

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

FRIDAY, OCTOBER 13, 2017 ~ VOL. CCLXX NO. 88

WSJ.com

★★★★ \$4.00

DJIA 22841.01 ▼ 31.88 0.1% NASDAQ 6591.51 ▼ 0.2% STOXX 600 390.28 ▲ 0.03% 10-YR. TREAS. ▲ 7/32, yield 2.323% OIL \$50.60 ▼ \$0.70 GOLD \$1,293.30 ▲ \$7.50 EURO \$1.1832 YEN 112.29

## What's News

### Business & Finance

A T&T disclosed that its losses of traditional-TV customers worsened in the latest quarter, fueling concern about pressures being exerted by cord-cutting. A1

◆ J.P. Morgan and Citigroup posted higher profits as credit-card lending and a tight rein on costs offset downbeat trading results. B1

◆ Stocks pulled back from Wednesday's records as bank shares fell. The Dow lost 31.88 points to 22841.01. B11

◆ Trump is nearing a decision on his pick to lead the Fed and met Wednesday with Stanford economist John Taylor, one of four candidates. A2

◆ Amazon has suspended studio chief Roy Price in the wake of allegations of mismanagement and sexual harassment, and criticism of his ties with Harvey Weinstein. A1

◆ New York City police are re-examining allegations of sexual abuse by Weinstein. B3

◆ Fidelity fired a star stock picker last month for allegedly sexually harassing a junior female employee. B1

◆ Goldman is acquiring Genesis, a Los Angeles firm that backs investors seeking to flip houses. B1

◆ Samsung Electronics forecast that third-quarter profit will be its highest ever. Separately, CEO Kwon said he plans to step down. B6

◆ Equifax said its website was used to serve "malicious content" to consumers due to code created by a vendor. B1

◆ Facebook said it will disclose the types of people Russian-backed ads targeted around the election. B4

### World-Wide

◆ The administration will end billions of dollars in payments to insurers under the ACA program, but Trump has told at least one lawmaker that the payments may continue if a bipartisan deal is reached on health care. A1, A4

◆ The president is expected to announce Friday that he won't certify Iran is complying with the 2015 nuclear agreement. A1

◆ The Palestinian Authority and Hamas agreed to reconcile but offered few details on security in Gaza that had been key to negotiations. A6

◆ Pakistani forces aided by U.S. intelligence freed an American-Canadian family from captivity by militants. A6

◆ House Republicans are moving toward an agreement that preserves part of the federal deduction for state and local taxes. A4

◆ Over 20 major fires continued to burn across Northern California, leaving at least 31 people dead. A3

◆ The House passed a bill to provide \$36.5 billion in disaster relief for victims of hurricanes and wildfires, as well as credit to aid Puerto Rico. A3

◆ The U.S. will withdraw from Unesco, the State Department said, citing the body's "anti-Israel bias." A8

◆ Kelly defended his moves to manage the West Wing and brushed off talk that he was frustrated in the post. A4

◆ An EU negotiator said he won't recommend that Brexit talks with Britain advance, citing a lack of progress. A8

CONTENTS Opinion A13-15  
Business News... B3-6 Sports... A12  
Crossword... A11 Streetwise... B1  
Head on Street... B12 Technology... B4  
Life & Arts... A10-11 U.S. News... A2-4  
Mansion... M1-14 Weather... A11  
Markets... B11-12 World News... A6-8

4 15 3 9>  
178908 63141 1

© Copyright 2017 Dow Jones & Company. All Rights Reserved

## A Fractious Spain Celebrates Its National Day



FLYING THE FLAG: People walk under a huge Catalan flag during Spain's National Day in Barcelona on Thursday. Thousands of Catalans who want their region to remain in Spain marked the day by waving both Spanish and Catalan flags and shouting 'I am Spanish.' A7

## A Hot Startup Misled Advertisers

Employees of Outcome, valued at \$5.5 billion, manipulated information given to clients, sources say

By ROLFE WINKLER

In an era of celebrity tech entrepreneurs, Chicago has its own local star in Rishi Shah, a charismatic 31-year-old who has parlayed his advertising startup into connections with political and financial heavyweights.

A major donor to the Democratic Party, Mr. Shah has recently held private meetings at his office with Sens. Chuck Schumer and Elizabeth Warren. Fortune named him to its "40 Under 40" list. Forbes crowned him one of the world's newest billionaires.

Mr. Shah's startup, Outcome Health, installs video screens in doctors' offices and charges pharmaceutical companies to run ads on them aimed at patients. After investors including Goldman Sachs Group Inc. and Google parent Alphabet Inc. poured around \$500 million into Outcome at what the Chicago company said was a valuation of \$5.5 billion in May, prominent venture capitalist Bill Gurley tweeted that Mr. Shah, its chief executive, was "the real deal."

### In the Big Leagues

Outcome Health ranks among the most highly valued U.S. startups



Sources: Companies, WSJ reporting

THE WALL STREET JOURNAL.

Somewhat less real were aspects of some deals Outcome cut with pharmaceutical advertisers, say former employees along with several advertisers. Interviews with these people as well as internal documents and other material from Outcome reviewed by The Wall Street Journal show how some employees misled pharmaceutical companies by charging them for ad placements on more video screens than the startup had installed.

Some Outcome employees also provided inflated data to measure how well ads performed, created documents that inaccurately verified that ads ran on certain doctors' screens and manipulated third-party analyses showing the effectiveness of the ads, according to some of these people and documents.

The altered reports and data, they say, helped increase business for Outcome, whose customers have included drug companies such as Bristol-Myers Squibb Co. and Novo Nordisk A/S. Those two companies declined to comment. Outcome doesn't pub-

Please see STARTUP page A9

Somehow less real were aspects of some deals Outcome cut with pharmaceutical advertisers, say former employees along with several advertisers. Interviews with these people as well as internal documents and other material from Outcome reviewed by The Wall Street Journal show how some employees misled pharmaceutical companies by charging them for ad placements on more video screens than the startup had installed.

Some Outcome employees also provided inflated data to measure how well ads performed, created documents that inaccurately verified that ads ran on certain doctors' screens and manipulated third-party analyses showing the effectiveness of the ads, according to some of these people and documents.

The altered reports and data, they say, helped increase business for Outcome, whose customers have included drug companies such as Bristol-Myers Squibb Co. and Novo Nordisk A/S. Those two companies declined to comment. Outcome doesn't pub-

Please see STARTUP page A9

## Trump Moves To End Insurer Payments

White House says subsidies under Affordable Care Act lack legal grounding

By STEPHANIE ARMOUR

The Trump administration will end billions of dollars in payments to insurers under the Affordable Care Act program, but President Donald Trump has privately told at least one lawmaker that the payments may continue if a bipartisan deal is reached on health care, according to people familiar with the matter on Capitol Hill and in the healthcare industry.

The White House in a statement Thursday night said that based on guidance from the Justice Department, the Department of Health and Human Services has determined there is no appropriation for the payments and the government can't lawfully make the payments.

The Department of Health and Human Services was even more direct, saying the payments "will be discontinued immediately" and citing a legal opinion from Attorney General Jeff Sessions.

"We believe that the last Administration overstepped the legal boundaries drawn by our Constitution," acting HHS Secretary Eric Hargan and Seema Verma, administrator of the Centers for Medicare & Medicaid Services, said in a joint statement. "Congress has not appropriated money for [the payments], and we will discontinue these payments immediately."

Mr. Trump told at least Please see HEALTH page A4

◆ Trump has range of options to chip away at health law..... A4

## Trump Plans Broad Swipe At Iran Over Nuclear Deal

By FELICIA SCHWARTZ

WASHINGTON—President Donald Trump is expected to announce on Friday that he won't certify Iran is complying with the 2015 nuclear agreement.

◆ The president is expected to announce on Friday that he won't certify Iran is complying with the 2015 nuclear agreement. A1

◆ The Palestinian Authority and Hamas agreed to reconcile but offered few details on security in Gaza that had been key to negotiations. A6

◆ Pakistani forces aided by U.S. intelligence freed an American-Canadian family from captivity by militants. A6

◆ House Republicans are moving toward an agreement that preserves part of the federal deduction for state and local taxes. A4

◆ Over 20 major fires continued to burn across Northern California, leaving at least 31 people dead. A3

◆ The House passed a bill to provide \$36.5 billion in disaster relief for victims of hurricanes and wildfires, as well as credit to aid Puerto Rico. A3

◆ The U.S. will withdraw from Unesco, the State Department said, citing the body's "anti-Israel bias." A8

◆ Kelly defended his moves to manage the West Wing and brushed off talk that he was frustrated in the post. A4

◆ An EU negotiator said he won't recommend that Brexit talks with Britain advance, citing a lack of progress. A8

U.S. will pull out of the deal, the officials added, and Mr. Trump isn't expected to ask Congress to re-impose economic sanctions that had been lifted as part of the agreement.

But it could send the White House down a road of trying to change a deal that U.S. allies still support.

Mr. Trump, a longtime opponent of the accord negotiated under his predecessor's administration, is expected to

announce his decision in a speech in which he will also lay out plans to crack down on Iran's missile program and its support for Hezbollah and other militant groups in the Middle East, the officials said.

Mr. Trump is also likely to designate the Islamic Revolutionary Guard Corps, Iran's

Please see TRUMP page A6

◆ Yaroslav Trofimov: Turkey, U.S. clash emboldens Iran... A6

## Hostage Family Freed in Pakistan



RESCUE: An American-Canadian couple, who had three children in captivity, had been held by militants for five years. A6

## AT&T Woes Sink TV, Cable Stocks

By DREW FITZGERALD

Concern grew Thursday that cord-cutting is putting heavy pressure on television distributors and channel owners after AT&T Inc. disclosed that its losses of traditional-TV customers worsened in the latest quarter.

The disclosure weighed on shares of the telecom giant, which owns DirecTV and is the biggest U.S. provider of pay-TV

services, as well as other media players. Shares of AT&T and satellite rival Dish Network Corp. shed 6% and 5%, respectively, in Thursday's session. The two biggest cable-TV providers, Comcast Corp. and Charter Communications Inc., also retreated. The sell-off erased more than \$24 billion in market value.

AT&T said in a securities filing late Wednesday that its video-subscriber base declined by about 90,000 customers in

the third quarter as customers abandoned its fiber-optic-video and satellite-TV services. The decline, its third quarterly drop in a row, came despite nearly 300,000 new accounts on its DirecTV Now service, which streams channels over the internet.

The report means AT&T lost more satellite and U-verse fiber-optic customers than it gained through DirecTV online, a sign

Please see TV page A2

## Amazon Suspends Head of Its Studio

By BEN FRITZ AND JOE FLINT

Amazon.com Inc. has suspended the head of its entertainment studio, Roy Price, in the wake of allegations of mismanagement and sexual harassment and criticism of his close business relationship with movie producer Harvey Weinstein.

"Roy Price is on leave of absence effective immediately," said Amazon spokesman Craig Berman. He didn't provide an explanation of the move.

Mr. Price's suspension comes soon after a female producer went public about a 2015 sexual-harassment complaint she made against him and actress Rose McGowan under

Please see STUDIO page A2

◆ New York City police re-examine Weinstein incident..... B3

CONDOS GO BUSINESS CLASS  
MANSION, MI

THE BOSS ON BROADWAY  
LIFE & ARTS, A10

CREDIT CARDS BOOST BANK EARNINGS  
BUSINESS & FINANCE, B1

# U.S. NEWS

# Trump Nears Decision on Next Fed Chief

BY KATE DAVIDSON  
AND PETER NICHOLAS

WASHINGTON—President Donald Trump is nearing a decision on whom to pick to lead the Federal Reserve, and met Wednesday with one of four candidates, according to people familiar with the matter.

Mr. Trump met with Stanford University economist John Taylor, a White House official said. Mr. Taylor has criticized the central bank's easy-money stimulus policies since the financial crisis and pushed for the adoption of a mathematical formula to guide the Fed's interest-rate decisions.

The president met late last month with former Fed governor Kevin Warsh and current Fed governor Jerome Powell to discuss the job.

Janet Yellen, whose four-year term as Fed chairwoman expires in early February, is also among the final contenders, according to people familiar with the matter.

"There is still ongoing interviews," White House Chief of Staff John Kelly told reporters Thursday about the search for a Fed leader. "All of the people that have been in to interview have been really first-round draft choices, and we have more to come."

Treasury Secretary Steven Mnuchin and Vice President Mike Pence also attended the interview with Mr. Taylor, according to the White



ANDREW HARRER/BLOOMBERG NEWS

Fed Chairwoman Janet Yellen is in the running to continue as the head of the U.S. central bank.

House official.

