-0.02	10.0	<b>FF2040</b>	20.84	-0.12					

# HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

## Retro Starbucks Could Have Retro Value

New boss got some bad news out of the way early, but bringing back the coffee chain of old will come with a lower price tag

A man who can cover up a bitter aftertaste like Brian Niccol belongs at **Starbucks**.

Barely six weeks into the job, the new chief executive delivered a double shot of bad news on Tuesday night when the coffee giant released full-year financial highlights more than a week early. Results in the year's final quarter fell well short of muted expectations with global comparable sales down twice as much as feared, earnings more than one-fifth short of analysts' consensus and guidance for the current fiscal year scrapped. The only sweetener was a modest boost to the quarterly dividend.

If Niccol's hapless predecessor Laxman Narasimhan was still in charge, the market reaction would have been thermonuclear, probably sending the stock to multiyear lows. Yet even with the chain worth \$22.5 billion or 25% more than the day he was appointed in August, shareholders appear to be giving Niccol the benefit of the doubt. Part of that has to do with his pedigree at Chipotle and at Yum Brands before that. But a lot of credit goes to the simplicity of his message: "Back to Starbucks."

It is hard to glean a lot of detail from a slogan and a handful of generic action steps, and Niccol admitted he still is figuring things out. There are some clues, though. He suggested moving the emphasis from the hyperefficient, highly digital but impersonal experience of recent years at the chain to one more akin to the slower, welcoming "third place" originally conceived by three-time boss Howard Schultz: "A welcoming coffeehouse where people come together," according to a recorded statement to shareholders.

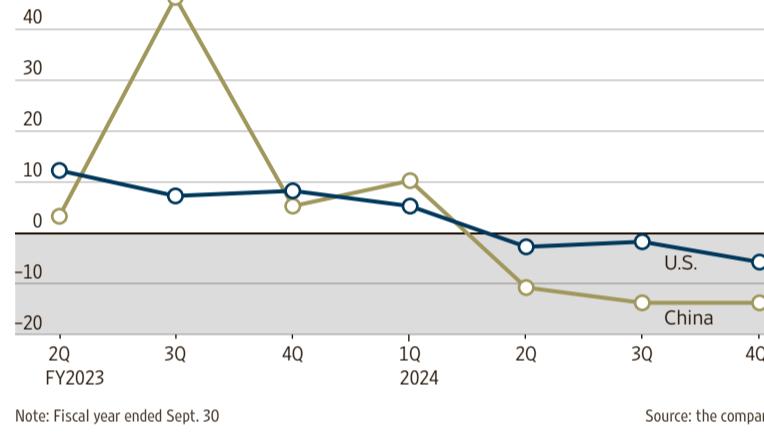
That is probably music to some customers' ears, but shareholders have to weigh the trade-offs. While Starbucks is unlikely to scrap its hefty investment in purely drive-through locations, digital rewards or labor-saving devices to make complicated drink orders more quickly, it sounds like a return to a simpler era.

On the one hand, that helps to resolve a fundamental contradiction that rose to the surface around the time Narasimhan took over and inflation surged: Why pay a premium for a drink made on an assembly line and without a barista's smile? The snafus that gummed up digital orders at busy



ANDREY RUDAKOV/BLOOMBERG NEWS

Starbucks comparable store sales, change from a year earlier



Note: Fiscal year ended Sept. 30

Starbucks's image and tight control of the customer experience helped it grow.

about 40,000 worldwide. Growing from that higher base will be even harder if Starbucks looks a bit like it did before the smartphone era.

Despite Narasimhan's missteps, Starbucks has the second-most popular app domestically in its category after **McDonald's** and earns hefty sums through the float on customer money in the form of credits and gift cards.

In the third quarter, Starbucks had nearly 34 million U.S. Rewards members who had been active in the past 90 days. It was alienating occasional visitors, though.

"We've been focusing on Starbucks Rewards customers, rather than talking to all our customers," said Niccol.

Fair enough, but the hallmark of a successful quick-serve chain these days is being digital and locking in loyalty members.

Making Starbucks friendlier to people who place an order the old-fashioned way while pushing fewer promotions to power-customers will be a tricky balance, raising costs per transaction. That

isn't the end of the world—selling coffee is lucrative compared with food—but it probably won't be consequence-free.

How will Niccol strike a balance between authenticity and profitability?

That won't be the only line of questioning when Niccol speaks publicly with analysts for the first time a week from now.

What about the once-promising China business that Schultz hoped would overtake the U.S. in the near future? Ruinous competition with fast-growing chains such as **Luckin Coffee** and many other local and foreign-backed competitors, and a parallel boom in bubble tea, have hammered that business. In the fiscal fourth quarter alone comparable-store sales there plunged by 14%.

More than one analyst has thought out loud about the idea of spinning off the Chinese business or shifting to a licensing model in the country. Yum spun off its local restaurants in 2016 while Niccol was an executive—a far more promising time for Chinese economic growth and consumer spending. Yet that stock has trailed the U.S. parent and fetches a lower earnings multiple today. With sales in free fall and Luckin recently opening more stores in a year than Starbucks did in a quarter-century in the country, the Chinese business might fetch a disappointing price or a tepid valuation if spun off.