Mr. Trump told The Wall Street Journal in July that he was also considering his top economic adviser, Gary Cohn, for the Fed job. People familiar with the president's thinking told the Journal last month that he was unlikely to nominate Mr. Cohn.

The president's pick is subject to Senate confirmation, a process that all four candidates have gone through in the past, some of them multiple times. Ms. Yellen was con-

firmed most recently when she became Fed chairwoman in 2014; Mr. Powell was confirmed in 2014; Mr. Warsh was confirmed when he joined the Fed in 2006; and Mr. Taylor was confirmed in 2001 to serve as Treasury undersecretary for international affairs.

Among the four main contenders, Mr. Trump will have his choice of two contrasting views on monetary policy.

One pair, Ms. Yellen and Mr. Powell, have advocated easy-money policies and favored a

gradual approach to raising interest rates to support a fragile economic recovery.

Mr. Taylor and Mr. Warsh have criticized the Fed's aggressive monetary easing, and called for changes in how the central bank sets policy.

It isn't clear in which policy direction the president is leaning. As a candidate, Mr. Trump criticized the central bank and Ms. Yellen, saying she kept interest rates too low.

But he also told The Wall

## Candidates Differ Over Bank's Path

President Donald Trump has said he will soon decide whom to nominate to run the Federal Reserve when current Fed Chairwoman Janet Yellen's term expires in February. He has said he is considering offering her a second term, and he has discussed the job with at least three other candidates.

### JANET YELLEN

Picking Ms. Yellen would signal confidence in her handling of central bank policy and the economy, including her slow and cautious unwinding of the Fed's crisis-era stimulus policies. It would also follow the tradition in recent decades of a new president reappointing the incumbent Fed leader.

### JEROME POWELL

A Powell-led Fed would likely continue Ms. Yellen's gradual approach to raising rates and reducing the bond portfolio very gradually, but have a lighter touch on financial regulation.

### JOHN TAYLOR

Mr. Taylor, a longtime adviser to Republican presidents and presidential candidates, has been an outspoken opponent of the Fed's easy-money policies adopted to stimulate the economy during and after the financial crisis.

### KEVIN WARSH

Mr. Warsh, a former Morgan Stanley executive who served on the Fed board during the financial crisis, has positioned himself as a conservative proponent of tighter monetary policy.

Fed board of governors in the coming months. There are three vacancies on the seven-member panel, and another is set to open when Vice Chairman Stanley Fischer steps down this month.

The search for Fed chief comes as the central bank is in the process of reversing the extraordinary economic-stimulus measures that it put in place during and after the financial crisis.

—Michael C. Bender contributed to this article.

## U.S. WATCH

CHARLOTTESVILLE, VA.

### City Sues to Block Rally Organizers

The city of Charlottesville filed a lawsuit Thursday seeking to prevent organizers of a violent "Unite the Right" rally in August from returning to engage in "unlawful paramilitary activity."

Charlottesville and local businesses, which joined the suit, said bands of white nationalists wielding clubs and shields, along with heavily armed paramilitary groups, undercut local authority while terrorizing residents at the Aug. 12 protest.

The suit names a number of people and paramilitary groups as defendants, including Jason Kessler, the lead organizer of the rally that led to clashes between organizers and counterprotesters where dozens were injured and one person was killed.

Mr. Kessler didn't respond to a request to comment, but said on Twitter that "the people are secured both the right to free speech and the right to bear arms by the United States constitution. The idea that Charlottesville would hire attorneys to take away those rights is reprehensible."

—Del Quentin Wilber

BILL & MELINDA GATES

### University Receives \$30 Million Donation

Friends of Bill and Melinda Gates donated \$30 million to name a computer-science building at the University of Washington after the Microsoft Corp. co-founder and his wife, the school said Thursday.

Microsoft President Brad Smith is leading the fundraising campaign for the building, which will total \$110 million. The \$30 million comes from a group of tech giants, including Amazon.com Inc. CEO Jeff Bezos and Charles Simonyi, architect of Microsoft Word.

—Douglas Belkin

## STUDIO

Continued from Page One

leashed a storm of criticism at the company for being in business with Mr. Weinstein, the former Weinstein Co. co-chairman who was ousted over the weekend amid numerous allegations of sexual harassment.

Isa Dick Hackett, a producer on the Amazon program "The Man in the High Castle," said in an interview Thursday that Mr. Price made crude remarks toward her in July 2015 while the two were on their way to a party and then continued to make lewd suggestions to her at the event.

Reached by phone, Mr. Price declined to comment.

Mr. Price allegedly boasted about his genitalia to her in a car and later at the party whispered in her ear that they should engage in a specific sex act, she said. Ms. Hackett first publicly accused Mr. Price of such behavior to the Hollywood Reporter.

Ms. Hackett the next day after the 2015 incident reported

it to other executives at Amazon, and an outside investigator contacted her as part of an inquiry, she said. Ms. Hackett said she never received an explanation as to the results of the investigation.

In a statement to The Wall Street Journal, Ms. Hackett said, "it would be wonderful if companies could lead by example by establishing a zero-tolerance policy for harassment." She said she was inspired by the women who came forward to speak out about Mr. Weinstein and hoped that sharing her story "inspires others, particularly those who cannot speak out for themselves."

Amazon is developing two television series that would be co-productions with Weinstein Co. In addition, Weinstein Co. earlier this year purchased a script written by Mr. Price's fiancée, Lila Feinberg. The Amazon executive had previously pressured staffers at his company to buy the script, before a conflict-of-interest review caused the company to drop the project, called "12 Parties," according to Amazon Studios employees.

Reachered by phone, Mr. Price declined to comment.

Mr. Price allegedly boasted about his genitalia to her in a car and later at the party whispered in her ear that they should engage in a specific sex act, she said. Ms. Hackett first publicly accused Mr. Price of such behavior to the Hollywood Reporter.

Ms. Hackett the next day after the 2015 incident reported



RICHARD SHOTWELL/INVISION/ASSOCIATED PRESS

Roy Price was suspended as head of Amazon's entertainment studio.

Mr. Berman said Amazon is "reviewing our options for the projects we have with the Weinstein Co."

Weinstein Co. executives didn't respond to questions about whether they knew Ms. Feinberg was Mr. Price's fiancée when they bought the project.

Ms. McGowan, who has been very vocal on Twitter about Mr. Weinstein, who she

has said raped her in 1997, on Thursday criticized Amazon for being in business with Weinstein Co.

Weinstein Co. executives didn't respond to questions about whether they knew Ms. Feinberg was Mr. Price's fiancée when they bought the project.

A spokeswoman for Harvey Weinstein said in a statement, "Any allegations of non-consensual sex are unequivocally denied by Mr. Weinstein."

Amazon Studios for months has been struggling with a host of problems, including low viewership for some of its signature programs, flagging employee morale, challenges shifting its strategy and criticisms from top Hollywood talent.

David E. Kelley, the Emmy-winning creator of "Boston Legal" and "Big Little Lies," who also created the Amazon series "Goliath," told The Wall Street Journal that Amazon's entertainment business is "a bit of a 'Gong Show.'"

Shawn Ryan, the creator of "The Shield" who also worked on an Amazon program, said the company's practices "put everything in chaos" and aren't "artist friendly."

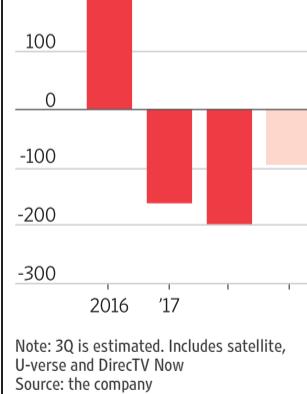
The suspension of Mr. Price is the latest fallout from the Harvey Weinstein scandal that has preoccupied Hollywood for the last several days. Since disclosures in the New York Times and New Yorker of multiple allegations of sexual harassment and assault by the movie mogul, other stars have come forward to share their own stories or to distance themselves from Mr. Weinstein.

AT&T is looking to expand its entertainment business with a proposed takeover of Time Warner Inc., which would add HBO, cable channels like CNN and the Warner Bros. film studio. The transaction, worth about \$85 billion when it was announced last October, is being reviewed by Justice Department antitrust officials.

—Keach Hagey contributed to this article.

### Unplugged

Quarterly net change in AT&T video customers



Note: 3Q is estimated. Includes satellite, U-verse and DirecTV Now

Source: the company

THE WALL STREET JOURNAL

## TV

Continued from Page One

cord-cutters threaten a broad array of companies that have until recently counted on traditional TV bundles for profit growth.

Cable giant Comcast last month said it also expects to lose subscribers in the third quarter, partly because of cord-cutting customers swapping cable subscriptions for more affordable online substitutes. Traditional pay-TV services tend to be more profitable for providers than streaming substitutes. Comcast shares fell 3.9%.

Shares of media companies also fell. AMC Networks Inc. lost 6.8%, Viacom Inc. declined 2.5% and Walt Disney Co. slid 1.6% on Thursday after Guggenheim Se-

curities analyst Michael Morris downgraded the stocks. "We expect pressure on subscriber trends and audience size to continue for the foreseeable future" across the sector, he wrote.

Content providers, like AMC, Viacom and Disney, built their TV businesses off the fees from big bundles of channels, and a decline in traditional pay-TV subscribers means less money for channel owners, which are typically paid per subscriber.

In a sign that it is getting tougher for smaller cable channel owners, Viacom's fee negotiations with Charter Communications have stalled—despite the fact that it has already offered a price the company says would lower subscribers' bills.

The standoff is in part because of declining ratings and what MoffettNathanson analyst Craig

Moffett called the "ravages of cord-cutting."

Some of AT&T's subscriber losses in the latest quarter resulted from the recent string of hurricanes, a challenge executive John Stankey mentioned last month at a Bank of America Merrill Lynch investor conference. "Customers who obviously lose a home make a decision to discontinue service," he said.

Hurricanes Harvey and Irma ruined thousands of homes in Texas and Florida, respectively. Wireless carriers are still assessing the full extent of the destruction Hurricane Maria left in Puerto Rico.

But natural disasters couldn't account for all of the problems in the video business. AT&T also tied the decline to "heightened competition in traditional pay-TV markets and over-the-top

services" as well as "stricter credit standards." AT&T had 25.2 million video subscribers at the end of the second quarter.

The company declined to provide additional comment.

Many online-TV bundles like DirecTV Now and Sling TV from Dish Network Corp. mimic video packages cable and satellite providers offer, but tend to be less expensive and less profitable.

AT&T is looking to expand its entertainment business with a proposed takeover of Time Warner Inc., which would add HBO, cable channels like CNN and the Warner Bros. film studio. The transaction, worth about \$85 billion when it was announced last October, is being reviewed by Justice Department antitrust officials.

—Keach Hagey contributed to this article.

## CORRECTIONS & AMPLIFICATIONS

Regarding House lawmakers' plans to release Facebook Inc. ads that Russian groups bought during the 2016 presidential race, Rep. Mike Conaway (R., Texas) on Wednesday said: "My personal advice is that we'll do it as quick as we can." In some editions Thursday, a U.S. News article about those plans incorrectly quoted Rep. Conaway as saying: "My personal bias is that we'll do it as quick as we can."

Taken together, the 22 fires ignited in Northern California between Sunday and Wednesday would amount to

\$36.5 billion in relief to Puerto Rico.

Wal-Mart Stores Inc. executives said Tuesday that online grocery pickup will be offered at 2,000 U.S. stores by the end of the fiscal year ending Jan. 31, 2019. A Business & Finance article Wednesday about the retailer incorrectly said the service would be available at those stores by the end of 2017.

In Illinois, the Cook County Board of Commissioners finance committee Tuesday voted 15-1, with one abstention, to repeal a penny-

ounce sweetened-beverage tax. The repeal was made official Wednesday after another vote by the board. A U.S. Watch article and headline Wednesday about the vote incorrectly said the tax was repealed on Tuesday.

The Panama Canal uses a mathematical formula to calculate ship capacity; one Panama Canal net ton is equivalent to 100 cubic feet of capacity. A graphic accompanying a Business & Finance article Monday about the canal incorrectly said the tonnage chart was measured in gross tonnes.

### THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY. 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.ltrs@wsj.com

### NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

### REPRINTS & LICENSING

By email: customreprints@dowjones.com; By phone: 1-800-84

## U.S. NEWS

# Fires Rage On Amid Search for Missing

Residents brace for new evacuations as blazes shift direction; death toll hits 31

NAPA, Calif.—The suitcases were lined up at the door Thursday morning at the home where Dan Barrango—along with his wife, son, mother-in-law and 90-year-old

By Alejandro Lazo,  
Erin Ailworth  
and Ian Lovett

friend—had taken refuge from the wildfires. They were prepared to leave at a moment's notice. Again.

More than 20 major fires continued to burn across Northern California, sending tens of thousands of people fleeing first in one direction, then sometimes in another as the winds shift and the flames bear down.

The fires are expected to burn for weeks, turning California's iconic wine region into a gauntlet of dangers where residents are forced to quickly make life-or-death decisions—at times without access to the latest information as cell towers remain damaged by the fires.

Mr. Barrango and his family had already evacuated his own home. Their friend Shane Brady had already lost his house. If the Barrangos had not roused him, they were sure Mr. Brady would be gone as well.

If the winds pick up again, Mr. Barrango said, "We are getting the hell out of Dodge completely."

Since the blazes began Sunday night, at least 31 people have been killed and 400 more have been reported missing and aren't accounted for.



More than 3,500 homes and other structures have been destroyed and 191,000 acres burned by the California wildfires this week.

REUTERS/JIM URQUHART PUBLISHED CREDIT: JIM URQUHART/REUTERS

Firefighters began to establish containment lines around some of the large fires on Thursday, but two larger fires had already merged into one monstrous inferno, officials said.

State officials warned that low humidity and high winds could continue to push flames in all directions, keeping residents on alert and on the move.

"Our fires are going to continue to burn erratically," said Ken Pimlott, chief of the

state's firefighting agency. "They have the potential to shift in any direction at any time."

More than 191,000 acres have burned, and more than 3,500 structures have been destroyed.

Roughly 172,000 additional homes in the Napa and Santa Rosa metropolitan areas were at risk, with an estimated cost to rebuild of \$65 billion, according to a CoreLogic Inc. report.

The constant movement of

residents—and damage to cell towers, which has compromised communication—has left hundreds of people unable to locate their loved ones.

Local officials say they expect many of those reported missing will turn up.

Officials also said they expect the death toll to keep rising. Dozens of detectives are currently investigating missing-person cases in Sonoma County, where 17 bodies have already been found.

Cadaver dogs have also

been brought in, but many of the burn areas remain inaccessible.

"Identification [of bodies] is going to be hard," said Robert Giordano, the Sonoma County sheriff.

"We have found bodies that were almost completely intact, and we have found bodies that were nothing more than ash and bones," he said.

Maps of Northern California were covered in red on Thursday, indicating fires burning from Napa Valley to the north-

ern reaches of the state. More than 8,000 firefighters were working to contain them, with resources pouring in from at least eight other states.

Crews were being moved from one fire to another as the winds shifted and containment lines were dug.

For many residents, the decision to leave is a painful one, because they know they may not be allowed to return for days or even weeks.

—Laura Kusisto contributed to this article.

## Lawmaker Is Focus Of Ethics Report

By BYRON TAU

WASHINGTON—A New York Republican used his public office to benefit a biotechnology company in which he is a major investor and board member, according to a new report from a nonpartisan agency that investigates allegations of wrongdoing by members of Congress.

The Office of Congressional Ethics also said Rep. Chris Collins may have shared non-public information about Innate Immunotherapeutics Ltd. with other investors.

In a report released Thursday, the ethics office said it found "substantial reason" to believe both allegations and voted unanimously to send the case to the House Ethics Committee for further investigation. The office said the conduct may have violated federal law.

An lawyer for Mr. Collins said in a letter to the office that the New York Republican "has done nothing improper" and praised his "cooperation and candor" with the investigation.

In its report, the Office of Congressional Ethics said Mr. Collins sent updates to investors about Innate drug trials that the company hadn't yet made public and that he visited the National Institutes of Health to discuss the clinical trial of an Innate drug.

"If Rep. Collins shared material nonpublic information in the purchase of Innate stock, then he may have violated House rules, standards of conduct, and federal law," the office wrote. Using public office to benefit a company is a violation of House ethics rules, the report said.

Mr. Collins, one of the closest allies of President Donald Trump in the House, is a former biotech entrepreneur and business executive. According to his 2016 financial disclosure report, Mr. Collins held a stake in Innate valued at the time between \$25 million and \$50 million.

In a statement Thursday, Mr. Collins denied any wrongdoing. His attorney said the congressman turned over 2,800 pages of documents and gave sworn testimony to investigators.

## House Passes Bill to Aid Hurricane Victims

BY KRISTINA PETERSON  
AND NATALIE ANDREWS

WASHINGTON—The House of Representatives on Thursday passed legislation that would provide \$36.5 billion in disaster relief for victims of recent hurricanes and wildfires, as well as emergency credit to help Puerto Rico keep its government functioning.

The 353-69 vote came hours after President Donald Trump questioned in Twitter posts how long the federal commitment to the island should last and suggested that Puerto Rico had mismanaged its finances. Congressional leaders of both political parties defended the need to send resources to the U.S. territory, which was devastated by two hurricanes this summer. Most of the island still lacks electric power.

"Puerto Rico survived the hurricanes, now a financial crisis looms largely of their own making," says Sharyl Attkisson, Mr. Trump tweeted Thursday morning, referring to a television journalist with Sinclair Broadcasting.

"We cannot keep FEMA, the Military & the First Responders, who have been amazing



Puerto Rico on Friday.

At a White House briefing, White House Chief of Staff John Kelly was asked whether Mr. Trump believed Puerto Ricans were American citizens deserving of the same access to federal aid as Texans and Floridians. He said, "Yes."

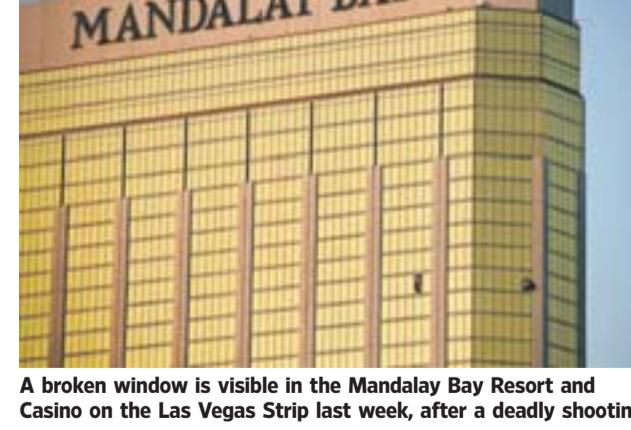
The island was in financial peril before the storms Maria and Irma hit. Puerto Rico and its agencies owe more than \$70 billion to creditors. In May, it was placed under court protection in what amounted to the largest-ever U.S. municipal bankruptcy.

Democrats objected to the tone of Mr. Trump's tweets, saying the posts didn't sufficiently acknowledge the magnitude of the disaster gripping Puerto Rico.

The House bill would provide \$18.7 billion for FEMA's disaster-relief fund, \$16 billion to replenish the nation's flood-insurance program and \$576.5 million for wildfire efforts.

The bill would give Puerto Rico access to a \$4.9 billion low-interest Treasury Department loan to help the territory avoid a government shutdown.

The Senate is expected to take up the bill early next week.



A broken window is visible in the Mandalay Bay Resort and Casino on the Las Vegas Strip last week, after a deadly shooting.

(under the most difficult circumstances) in PR. forever!" Mr. Trump said, using shorthand for the Federal Emergency Management Agency.

A FEMA spokesman said Thursday that the agency still has personnel at work in Louisiana supporting local and state recovery efforts dating back to

Hurricane Katrina in 2005.

FEMA personnel are also supporting New York's and New Jersey's continuing recovery from superstorm Sandy of 2012.

The spokesman said the agency aims to foster recoveries that are as swift as possible, and that the length of their support varies based on the circum-

stances of each natural disaster.

House Speaker Paul Ryan (R., Wis.) said it was the federal government's responsibility right now to respond to the humanitarian crisis in Puerto Rico, but added he wanted to see the island become more self-sufficient.

Mr. Ryan will be visiting

## MGM Disputes Police Timeline of Shooting

BY CHRIS KIRKHAM  
AND ZUSHA ELINSON

MGM Resorts International Inc., the owner of the Mandalay Bay Resort and Casino, is officially disputing the police account of when a casino security guard was shot by gunman Stephen Paddock.

The wounding of security guard Jesus Campos has emerged as a pivotal event in the timeline of how police responded to the Oct. 1 mass shooting in which Paddock killed 58 people and injured nearly 500 more.

Initially police credited Mr. Campos with distracting Paddock in the midst of the shooting, saying he arrived on the 32nd floor of the hotel to check an unrelated alarm. Paddock fired on the guard through the door, wounding him in the leg.

On Monday, Sheriff Joseph Lombardo of the Las Vegas Metropolitan Police Department declined to comment on MGM's statement.

The company said Paddock started firing on the crowd

within 40 seconds of Mr. Campos reporting to his superiors

that he was shot.

The MGM statement added that Las Vegas police already happened to be on site with other Mandalay Bay security officers when Mr. Campos called to report the shooting, and said police and security "immediately responded to the 32nd floor."

A person familiar with Mandalay Bay operations said the

time police cited for when the security guard was shot, 9:59 p.m., was listed in an initial statement given after the shooting. That time hadn't been verified or cross-referenced with video surveillance and audio tapes documenting when Mr. Campos called in that he was shot, the person said.

"It was someone's recollection of time, but there hadn't been an opportunity to check it," the person said.

The casino doesn't know how long it took for Mr. Campos to call in the shooting, the person said, but officials believe it was "very, very quickly."

The discrepancy is crucial because a six-minute gap between the shooting of the security guard and the shooting of the crowd raises questions about whether more could have been done to prevent Paddock from firing.

One central question regarding the timeline is what Mandalay Bay security did after Mr. Campos called in that he was shot on the 32nd floor. Accord-

ing to police radio communications reviewed by The Wall Street Journal and provided by Broadcastify, a firm that collects live audio from public agencies, the first mention of the shooting on police radio occurred at about 10:06 p.m., a minute after Paddock began firing on the crowd.

The communications don't reference a call from Mandalay Bay security until about 10:24 p.m., when a dispatcher refers to Mandalay Bay security reporting "shots fired on 29 and 32nd levels."

Authorities haven't released full 911 records from that night, citing the open investigation into the shooting.

The person familiar with Mandalay Bay operations said there was some confusion among officers on the outside about where exactly the gunfire was coming from. But officers inside the casino when Mr. Campos called in the shooting knew where to go "and they were up on that floor," the person said.

## U.S. NEWS

# Partial State Tax Benefit Discussed

By RICHARD RUBIN  
AND SIOBHAN HUGHES

WASHINGTON—House Republicans are moving toward an agreement that preserves part of the federal deduction for state and local taxes, backing away from a controversial plan to abolish it.

The aim, lawmakers say, is to keep the break for middle-income households while repealing it for higher-income households. One idea is to cut off the deduction for households whose incomes exceed a certain level.

The challenge will be finding agreement on where that dividing line should be.

If it's too low, the change won't win support from lawmakers representing states like New York and New Jersey with high taxes and living costs. If the dividing line is too high, changing the deduction won't generate revenue Republicans are counting on to fund lower tax rates and an expanded child tax credit.

Other options under consideration include allowing deductions for property taxes but not for state and local income taxes, or capping the overall amount

of deductions households can take on state and local taxes.

"I'm not fixated on one solution—I'm fixated on making sure that the people of my state don't finance tax benefits elsewhere," said Rep. Tom MacArthur (R., N.J.), who comes from a high-cost district, after a late Thursday meeting with House Republican leadership.

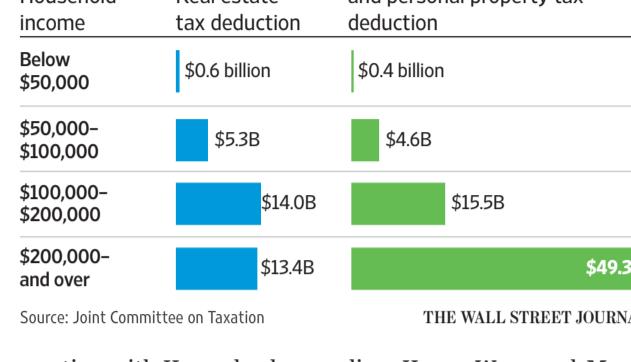
The unresolved question is one of many challenges Republican leaders face as they try to muster votes to pass a major tax bill this year. They face other debates and trade-offs on how much to expand child tax credits, rules determining which individually owned businesses get a 25% top tax rate, how to limit corporate deductions on interest, and where to set the top tax rate for individuals.

House Republicans want to move fast. They plan to release a full bill within weeks, pass it by the end of November and send final legislation to President Donald Trump by the end of the year.

Republicans from states including New York, New Jersey and California said they were making progress on an agreement after their Thursday

### Who Gets the Break

The bulk of the state and local tax deduction goes to high-income households.



Source: Joint Committee on Taxation

THE WALL STREET JOURNAL.

meeting with House leaders.

Rep. Peter King (R., N.Y.) suggested earlier this week that \$400,000 in annual household income is the right dividing line for state and local deductions in his high-cost Long Island, N.Y., community.