Investors shouldn't expect news on that front—at least not now. A shrewd executive like Niccol isn't likely to monetize that business at such an inauspicious time. And it isn't as if Starbucks needs a cash infusion—the raised dividend underscores that.

Was the valuation bump when Niccol was hired excessive? Probably a bit, but the torrid gain reflected excessive pessimism toward the tail end of Narasimhan's disastrous tenure. The stock's multiple of enterprise value to revenue hadn't been so low in more than a decade, including the pandemic bottom in 2020.

If Niccol rights the ship but does so at the cost of the growth and margins of the glory years then the stock certainly should reflect that and that could mean giving back at least some recent gains. But it sure beats the alternative.

—Spencer Jakab

## Arm Gets Singed by Escalation Of Its Fight With Qualcomm

The problem with going nuclear is that everyone can get burned.

Take **Arm Holdings**, the U.K. company whose designs are the foundation for the key chips that power the world's mobile devices, as well as growing portions of the PC and server markets.

Arm's American depositary receipts slid more than 6% Wednesday after Bloomberg News reported the company plans to cancel its licensing deal with **Qualcomm**. That would mark a step-up in the tussle that has been brewing between the duo for three years—and is set to go to trial in December.

Qualcomm took a hit as well, with its stock slipping nearly 4%. The company has long licensed Arm's technology for its Snapdragon mobile processor and other products. Those form the basis of a chip business that is now \$32 billion a year.

Furthermore, Arm-based semiconductors power Qualcomm's ambitious bid to crack the PC market using on-device AI. The company unveiled its latest chips for phones, PCs and autos this week.

Analysts widely view Arm's move as a negotiating tactic. Bloomberg said Arm gave 60 days' notice of the planned cancellation,

meaning licenses would end right around when the jury trial is due to start, on Dec. 16.

"We view this move as an effort by Arm to gain leverage in the negotiation—but it's likely not the endgame," wrote Chris Caso of Wolfe Research in a note. Andrew Gardiner of Citigroup agreed, saying "we don't think Arm would want one of their biggest partners to stop shipping chips." Arm gets about 10% of revenue from Qualcomm.

In a statement, Qualcomm accused Arm of trying to "strongarm a longtime partner" to boost royalty rates. Analysts believe it will

Share-price and index performance, year to date



seek an injunction. Qualcomm is no stranger to the courtroom, and has secured last-minute settlements in major cases with companies like **Apple** and **Nokia** in the past.

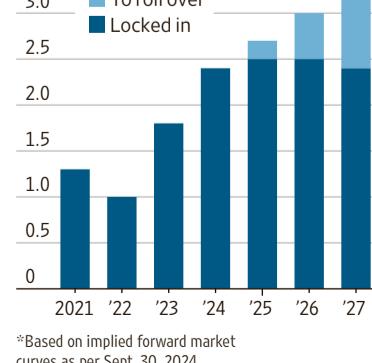
But a settlement won't be cost-

free. Every 1% increase to Arm's royalty rate would cost Qualcomm about \$250 million in annual earnings, Stacy Rasgon of Bernstein estimates. Even legal war is hell.

—Dan Gallagher

## Next Year Could Be a 'Goldilocks' Period for Banks

### Deutsche Bank, income from long-term hedge portfolio



Investors were disappointed with **Deutsche Bank**'s third-quarter results. They shouldn't be: Those figures show why 2025 could be a great year for lenders.

Shares of the German bank slipped Wednesday. Yet earnings were better than analysts expected, and increased 8% from a year earlier, excluding the release of some legal provisions tied to the 2010 takeover of rival Postbank.

Investors focused on the private- and corporate-bank arms. Here, loan-loss provisions rose, revenue fell and net-interest margins narrowed—common whenever central banks lower interest rates.

However, a longer view casts

these results in a far better light.

In core segments of the banking book, Deutsche Bank's net interest margin held broadly stable relative to last year.

In part, this is a result of officials pushing up borrowing costs very rapidly in 2022 and 2023. Yes, the sudden shift torpedoed some unprepared lenders—Silicon Valley Bank being the key example—but it also meant depositors didn't have time to catch up.

Rates started coming down before banks were forced to pass on as much of the benefits to their clients as they had expected. That has allowed them to set up hedges at advantageous levels.

Deutsche Bank said Wednesday that the income from such hedg-

ing will keep rising steadily, hitting €3.4 billion, or about \$3.7 billion, in 2027, compared with €1 billion in 2022. Roughly 80% of the benefits for the next three years are already locked in.

Add to this a boom in the investment bank, echoing recent earnings from Wall Street lenders. Revenue in fixed-income and currency trading, Deutsche Bank's strongest suit, rose 11%, with the gains still concentrated in corporate debt and other products that provide a yield pickup. Origination and advisory sales jumped 24%, confirming that dealmaking is back from the dead.

Of course, this could merely be a one-off burst of pent-up demand for mergers. But it seems far more

likely that it is the start of a new upswing for capital-market fees.

Once the U.S. election is over, greater clarity over economic policy could solidify the directional trend in bonds one way or another. Things could get even more interesting if the European Central Bank and the Bank of England confirm their dovish shifts. All this should boost bond and currency trading desks.

And with rates coming down but remaining relatively high, interest margins seem set to remain robust.

Top banks have done well of late, but only managed to have some of their engines firing at a time. This could soon change.

—Jon Sindreu

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