Eliminating the deduction could hurt households that consider themselves middle class in expensive places like Mr. King's, because their high incomes are offset by a high cost of living.

"Everyone's got a different view" about the appropriate

windfall that could help Republicans push overall tax rates down steeply.

Currently, about 30% of households claim the state and local deduction, available only to those who itemize deductions instead of taking the standard deduction. Taxpayers can deduct property taxes as well as either income or sales taxes.

Most who get the benefit aren't high-income households, but the dollar value of the tax break is concentrated at the top of the income scale.

For real estate taxes, households with income over \$200,000 make up 18% of those

who claim the deduction but get 40% of the overall benefit, according to the congressional Joint Committee on Taxation.

The deduction for income and sales taxes is even more concentrated among high-income households, with 71% of the benefit going to those above \$200,000 in income.

Taken together, that suggests that a \$200,000 line could cut the revenue from repeal roughly in half.

Republicans can lose just 22 members on a House vote if all Democrats are opposed.

## WASHINGTON WATCH

### IMMIGRATION

#### Tougher Asylum Process Is Planned

Attorney General Jeff Sessions said the administration wants to overhaul a variety of laws and regulations to make the process of applying for asylum in the U.S. more difficult, and to crack down on what he described as rampant fraud within that realm of the immigration system.

People seeking asylum typically must first establish they are fleeing their home countries because they have "credible fear" of persecution or violence.

"The system is being gamed," Mr. Sessions said Thursday. "The credible-fear process was intended to be a lifeline for persons facing serious persecution. But it has become an easy ticket to illegal entry into the United States."

Immigration advocates criticized the assertions of rampant fraud and wrongdoing.

—Alicia A. Caldwell

### HURRICANE HARVEY

#### EPA Orders Cleanup At Toxic Waste Site

The Trump administration ordered two big corporations this week to pay \$115 million to clean up a Texas toxic waste site that may have spread dangerous levels of pollution during flooding from Hurricane Harvey.

Environmental Protection Agency Administrator Scott Pruitt signed a directive Wednesday requiring International Paper and McGinnis Industrial Maintenance Corp., a Waste Management Inc. subsidiary, to excavate 212,000 cubic yards of contaminated sediments from the San Jacinto River Waste Pits site.

—Associated Press

# Kelly Defends Moves, Says He's Not Frustrated

By MICHAEL C. BENDER

WASHINGTON — White House Chief of Staff John Kelly defended his moves to manage the West Wing and better control access to President Donald Trump, while also brushing off talk that he was frustrated in the post.

Mr. Kelly said he has imposed more organization on the West Wing but isn't running operations with an "iron

hand" or restricting the president's ability to speak with advisers and friends. He said he was organizing more group meetings, rather than "onesies and twosies," to better brief the president on important matters.

Mr. Kelly, who joined the Trump administration as Homeland Security secretary and then became chief of staff in July, poked fun at reports that he has been unhappy in

his new job.

"I would just offer to you that although I read it all the time pretty consistently, I'm not quitting today," he told reporters at a White House briefing Thursday.

Describing his job, he said he was "just putting some organization to it, with a smile on my face." In his first months as chief of staff, Mr. Kelly has been photographed at Mr. Trump's events with a

stern look on his face, which he said has been misinterpreted.

"You guys with the cameras always catch me when I'm thinking hard," he said. "I'm not frustrated."

Asked about Mr. Trump's active presence on Twitter, Mr. Kelly said: "I was not brought in to control him....I was not brought to this job to control anything but the flow of information to our president, so he

can make the best decisions."

In the briefing, Mr. Kelly also addressed the subjects of nuclear weapons and North Korea.

Mr. Kelly made another call for diplomacy to end the crisis in North Korea.

"Let's hope diplomacy works," Mr. Kelly said, when asked to about the possibility of war with North Korea, adding that "we think the threat is manageable."

ies of executive authority.

Democrats and some insurance industry leaders say Mr. Trump is taking actions that will harm older and sicker people who most need coverage. "It also almost guarantees the eventual collapse of our health insurance markets across the country," said Washington State Insurance Commissioner Mike Kreidler, a Democrat.

These opponents are gearing up to fight back.

California Attorney General Xavier Becerra, a Democrat, said the state is prepared to go to court to protect the ACA.

Potential courtroom challenges aside, Mr. Trump's directives could take months or longer to work their way through the rule-making process.

Thursday's executive order directs a trio of federal agencies to take action that would weaken the effect of ACA regulations. It could lead to the lifting of ACA restrictions on a type of short-term insurance policy, for example, that could provide fewer health benefits than mandated under the ACA, also called Obamacare.

The Obama administration limited those policies to less than three months, with no ability to renew after that time, because of concerns they were siphoning off healthier consumers from the ACA marketplaces.

The short-term plans don't have to meet the ACA's minimum benefit requirements, such as covering maternity care, and they can refuse people with pre-existing conditions.

—Michelle Hackman, Anna Wilde Mathews and Siobhan Hughes contributed to this article.



President Trump signed the executive order directing regulatory changes to the health-care law in the White House on Thursday.

have insurance or pay a penalty, according to industry groups briefed by agency staffers.

Taken together, the administration could poke holes in the ACA's central directive that insurance policies offer a minimum set of benefits to all consumers regardless of health history.

The administration's actions could mean that insurers offering plans in the individual ACA market—largely Blue Cross and Blue Shield companies—and insurers focused on Medicaid

such as Centene Corp. and Molina Healthcare Inc. could risk losing healthy enrollees who might be drawn to skinnier and cheaper private options allowed under new rules. Older and sicker consumers would see premiums increase.

In signing the executive order Thursday, Mr. Trump cast it as the first of many steps he intends to take dismantle the ACA. "For a long period of time—since I've started running and since I became president of

the United States—I just keep hearing, 'Repeal and replace, repeal and replace,'" Mr. Trump said. "Well, we're starting that process, and we're starting it in a very positive manner."

The president is limited in what he can do to undo the ACA, since many of its provisions are written into law, including a Medicaid expansion and the requirement that insurers on the exchanges cover people with pre-existing conditions. But he can use actions and

agencies to weaken regulations that make the health law and its exchanges work.

"You can't totally destroy it, but the administration can do an awful lot to undermine it," said Timothy Jost, a professor at Washington and Lee University School of Law.

The drive to dismantle the law drew praise from Republicans who say it has hurt consumers. They said Mr. Trump is being careful not to step outside the constitutional boundar-

Tenn.) and Patty Murray (D., Wash.) comes together. The senators have been working on legislation that would maintain the payments to insurers, which Democrats want, while also meeting a Republican goal of giving states more flexibility in how they implement the ACA.

The White House had earlier suggested Mr. Trump wouldn't sign such a deal, but his comments Thursday suggest he has changed his thinking.

Democrats responded angrily to the announcement. "It is a spiteful act of vast, pointless sabotage leveled at working families and the middle class in every corner of America," said Senate Minor-

ity Leader Chuck Schumer (D., N.Y.) and House Minority Leader Nancy Pelosi (D., Calif.) in a joint statement. "Make no mistake about it, Trump will try to blame the Affordable Care Act, but this will fall on his back and he will pay the price for it."

The fate of the payments, which allow insurers to offset subsidies to low-income consumers, has been the subject of intense speculation among insurers and in the health-care industry more generally.

Insurers have said they may exit the ACA exchanges, or marketplaces, in 2019 if the payments are discontinued, or possibly raise premiums further.

The payments have been

made on a month-to-month basis, with the next distribution expected around Oct. 21.

A number of insurers have said they were worried that Mr. Trump would end the pay-

The payments allow insurers to offset subsidies to low-income consumers.

ments this month because a Republican effort in Congress to repeal much of the ACA and replace it with a more conservative approach recently collapsed.

Mr. Trump's interest in the bipartisan talks reflects his desire to make changes to health care that appeal to both parties, people familiar with his thinking said. The president has also reached out to Mr. Schumer about a bipartisan path forward on health care.

A federal judge in 2016 ruled the cost-sharing payments were improper after House Republicans filed a lawsuit in 2014 to block them, arguing that they hadn't been approved by Congress as necessary. The case has been in a holding pattern, with regular updates to the court every three months.

Mr. Trump had warned the payments would be halted af-

ter Republicans in the Senate failed in their attempts to overturn the ACA.

Thursday's developments put further pressure on Democrats to make progress on the bipartisan talks, which some Republicans have also backed as a way to help shore up the individual insurance markets and give states more flexibility in the ACA's implementation.

A final deal on the bipartisan talks is close, according to some of those involved. Ms. Murray made a number of concessions requested by Republicans just before the last proposal to repeal the ACA was pulled.

—Kristina Peterson contributed to this article.

## HEALTH

Continued from Page One  
one lawmaker Thursday that he is feeling pressure to end the payments, known as cost-sharing reduction payments, because they are the subject of a lawsuit, according to the people familiar with the matter.

The administration is scheduled to update the court on the status of the case on Oct. 30.

But, according to these people, Mr. Trump also told the lawmaker that he would support preserving the payments if a bipartisan deal being led by Sens. Lamar Alexander (R.,

## Integrity and responsibility are global languages.

As one of the world's leading financial groups, with 150,000 employees in 50 countries, we realize that integrity and responsibility are universally understood and rewarded, wherever you want to take your business. That's why relationships built on these values are essential to success.



**Your trust,  
your future,  
our commitment**

**Mitsubishi UFJ Financial Group**

Bank of Tokyo-Mitsubishi UFJ  
Mitsubishi UFJ Trust and Banking  
MUFG Securities

[www.mufg.jp/english](http://www.mufg.jp/english)

©2017 Mitsubishi UFJ Financial Group. All rights reserved.



## WORLD NEWS

# Hostage Family Freed in Pakistan Raid

American-Canadian couple was first taken in 2012; U.S. provided intelligence assistance

The five-year ordeal of an American-Canadian couple held by militants came to a startling end when Pakistan forces used U.S. intelligence to free them and their three young children as they were being driven across the mountainous border between Pakistan and Afghanistan, U.S. and Pakistan officials said Thursday.

By Saeed Shah  
in Islamabad and  
Dion Nissenbaum in  
Washington

Pakistan forces tracked the militants as they drove the family from Afghanistan into Pakistan, shot out the tires of the car and secured freedom for American Caitlan Coleman, her Canadian husband Joshua Boyle, and three children born in captivity, Pakistan officials said.

The couple, who were expecting their first child at the time, was abducted in 2012 while backpacking in Afghanistan.

President Donald Trump hailed the successful joint operation as a sign that Pakistan, a wary ally in South Asia, is now willing to do more to help the U.S. bring the long war in



The family of Caitlan Coleman in 2014. Ms. Coleman was kidnapped with her husband, Joshua Boyle, in Afghanistan in 2012.

Afghanistan to an end.

"They worked very hard on this, and I believe they're starting to respect the United States again," he said. "It's very important. I think right now a lot of countries are starting to respect the United States of America once again."

News of the release came as top U.S. officials arrived in Pakistan for high-level talks meant to open a cooperative new chapter between the countries. Mr. Trump an-

nounced a new strategy in August for Afghanistan that demanded more action from Pakistan against militants based there who conduct cross-border operations.

Intelligence sharing is a major point of contention in the relationship.

U.S. officials are wary of sharing information with Pakistan, which they fear is passed onto militants so they can evade capture. Former administration officials said this was

the first time that the U.S. had actionable intelligence on the family.

"We gave them intel on where they were going to be," said one U.S. official.

The Pakistan army carried out its operation on Wednesday after receiving a U.S. intelligence tip that the Haqqani network was moving the family across the border from Afghanistan into Pakistan, according to Pakistani security officials.

Some U.S. officials expressed skepticism about the Pakistani military's version of events, suggesting the family's freedom was the result of diplomatic efforts and a quiet arrangement between Pakistan and the militants holding the family.

But Pakistan said it was a military rescue operation.

Parts of Kurram, where the Pakistan army says the operation took place, is a refuge for the Haqqani network, accord-

ing to local tribesmen, after a Pakistani military operation forced the group to leave its previous base in adjacent North Waziristan.

In the Afghan capital Kabul, a senior Afghan official accused Pakistan's intelligence arm of protecting the Haqqani militants and not acting on information more than two years ago about where the couple was being held.

But former U.S. officials said that Afghanistan never provided enough intelligence to pinpoint the location of the family. The former officials said that they thought the couple was probably moved back-and-forth across the Afghanistan-Pakistan border over the past five years, but they couldn't be certain.

While friends and family members celebrated the news, there were signs of last-minute glitches. U.S. officials said that the couple refused to board a U.S. military plane bound for Germany because of concerns that Mr. Boyle might be detained.

Mr. Boyle previously was married to a Zaynab Khadr, the sister of a Canadian citizen, Omar Khadr, held at Guantanamo Bay for 10 years after being detained in Afghanistan in 2002 as a teenager.

In an apparent effort to allay the couple's fears, officials in Canada and the U.S. said that they were facing no risk of arrest if they came home.

## Turkey-U.S. Clash Emboldens Russia and Iran



Russian President Vladimir Putin, left, with Turkish President Recep Tayyip Erdogan in Ankara last month.

distrust is spilling into business ties, into investment decisions, and even into the NATO framework."

The freeze isn't just between the U.S. and Turkey: Ankara's relations with European nations, notably Germany, have frayed just as badly.

**T**urkey's alliance with the U.S. came under strain during President Barack Obama's administration. At the time, the U.S. chafed at President Recep Tayyip Erdogan's systematic assault on democratic freedoms and civil rights. Turkey, meanwhile, viewed as an existential threat U.S. support for Kurdish militias combatting Islamic State in northern Syria.

Following a failed military

coup against Mr. Erdogan last year, many senior Turkish officials have concluded elements of the U.S. establishment were sympathetic to the plotters' aims or actively colluding with the putsch, a claim denied by Washington.

Mr. Erdogan entertained high hopes for a reset under President Donald Trump, who refused to criticize Turkey's human-rights record.

Such optimism belied the accumulating poison in the relationship. In Syria, instead of reversing course as Ankara had expected, the White House essentially doubled down on the Obama policy of arming and backing the YPG Kurdish militia that Turkey considers a front for the Kurdistan Workers' Party, or PKK, a group that seeks to carve out a Kurdish state in

southeastern Turkey and that is considered terrorist by Washington and Ankara alike.

Ankara was also upset with the detention of Reza Zarrab, a Turkish-Iranian businessman with ties to Mr. Erdogan who has been charged in New York with violating sanctions against Iran, and with the continuing presence in the U.S. of Fethullah Gulen, the Islamist preacher whom Turkey wants extradited for allegedly masterminding the coup attempt. Both denied wrongdoing.

U.S. officials, meanwhile, were frustrated by the year-long detention of Andrew Brunson, a Christian pastor whom Turkish officials accuse of links to the coup. Mr. Brunson denies the charges.

All of this, combined with an uproar over the allegedly

violent behavior of Mr. Erdogan's bodyguards during his visit to Washington in May, has cemented a perception in the administration and Congress that attempts to mollify Turkey are pointless.

Ever since the coup attempt, Turkish officials favorable to continuing cooperation with the West have been warning about the rise of the ultranationalist "Eurasianist" faction, particularly in Turkey's security and military establishment. This current seeks to reposition Turkey into a new "Eurasian" civilizational alliance with Russia, China and Iran—and to break bonds with the West.

**A** Turkish court this week declared a Wall Street Journal reporter guilty of engaging in terrorist propaganda through one of her articles. The Journal condemned the move and the reporter plans to appeal the decision.

"This was an unfounded criminal charge and wildly inappropriate conviction that wrongly singled out a balanced Wall Street Journal report," said Journal Editor in Chief Gerard Baker. "The sole purpose of the article was to provide objective and independent reporting on events in Turkey, and it succeeded."

Things are likely to get worse in the foreseeable future, said Sinan Ulgen, head of the Edam think tank in Istanbul. "There is no clear path to de-escalation," he said, "and therefore we will likely find ourselves on the path to escalation."

## Palestinian Authority, Hamas to Reconcile

The Palestinian Authority and Islamist movement Hamas reached an agreement to reconcile after a decade of mistrust, but offered few details on security arrangements in the Gaza Strip that had been key to negotiations.

By Abu Bakr Bashir in Gaza City and Rory Jones in Tel Aviv

The two sides, meeting in Cairo for talks brokered by Egypt, said on Thursday that the West Bank-based authority would by early December regain full administration of Gaza, which has been under Hamas control since 2007. The Palestinian factions will meet in the Egyptian capital in November to discuss presidential and parliamentary elections, they said.

"We need this [rapprochement] to face the occupation and establish the Palestinian state," said Azzam al-Ahmad, the authority's representative to the reconciliation process, referring to Israeli control over the West Bank and Gaza.

But the parties didn't address the issue of whether Hamas would disarm its military wing—a crucial demand made by Palestinian Authority President Mahmoud Abbas. The militant group said last week that it wouldn't dismantle the wing, known as the Izz al-Din al-Qassam brigades, until Palestinians had liberated Gaza and the West Bank from Israeli control.

The reconciliation talks between Hamas and the Palestinian Authority are the most ambitious in the 10 years since the group wrested power from Mr. Abbas's governing body.

The factions still have to iron out the details about whether employees of Hamas or the Palestinian Authority will administer ministries in Gaza. As part of the reconciliation, the authority is expected to take over control of the strip's borders, Mr. Ahmad said.

Mr. Abbas is expected in the coming weeks to visit Gaza for the first time since 2007, Egyptian media reported. Egyptian President Abdel Fattah Al Sisi has supported and brokered the reconciliation talks.

Israeli Prime Minister Benjamin Netanyahu said last week that for there to be peace Palestinians would have to recognize Israel as the home of the Jewish people, dismantle Hamas's military wing, and cut ties between Hamas and Iran, which itself vows Israel's destruction.

## TRUMP

Continued from Page One  
elite military branch, as a terrorist organization, a step that has been the subject of internal administration debates, according to people familiar with the deliberations.

Iran has vowed a "crushing" response if the U.S. takes that step.

The venue for Mr. Trump's remarks was the subject of debate as well. Officials said they had discussed the possibility of the speech taking place in front of the unoccupied Iranian Embassy in Washington, although that plan was set aside.

Mr. Trump's speech will mark the end of a months-long Iran policy review by the administration and begin an uncertain process under which Congress has 60 days to consider an expedited basis reinstating sanctions that had been lifted under the terms of the nuclear accord.

The president will speak in advance of a Sunday deadline to inform Congress about whether or not Iran is complying with the nuclear deal, under the terms of a U.S. law passed in 2015 meant to provide congressional oversight.

That deadline, and Mr. Trump's decision, have no effect on U.S. adherence to the nuclear accord, unless Congress reinstates the sanctions. For now, the Trump administration's move will allow the president to criticize the deal while also providing some assurances to European allies that the U.S. won't walk away from it.

The administration has been working with Congress to amend U.S. legislation that provides for congressional oversight. Several proposals for changes to the legislation exist. One draft was offered by Senate Foreign Relations Committee chairman Sen. Bob Corker (R., Tenn.) and another by Sen. Tom Cotton (R., Ark.), people



Iranian President Hassan Rouhani in Tehran Wednesday

familiar with the draft said.

Some of the ideas in the

drafts include expanding the definition of compliance with the deal to include limits on Iran's nuclear activities under the purview of the U.N. nuclear watchdog and extending or eliminating the quarterly certification time requirement.

It likely will acknowledge U.S. concerns about Iran's regional behavior and missile tests, but stress these issues, which weren't part of the talks leading to the nuclear deal, should be dealt with separately, officials said.

As the policy review has been going on in the past several months, U.S. officials have been trying to persuade Europe to work with them to

raise pressure on Iran. Europe's trade with Iran has grown markedly since sanctions were suspended in January 2016 and dwarfs U.S.-Iran commerce.

At the same time, the quarterly deadlines for certifying Iran's compliance have been an irritant and embarrassment for the president, officials said. Mr. Trump has twice certified Iran to be in compliance.

The United Nations nuclear watchdog agency, which is charged with enforcing the deal, also has determined Iran to be in compliance, a conclusion with which Secretary of State Rex Tillerson agreed.

Mr. Trump's speech on Friday will start what officials expect to be a lengthy diplomatic process to negotiate ways to strengthen the Iran accord, first with European officials and perhaps eventually with Iran, either by revisiting the accord or by enacting related but freestanding agreements.

—Laurence Norman contributed to this article.



# TEFAF IS COMING

FINE & DECORATIVE ART  
FROM ANTIQUITY TO 1920

## TEFAF NEW YORK FALL

OCTOBER 28 – NOVEMBER 1, 2017  
PARK AVENUE ARMORY

[www.tefaf.com/tefafweek](http://www.tefaf.com/tefafweek)

FOR GENERAL  
ADMISSION TICKETS:  
+1 212 370 2501  
[www.tefaf.com](http://www.tefaf.com)

THE SOCIETY OF MEMORIAL  
SLOAN KETTERING EVENING  
FRIDAY OCTOBER 27, 2017  
6–9PM

FOR BENEFIT TICKETS:  
+1 212 639 7972  
[www.giving.mskcc.org/tefaf](http://www.giving.mskcc.org/tefaf)

GALLERY 19C	THOMAS COLVILLE FINE ART	DANIEL KATZ GALLERY	SAFANI GALLERY INC
A LA VIEILLE RUSSIE	DANIEL CROUCH RARE	GALERIE KEVORKIAN	THOMAS SALIS
A. AARDEWERK	BOOKS	MARIA KIANG CHINESE ART	GALERIE SANCT LUCAS
DIDIER AARON	DAXER & MARSCHALL	JACK KILGORE & CO., INC	GALERIE G. SARTI
AGNEWS	GALERIE DELALANDE	KOOPMAN RARE ART	SHAPERO RARE BOOKS
KUNSTGALERIJ ALBRICHT	ALBERTO DI CASTRO	J. KUGEL	S. J. SHRUBSOLE
ÄMELLS	ALESSANDRA DI CASTRO	KUNSTKAMMER GEORG LAUE	ELLE SHUSHAN
ARIADNE GALLERIES	CHARLES EDE	LOWELL LIBSON LTD	SIEGELSON
ARONSON ANTIQUAIRS	EGUIGUAREN ARTE DE HISPAÑOAMÉRICA	LITTLETON & HENNESSY ASIAN ART	ROBERT SIMON FINE ART
GREGG BAKER ASIAN ART	JAIME EGUIGUAREN ART & ANTIQUES	MACCONNAL-MASON GALLERY	ROB SMEETS
VÉRONIQUE BAMPIS	LES ENLUMINURES	KUNSTHANDEL MEHRINGER	TALABARDON & GAUTIER
JEAN-LUC BARONI LTD	PETER FINER	MORETTI	TAYLOR   GRAHAM
MICHELE BEINY	SAM FOGG	MIREILLE MOSLER LTD	HERIBERT TENSCHERT · ILLUMINATED MANUSCRIPTS
BENAPPY FINE ART	BLUMKA GALLERY	MULLANY	ERIK THOMSEN GALLERY
BLUMKA GALLERY	ANTIQUARIAT FORUM BV	LILLIAN NASSAU LLC	TOMASSO
JULIUS BÖHLER	FRENCH & COMPANY	NAUMANN FINE ART	VANDERVEN ORIENTAL ART
BOWMAN SCULPTURE	BERNARD GOLDBERG FINE ARTS LLC	CARLO ORSI-TRINITY FINE ART	AXEL VERVOORDT
BURZIO	RICHARD GREEN	GALERIE PERRIN	GALLERIA CARLO VIRGILIO & CO
CAHN INTERNATIONAL AG	DR. JÖRN GÜNTHER RARE BOOKS AG	RONALD PHILLIPS LTD	RUPERT WACE ANCIENT ART
GALERIE CANESSO	HABOLDT · PICTURA	PHOENIX ANCIENT ART	WARTSKI
CAYLUS GALLERY	WALLACE CHAN	PRIMAVERA GALLERY	JORGE WELSH WORKS OF ART
WALLACE CHAN	HEMMERLE	CHRISTOPHE DE QUÉNETAIN	JOAN WIJERMARS
GALERIE CHENEL	HIRSCHL & ADLER GALLERIES	REZA	ADAM WILLIAMS FINE ART LTD
GALERIE ERIC COATALEM	OTTO JAKOB	ROBILANT+VOENA	
COLNAGHI	DE JONCKHEERE	RÖBBIG - MÜNCHEN	

Special Museum Exhibition

LACMA



# MAKE BREAKFAST HAPPEN SO KIDS CAN BE HUNGRY FOR MORE

Photo By: Peggy Sirota



I was one of our nation's hungry kids growing up. Today, 1 in 6 children in America struggle with hunger. But when they get breakfast, their days are bigger and brighter. Learning, attention, memory and mood improve. Together, we have the power to get breakfast to kids in your neighborhood — let's make it happen. Go to [hungeris.org](http://hungeris.org) and lend your time or your voice.

Viola

Viola Davis, Hunger Is Ambassador

# HUNGER IS®

Albertsons  
Companies  
—Foundation—

EIF™

Hunger Is® is a joint initiative of the Albertsons Companies Foundation and the Entertainment Industry Foundation, which are 501(c)(3) charitable organizations.

## WORLD NEWS

# Australia Hack Nets Data on U.S. Arms

BY ROB TAYLOR

CANBERRA, Australia—A cyberattacker nicknamed “Alf” gained access to an Australian defense contractor’s computers and began a monthslong raid that snared commercially sensitive data on sophisticated U.S. weapons systems.

Using the simple combinations of login names and passwords “admin; admin” and “guest; guest” and exploiting a vulnerability in the company’s help-desk portal, the attacker roved the firm’s network undetected for four months, from July to November 2016.

The attack, detailed by a senior Australian intelligence official in a speech on Wednesday, was the third major breach of U.S. military and intelligence data to come to light in the past week.

On Tuesday, a South Korean lawmaker said North Korean hackers had accessed a military database and stolen top-secret files, including a plan for a strike against the leadership in Pyongyang. That followed reports that hackers working for the Russian government stole details of how the U.S. penetrates foreign computer networks and defends its own.

The identity and affiliation of the Australia hackers weren’t disclosed, but officials

Officials say attack probably originated in China, but no secret data was lost.

with knowledge of the intrusion said it was thought to have originated in China.

The senior Australian intelligence official, Mitchell Clarke, told a cybersecurity conference in Sydney on Wednesday that Alf obtained around 30 gigabytes of data on Australia’s planned purchase of up to 100 F-35 fighters made by **Lockheed Martin**, as well as information on new warships and **Boeing**-built P-8 Poseidon maritime-surveillance aircraft.

Boeing and Lockheed Martin declined to comment on the theft, which also included details of C-130 Hercules transport aircraft and guided bombs used by the U.S. and Australian militaries.

The Chinese and U.S. embassies didn’t respond to requests to comment.

Foreign Minister Julie Bishop said intelligence agencies are aware of where the attack originated but said no classified details of weapons capabilities were lost.

# Wide Win Is Projected For Abe in Japan Vote

BY PETER LANDERS  
AND MEGUMI FUJIKAWA

TOKYO—Prime Minister Shinzo Abe is poised for a big victory in Oct. 22 parliamentary elections, beating back a challenge by Tokyo Gov. Yuriko Koike, according to five polls published by major Japanese news organizations.

Investors welcomed the news on Thursday, viewing a continuation of Mr. Abe’s nearly five years in office as a sign of stability, in contrast to political upheaval elsewhere. The Nikkei Stock Average, which hit a two-decade high on Wednesday, continued its advance, closing up 0.35% Thursday.

The five polls—by Kyodo News and the Nikkei, Yomiuri, Asahi and Sankei newspapers—all forecast that Mr. Abe’s ruling Liberal Democratic Party would easily win more than half of the 465 seats in the lower house, the more powerful of parliament’s two chambers.

The five polls all found that the LDP and a smaller coalition ally together were likely to get close to 300 seats. Several said the coalition forces might even win two-thirds of the seats, the level needed to pass proposed revisions to the constitution in the chamber.

Ms. Koike’s newly founded

# Police Add Suspects in Kim Killing

BY BEN OTTO  
AND YANTOULTRA NGUI

Two men gave the women accused of murdering Kim Jong Nam liquid substances to put on their hands moments before the assault in February that killed the half brother of North Korea’s dictator, police testified.

A Malaysian police officer taking the stand for the second day on Thursday identified by aliases four men who prosecutors say colluded with the women to kill Mr. Kim at Kuala Lumpur International Airport on Feb. 13.

Based on previous police

identifications, at least some of those men are North Koreans who fled Malaysia on the day of that attack and who, South Korean intelligence officials said, work for ministries in Pyongyang.

Investigating police officer Wan Azirul Nizam Che Wan Aziz told the courtroom that shortly before the attack on Mr. Kim in a crowded departures hall, a man identified as “Chang” spread a substance onto the hands of Siti Aisyah, a 25-year-old Indonesian defendant in the case. He said another man, identified as “Y,” did the same for the other de-

fendant, 29-year-old Doan Thi Huong of Vietnam.

Mr. Wan Azirul said his information was based on statements the women made to police after their arrests in February.

“Mr. Y played the role as the individual who applied a liquid on Huong’s hand,” Mr. Wan Azirul said. “Mr. Y also played the role of buying the taxi coupon for Huong.” Both Ms. Huong and Ms. Aisyah departed the airport by taxi shortly after the attack, police say.

Mr. Wan Azirul also presented new security footage from airport closed-circuit

television shortly before the attack showing a woman appearing to be Ms. Huong walking into the airport with the man identified as Y, and Ms. Aisyah sitting in a cafe with the man identified as Chang. Both men wore baseball caps in the videos, with their faces largely hidden from cameras.

Ms. Aisyah and Ms. Huong are accused of colluding with four accomplices to murder Mr. Kim, a crime that carries the death penalty in Malaysia. Malaysian authorities have said the women acted under the direction of a team of North Koreans to kill Mr. Kim

by exposing him to deadly VX nerve agent. Defense lawyers say the women thought they were filming a prank for a television show. Both have pleaded not guilty, and North Korea denies involvement.

Prosecutors have not identified the four alleged accomplices, and on Thursday police used only aliases in naming them for the first time in the trial as Chang, Y, James and Hanamori.

The trial goes into a week-long recess. Mr. Wan Azirul is scheduled to resume testimony on Oct. 24, when proceedings move to the airport.

# A Voice of Vitriol Against Myanmar Muslims

BY JAMES HOOKWAY

HPA-AN, Myanmar—The Venerable Wirathu hitched up his orange robes, stepped up onto a stage on a recent Sunday and tapped the microphone.

“What kind of people are these Muslims?” he barked as a crowd of 1,000 in this small town east of Yangon cheered him on. “Do they eat rice through their backsides and excrete through their mouths? They are the opposite of everything in nature.”

Ven. Wirathu, the abbot of the Masoeyein monastery in Mandalay, has taken a leading role in spreading the anti-Muslim sentiment among Myanmar’s Buddhist majority that has underpinned the army’s campaign against the ethnic Rohingya minority.

Since the military released Ven. Wirathu from prison in 2012 after he had served nine years of a 25-year sentence for inciting religious riots, he has traveled and taken to YouTube and Facebook to whip up resentment against the stateless group, alongside other less prominent Buddhist hard-liners.

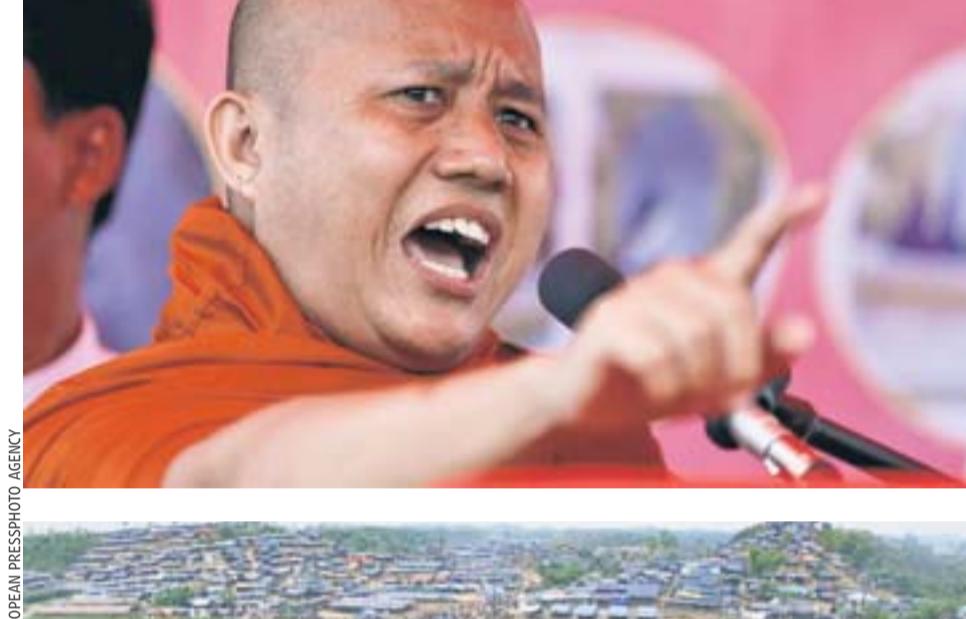
In recent weeks, the army and militias have attacked Rohingya villages, driving hundreds of thousands of people to seek refuge in neighboring Bangladesh in a campaign that Bangladesh authorities say has left 3,000 people dead.

Myanmar officials have denied accounts that members of the military committed rape and murder of Rohingya and torched their villages.

Civilian leader Aung San Suu Kyi hasn’t publicly challenged the generals orchestrating the clearances. In her silence, a vacuum has developed, “and the nationalists and radical monks are filling it,” said former U.S. Ambassador Derek Mitchell.

Interviews with people who know Ven. Wirathu describe a man who was stung in childhood by his father’s death and came under the sway of Myanmar’s military establishment.

Ven. Wirathu declined to comment for this article. The



Buddhist abbot Venerable Wirathu, top, has been taking a leading role in spreading ethnic hatred against Myanmar’s Muslims. Hundreds of thousands of Rohingya Muslims have fled to Bangladesh, bottom.

military didn’t respond to requests to comment.

Ven. Wirathu, who is 49, was born Win Khaing Oo in Kyaukse, a town not far from Mandalay. His father was a retired soldier who drank heavily, friends and neighbors said. His mother did laundry for neighbors to help make ends meet.

Win Khaing Oo used to kick a ball about with a neighbor and classmate, Ko Than Mani.

“We were close. We did everything together,” Mr. Ko Than Mani said.

After his father died, Win Khaing Oo’s mother began a relationship with a Muslim shopkeeper. Not long after, at the age of 14, the boy entered the monkhood and took his monastic name.

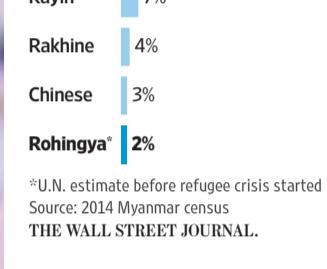
“He changed after that,” Mr. Ko Than Mani said.

Ven. Wirathu appears to

have been particularly receptive to the teachings of a former monk and military officer named Kyaw Lwin, according to senior monks who know him. Mr. Kyaw Lwin, who died several years ago, founded a Buddhist university and warned that the country needed to turn the faith into a buffer against the Muslim population in Bangladesh and, on the other side of Myanmar,

## A Complex Ethnic Mix

The Myanmar government recognizes many ethnic groups beyond the majority Bamar, but not the Rohingya.



\*U.N. estimate before refugee crisis started  
Source: 2014 Myanmar census  
THE WALL STREET JOURNAL.

China’s growing influence.

In 2003, Ven. Wirathu began to take action on his own, Mr. Ko Than Mani said. In Kyaukse, he began handing out pamphlets accusing local Muslims of trying to take over his hometown. Shortly after, a crowd of Buddhists burned down two mosques and two people were killed. Ven. Wirathu was arrested and handed the 25-year sentence.

In 2012, with Ms. Suu Kyi and other members of her political party preparing to enter parliament, Ven. Wirathu was released early.

Ven. Wirathu resumed his anti-Muslim sermons. In September 2012, after communal riots erupted in Rakhine State, where Myanmar’s Rohingya population was concentrated, he led a march of monks through Mandalay to support the military’s plans to send the Rohingya to a third country.

Shortly after that fresh clashes erupted in Rakhine State. In 2012, 160 Rohingya were killed and 140,000 fled their homes.

In a population that remains around 4% Muslim even excluding the Rohingya, there are signs that the monk is again expanding his range of targets.

“Myanmar doesn’t have only a Bengali problem,” he said in Hpa-an, using a local term for the Rohingya. “It has a Muslim problem.”

# Wide Win Is Projected For Abe in Japan Vote

BY PETER LANDERS  
AND MEGUMI FUJIKAWA

TOKYO—Prime Minister Shinzo Abe is poised for a big victory in Oct. 22 parliamentary elections, beating back a challenge by Tokyo Gov. Yuriko Koike, according to five polls published by major Japanese news organizations.

Investors welcomed the news on Thursday, viewing a continuation of Mr. Abe’s nearly five years in office as a sign of stability, in contrast to political upheaval elsewhere. The Nikkei Stock Average, which hit a two-decade high on Wednesday, continued its advance, closing up 0.35% Thursday.

The five polls—by Kyodo News and the Nikkei, Yomiuri, Asahi and Sankei newspapers—all forecast that Mr. Abe’s ruling Liberal Democratic Party would easily win more than half of the 465 seats in the lower house, the more powerful of parliament’s two chambers.

The five polls all found that the LDP and a smaller coalition ally together were likely to get close to 300 seats. Several said the coalition forces might even win two-thirds of the seats, the level needed to pass proposed revisions to the constitution in the chamber.

Ms. Koike’s newly founded

## Higher Taxes Sought On U.S. Web Firms

Europe should move quickly to increase taxes for U.S. internet companies such as Amazon.com Inc. and Alphabet Inc.’s Google, French Finance Minister Bruno Le Maire said Thursday, in a U.S. speech that set out the new French government’s policy priorities in its relations with Washington.

Mr. Le Maire called for “much faster progress” in taxing internet companies, a key issue for European governments struggling to restore their finances. Many U.S. internet companies pay little tax in Europe despite large turnover because they can funnel profits through a low-tax jurisdiction such as Ireland or Luxembourg.

However, they cautioned the publication of the poll results might hurt Mr. Abe’s party by leading its candidates to relax their guard and giving Ms. Koike’s forces an impetus for a comeback. The polls found many voters remain undecided, and forecasts of a big LDP victory might lead some of those on the fence to cast a vote for the opposition to bring greater balance to parliament.

If Mr. Abe’s party keeps control of parliament and he is re-elected, he would likely continue his “Abenomics” economic policy, including promotion of ultra-easy monetary policy at the Bank of Japan. The term of BOJ Gov. Haruhiko Kuroda expires in April.

As is the tradition among Japanese newspapers before national elections, each poll surveyed tens of thousands of voters. The polls didn’t provide a margin of error.

—Tom Fairless

## WORLD WATCH

FRANCE

### Higher Taxes Sought On U.S. Web Firms

Europe should move quickly to increase taxes for U.S. internet companies such as Amazon.com Inc. and Alphabet Inc.’s Google, French Finance Minister Bruno Le Maire said Thursday, in a U.S. speech that set out the new French government’s policy priorities in its relations with Washington.

Mr. Le Maire called for “much faster progress” in taxing internet companies, a key issue for European governments struggling to restore their finances. Many U.S. internet companies pay little tax in Europe despite large turnover because they can funnel profits through a low-tax jurisdiction such as Ireland or Luxembourg.

However, they cautioned the publication of the poll results might hurt Mr. Abe’s party by leading its candidates to relax their guard and giving Ms. Koike’s forces an impetus for a comeback. The polls found many voters remain undecided, and forecasts of a big LDP victory might lead some of those on the fence to cast a vote for the opposition to bring greater balance to parliament.

If Mr. Abe’s party keeps control of parliament and he is re-elected, he would likely continue his “Abenomics” economic policy, including promotion of ultra-easy monetary policy at the Bank of Japan. The term of BOJ Gov. Haruhiko Kuroda expires in April.

As is the tradition among Japanese newspapers before national elections, each poll surveyed tens of thousands of voters. The polls didn’t provide a margin of error.

—Tom Fairless



SOLEMN CELEBRATION: Greek presidential guards stood in front of the Parthenon at a ceremony on Thursday marking the anniversary of the liberation of Athens from Nazi occupation.

SPAIN

### National Day Feted Amid Catalan Crisis

Catalans who want their region to remain in Spain marked Spain’s national day Thursday, marching through Barcelona waving both Spanish and Catalan flags and shouting “I am Spanish,” as the region’s threats of independence have left the country in crisis. Local police in Barcelona, Catalonia’s capital, estimated that 65,000 people who marched to a central square, shouting “Viva Espana.” In Madrid, troops paraded in front of King Felipe VI. Dia de la Hispanidad, or Hispanic Day, commemorates Columbus’s arrival in America and is also Spain’s armed forces day.

—Associated Press

MEXICO

### Central Bankers Warn Of Nafta-Linked Risk

Mexican central bankers stressed the risk that talks to redraw the North American Free Trade Agreement could pose to Mexico’s growth, the peso and inflation, minutes to the bank’s September policy meeting showed. The Bank of Mexico left its overnight interest-rate target at 7%, saying the growth outlook had worsened and inflation risks may have increased.

Board members agreed that any impact on the economy from September’s devastating earthquakes and hurricanes was likely to be moderate and temporary, while growing uncertainty about U.S.-Mexican trade relations posed a significant risk.

—Anthony Harrup

ARGENTINA

### Consumer-Price Rise Adds to Pressure

Consumer prices rose at a faster-than-expected pace in September, renewing pressure on Argentina’s central bank to combat inflation. Prices jumped 1.9% from August, well above the 1.4% rate forecast by economists. The inflation rate underscores how hard it has been for President Mauricio Macri to fix a host of economic problems.

—Taos Turner

## WORLD NEWS

# Europe Envoy Puts Off Next Brexit Steps



BY LAURENCE NORMAN  
AND VALENTINA POP

BRUSSELS—The European Union's chief Brexit negotiator said he won't recommend to the bloc's leaders next week that talks with Britain advance to a new stage, saying there was too little progress on divorce issues.

Michel Barnier's comments on Thursday mean talks on the future trading relationship between the U.K. and the EU may not start in earnest until early 2018.

That would give negotiators a small window to talk about a future deal, since the EU wants talks wrapped up by October 2018 to allow six months to ratify an agreement before Britain's scheduled exit date.

The pound fell against the euro and the dollar after Mr. Barnier's remarks.

The EU has said it will discuss a future trade relationship with Britain only once "sufficient progress" has been made on major divorce issues: citi-

zens rights, the financial situation and the status of the border in Ireland. Mr. Barnier has been mandated to decide when to make that recommendation but the final decision on this will be made by EU leaders.

Speaking at the end of the fifth round of talks, Mr. Barnier said no significant ad-

*The EU's Michel Barnier cited a lack of progress with the U.K. on divorce issues.*

vances had been made in negotiations this week and said there was now a "disturbing" deadlock on the EU's demand that Britain stand by past spending pledges to the bloc.

The also appeared to be no significant advance on other key divorce issues, for example, the future rights of EU citizens in the U.K. Brussels

is demanding those rights are secured by the European Court of Justice, a position London doesn't accept. The EU also wants its citizens to be able to bring their families to Britain in the future and to continue to receive all social-security payments from the U.K. after Brexit if they return home.

However, in a move U.K. officials said signaled flexibility, Mr. Barnier said he believed "decisive progress is within our grasp" in the next two months and said he would "explore a way forward, out of the deadlock."

The bloc's leaders meet in Brussels on Oct. 19-20. British officials said they will be looking at discussions closely to see if leaders offer any flexibility on the way ahead.

U.K. Brexit Secretary David Davis said Britain wasn't prepared to make detailed financial commitments to the EU for the post-Brexit period but again called for the EU to start discussions about the future relationship.

Demonstrators flew a U.K. and an EU flag at the Houses of Parliament in London on Thursday.

## For Britain, the Prospect of 'No Deal' Isn't Much of One

BY STEPHEN FIDLER

The prospect of a "no-deal" Brexit is once again exciting British politicians.

Prime Minister Theresa May threw a bone to her party's Brexit supporters this week by promising that, while the U.K. was hoping for successful negotiations with the

European Union ANALYSIS over leaving the bloc, it was preparing the ground in case talks failed.

Two reasons are usually given for preparing for a no-deal scenario. The first is prudence: Given the possibility that the two sides won't reach an agreement, it is the cautious thing to do.

The second is negotiating credibility: Only if the EU is convinced of the U.K.'s willingness to walk away from the talks will it be motivated to offer the U.K. a good deal.

But there are reasons to doubt whether such a posture, often advanced by Brexit sup-

porters, would carry much weight as a negotiating tactic.

In the first place, time is running short.

In the absence of a transition period in which trade rules stay unchanged after Brexit day in March 2019, the scale of necessary preparation—including building extensive infrastructure at ports to cope with increased customs bureaucracy—is too ambitious in the next 17 months, given the limited preparation so far.

Second, EU decision makers believe that the damage would be overwhelmingly worse for the U.K. economy than for the EU. True, the bloc would suffer, in some places and sectors quite significantly, but most economic models predict the U.K. would face by far the biggest economic hit.

There are in fact two potential types of no-deal Brexit, as Chancellor of the Exchequer Philip Hammond pointed out on Wednesday to a House of Commons panel. Under what he called a "bad-tempered" Brexit,



U.K. Brexit Secretary David Davis, left, and EU negotiator Michel Barnier spoke in Brussels on Thursday after the latest talks.

there would be no agreement between the two sides and therefore no legal basis for many EU companies to do business with the U.K., a chaotic outcome under which he said it is "theoretically conceivable" though highly unlikely that flights between the EU and U.K. would be grounded.

Then there is an orderly no-deal, a recognition from both

sides that they can't reach an agreement on a preferential trade accord. EU-U.K. trade would shift to most-favored-nation terms under World Trade Organization rules, bringing tariffs and a host of customs-clearance procedures that would gum up free flows of trade between the EU and U.K.

Michel Barnier, the EU's chief Brexit negotiator, said on

Thursday, "No deal would be a very bad deal." He isn't the only one who thinks so.

Few economists appear to have modeled a bad-tempered Brexit. But even in the case of a more orderly no-deal exit, a growing number of economists believe some better-known forecasts—including that of the U.K. Treasury—have underestimated the likely longer-term impact.

A paper from economists at the World Bank this year suggests many studies haven't taken into account how much deeper intra-EU trade relations are than traditional trade deals focused mainly on tariffs. The EU, it points out, encompasses 44 legally enforceable provisions affecting trade in goods and services. Their forecasts suggest a no-deal scenario could halve U.K. trade in goods with the EU and cut trade in services by 62%.

A new study published Thursday from Rabobank, the Dutch lender, tries to capture economic effects of Brexit that other models have underesti-

mated, including by focusing on the impact of resultant higher prices as well as the hit to productivity that would flow from less efficient trading relations with the EU.

A non-chaotic no-deal Brexit in March 2019, it estimates, would push the U.K. immediately into two years of recession. By 2030, it estimates U.K. gross domestic product would be 18% lower than if the country had stayed in the EU, the equivalent of £11,500 (nearly \$15,200) per British worker.

By comparison, the hit to the economy of the Netherlands, a major U.K. trading partner and one of the EU countries with the most to lose from Brexit, would be about 4% of GDP.

Such studies reinforce the view that it is irrational for the EU and U.K. not to seek some kind of post-Brexit preferential trade accord. They also suggest that a U.K. effort to exact a better deal from the EU by pretending it is ready to walk away is a tactic of limited credibility.

## U.S. to Exit Unesco, Citing 'Bias' on Israel

BY FARNAZ FASSIHI

UNITED NATIONS—The U.S. will withdraw from Unesco, the United Nations culture and heritage organization, officials said, a move that could further strain relations between the Trump administration and the U.N.

The State Department said the U.S. decision to leave Unesco "was not taken lightly" and reflects American concerns over the need for overhauls in the organization, as well as its "continuing anti-Israel bias." The withdrawal will take effect at the end of next year.

The U.S. exit is the latest development in a long and

tense relationship between Washington and the Paris-based body, which promotes international cooperation in areas of education, science, culture and communication.

Washington withdrew from Unesco in 1980 because it said the organization had become politicized. It rejoined in 2003, but since 2011 has withheld funds to Unesco amounting to nearly \$550 million because of its decision to confer membership on the Palestinian territories.

In a statement on his official Twitter account Thursday, Israeli Prime Minister Benjamin Netanyahu said his country too was preparing to exit Unesco, "in parallel with the

United States."

Unesco has denied that it is biased against Israel.

Since arriving at the U.N. earlier this year, U.S. Ambassador Nikki Haley has voiced criticism over what she has called a bias against Israel, both in the Security Council and at various U.N. agencies.

In July, Unesco designated the Old City of Hebron and Tomb of the Patriarchs as Palestinian heritage sites despite diplomatic efforts by Israel and political pressure from the U.S. to derail the designation.

Ms. Haley said in a statement Thursday that those designations had negatively affected the U.S. re-evaluation of

its commitment to Unesco. "The United States will continue to evaluate all agencies within the United Nations system through the same lens," she said.

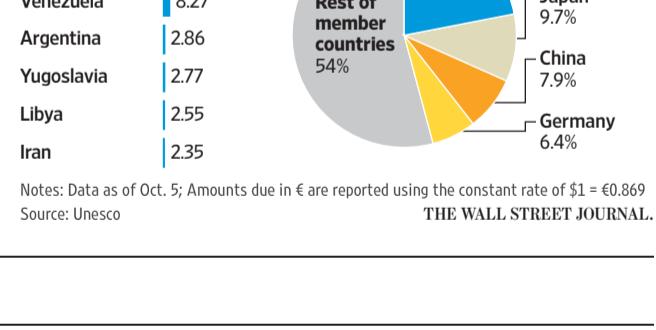
The director general of Unesco, Irina Bokova, expressed "profound regret" at the U.S. decision. Ms. Bokova in a statement listed a series of cooperative efforts between the U.S. and Unesco, noting the Statue of Liberty is among protected World Heritage Sites designated by the organization.

The State Department said it would maintain its connection with Unesco as a non-member, observer state.

The U.S. has withheld nearly \$550 million in funds to Unesco since 2011 because of its decision to confer membership on the Palestinian territories.

### Unesco member states with the largest unpaid contributions to the regular budget

United States



Notes: Data as of Oct. 5; Amounts due in € are reported using the constant rate of \$1 = €0.869

Source: Unesco

without tweeting themselves.

In the past year, enterprising sleuths have found the anonymous accounts purportedly belonging to people such as former Federal Bureau of Investigation Director James Comey and National Basketball Association Commissioner Adam Silver. Neither of those accounts issued public tweets.

Mrs. Goodell, though quiet in recent years, has an impressive résumé. She has experience in the media world and has spent plenty of time in the spotlight.

She and Mr. Goodell married in 1997, and he became commissioner in 2006. She co-hosted a daytime show on Fox News until 2010, when she stepped down saying she wanted to spend more time with her family.

She doesn't have a verified

Twitter account of her own and has rarely spoken publicly since leaving Fox News. In one exception, she spoke at the NFL Women's Summit in 2016 before Super Bowl 50, moderating a panel about "Media, Entertainment and Sports as a Platform."

That a prominent person has a secret Twitter account isn't altogether surprising. Many high-profile figures use the social-media site covertly to monitor others—

## NFL

Continued from Page One

the nation's sports media. On Sept. 26, @ProFootballTalk, the Twitter account for the popular NBC Sports blog, tweeted that it was "on the commissioner" to solve the anthem issues.

In response, @forargument tweeted: "Please do better reporting. He is already doing this. You are behind."

Who is this valiant defender of a man who has so few defenders?

It is Roger Goodell's wife, Jane Skinner Goodell, The Wall Street Journal confirmed after an examination of the account.

"It was a REALLY silly thing to do and done out of frustration—and love." Mrs. Goodell said Thursday afternoon in a written statement. "As a former media member, I'm always bothered when the coverage doesn't provide a complete and accurate picture of a story. I'm also a wife and a mom. I have always passionately defended the hard-working guy I love—and I always will. I just may not use Twitter to do so in the future!"

Within an hour after the

Journal reached out to Mrs. Goodell and the NFL, the account was made private. Later, it was taken down completely.

"Sounds like what she did is what every spouse in America would want to do," said NFL spokesman Brian McCarthy.

Mrs. Goodell, a former broadcaster, is punching back at a trying time for her husband. The league is in a feud with President Donald Trump over some players' decisions to kneel during the national anthem. It is embroiled in a legal fight with one of its top stars, Dallas Cowboys running back Ezekiel Elliott, over a disciplinary issue. The league's strong TV ratings have sagged the past two seasons.

And the commissioner has a lucrative contract extension—one that is reportedly close, but not yet completed—hanging in the balance.

Amid this firestorm, Mrs. Goodell has covertly worked to change the narrative. All of the 14 tweets from Mrs. Goodell since August are defenses of Mr. Goodell in reply to various publications, including the Journal and prominent sports commentators.

Throughout the guerrilla social-media campaign, however,



Roger Goodell and his wife, Jane Skinner Goodell.

nobody has been paying attention. None of those tweets have elicited replies, likes or retweets.

But @forargument is nothing if not consistent in its support for the commissioner.

In reply to an ESPN article about the NFL's response to Mr. Trump's attacks, @forargument admonished the two reporters involved: "Reads like press release from players' union. You can do better reporting. (D Smith sounds like D Trump with the inaccurate firebombs)." DeMaurice Smith is the head of

the NFL Players Association.

"The premise of your article is silly," @forargument tweeted on Oct. 3 at the Journal after an article about disagreement among league owners over handling of the anthem protests. "What board of directors in this country would all agree on this issue?"

"Why is everyone so immature? (including you?)", @forargument scolded Journal columnist Jason Gay in August.

Her most recent tweet was in response to a tweet from NBC News' presidential historian, who tweeted a picture of a newspaper article from 1970 titled "Agnew Continues Attack on GOP Senator Goodell," who is the commissioner's father.

@forargument replied: "Goodell courageous & was right in the end. Leadership is hard. Commish is doing same. Give him credit."

Walt Disney Co.'s ESPN declined to comment. Comcast Corp.'s NBC and Dow Jones & Co., publisher of the Journal, didn't have an immediate comment.

It wasn't her tweets that gave @forargument away. It was some of the people she follows. In total, @forargument follows 46 accounts. Between the

national outlets, prominent athletes and others (such as Taylor Swift, Ryan Seacrest and a popular account @FemaleTexts), she follows four accounts connected to the high school attended by the Goodells' twin daughters.

Various other social-media breadcrumbs track to Goodell family members and friends.

Mrs. Goodell, though quiet in recent years, has an impressive résumé. She has experience in the media world and has spent plenty of time in the spotlight.

She and Mr. Goodell married in 1997, and he became commissioner in 2006. She co-hosted a daytime show on Fox News until 2010, when she stepped down saying she wanted to spend more time with her family.

She doesn't have a verified Twitter account of her own and has rarely spoken publicly since leaving Fox News. In one exception, she spoke at the NFL Women's Summit in 2016 before Super Bowl 50, moderating a panel about "Media, Entertainment and Sports as a Platform."

That a prominent person has a secret Twitter account isn't altogether surprising. Many high-profile figures use the social-media site covertly to monitor others—

without tweeting themselves.

In the past year, enterprising sleuths have found the anonymous accounts purportedly belonging to people such as former Federal Bureau of Investigation Director James Comey and National Basketball Association Commissioner Adam Silver. Neither of those accounts issued public tweets.

Mrs. Goodell, however, tweeted publicly and challenged big-name outlets in defense of Mr. Goodell. In that way, it falls in line with a tradition of spouses coming to the defense of their significant others.

In 2012, supermodel Gisele Bündchen stuck up for Patriots quarterback Tom Brady saying, "my husband cannot f-ing throw the ball and catch the ball at the same time."

Mr. Goodell has his own Twitter account with more than 500,000 followers under the handle @nflcommish. He last tweeted Saturday in Indianapolis, from the Colts' unveiling of Peyton Manning's statue outside their stadium. @forargument liked that tweet.

He follows 195 accounts. The NFL spokesman said Mr. Good

## IN DEPTH

# STARTUP

*Continued from Page One*  
likely disclose results. It told investors it estimated 2016 sales at about \$130 million, up from about \$7 million in 2012, according to a presentation reviewed by the Journal.

Lanny Davis, a lawyer Outcome hired as spokesman after the Journal's inquiries, says the company has hired the law firm of former U.S. attorney Dan Webb "to review allegations about certain employees' conduct that have been raised internally." He says Outcome "has always upheld the highest ethical standards" and has adopted new policies throughout 2017 to comply with customer contracts.

Mr. Davis, former special counsel to President Bill Clinton, says Outcome has put three employees on paid leave, including Ashik Desai, a top lieutenant of Mr. Shah's, "while concerns that have been raised about his conduct are reviewed." Mr. Desai didn't respond to inquiries, and Outcome didn't make him available for comment.

"We are proud of the company we and our employees have built," said Mr. Shah and Outcome President Shradha Agarwal, in an emailed statement responding to questions about Outcome employees' alleged misleading of clients.

"Of course, we have had growing pains as we scaled from 4,000 to 40,000 doctors' offices—every high-growth company does. That is why we have taken many steps to implement best practices."

The two executives declined to be interviewed. The Journal review found nothing to demonstrate top executives' involvement in the alleged misleading of advertisers.

Outcome is the latest in a series of highly valued startups that promise to overturn old industries with new technologies. Outcome has said its mission is to "activate the best health outcome possible for every person in the world" and provide "actionable health intelligence at the moment of care."

In practice, it puts flat screens and tablets in doctors' offices and gets paid by pharmaceutical companies to run ads on them. The screens, which also run educational content, are free to the doctors. The approach digitizes an industry that long tried to reach patients by placing posters, pamphlets and closed-loop television in waiting rooms.

### 'Make goods'

Outcome is now providing tens of millions of dollars in free advertising to customers, including Sanofi SA and Biogen Inc., people familiar with the arrangements say. It returned millions of dollars in cash to Pfizer Inc., say people familiar with the refund.

Mr. Davis says Outcome as a policy offers "make goods" to advertisers when it fails to meet contract terms. He says Outcome can't discuss specific cases involving clients because of confidentiality agreements, including all the pharmaceutical companies mentioned in this article.

A week before Outcome announced the funding round in May, Mr. Shah warned his staff during an employee meeting that the first quarter was "very tough" and that the company had missed expectations, according to a recording of the staff meeting reviewed by the Journal.

To save money, Outcome recently slashed employee travel, according to a staff memo reviewed by the Journal. At least seven executives have departed this year, some shortly after joining, including an operating chief, Sameer Kazi, who confronted Mr. Shah with concerns about business practices, say people briefed on the discussion. Mr. Kazi in a brief phone conversation this summer said he was at the company "two weeks and three days" early this year, declining to comment on his departure.

Mr. Davis says Mr. Kazi's departure was amicable and that some two dozen executives have also been added in 2017.

Outwardly, Outcome projects a bright future. In late September, Mr. Shah stood next to Chicago Mayor Rahm Emanuel for a ceremony in the lobby of the 29-story glass building to be renamed "Outcome Tower" where the company recently leased 394,000 square feet, typically enough space for roughly 2,500



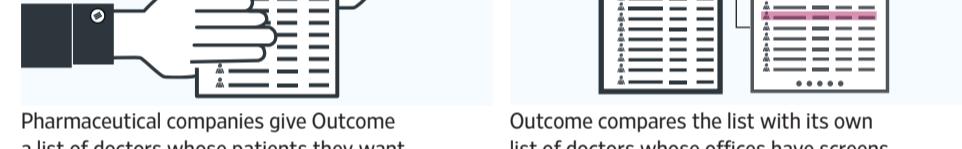
Outcome installs video screens and tablets in doctors' offices such as this one in California and charges pharmaceutical companies to run ads on them aimed at patients.

### Unexpected Outcome

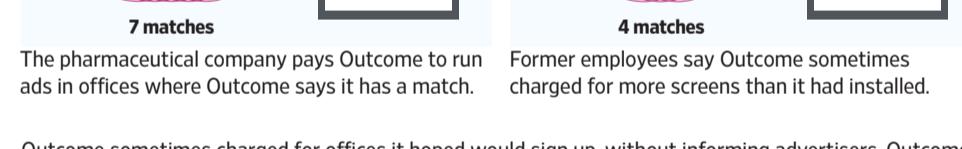
How Outcome Health sells advertising to pharmaceutical companies.



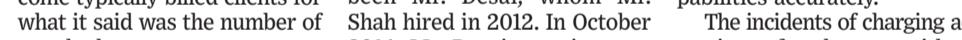
Outcome installs flat screens and tablets in doctors' offices to run advertising on them. The screens are free to doctors.



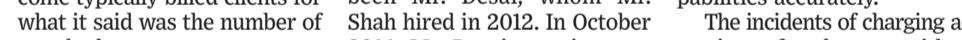
Pharmaceutical companies give Outcome a list of doctors whose patients they want to target with advertising.



Outcome compares the list with its own list of doctors whose offices have screens installed.



The pharmaceutical company pays Outcome to run ads in offices where Outcome says it has a match.



Former employees say Outcome sometimes charged for more screens than it had installed.

Outcome sometimes charged for offices it hoped would sign up, without informing advertisers. Outcome says its policy is to communicate an accurate match to clients and that it is investigating the allegations.

Sources: the company; WSJ reporting

Tandem Diabetes Care Inc., according to an internal message.

"Yea I'd inflate it a bit more :)" Mr. Desai said in response. Tandem declined to comment.

Mr. Davis says Outcome doesn't know of any instance of providing inaccurate survey results.

Outcome has also been accused of altering third-party reports. To convince advertisers their ad campaigns are worthwhile, Outcome commissions agencies including Quintiles-IMS, also known as IMS, to estimate how many more prescriptions are written for a drug thanks to ads it runs. Outcome passes the reports to clients.

In May 2016, a representative for Boehringer's diabetes drug Tradjenta contacted IMS about data in a report forwarded by Outcome, says a person familiar with the episode. When IMS compared the report Boehringer had received with the one IMS had sent to Outcome, it noticed discrepancies in the data, according to an email reviewed by the Journal.

In the email, an IMS representative complained to Mr. Desai, listing inconsistencies and erroneous numbers and emphasizing the importance of "strong ethics." Mr. Desai responded in an email that IMS's findings were "terribly concerning," pledging to get to the bottom of what happened. In a later email, he blamed an unnamed data scientist.

The incidents of altering IMS reports before sending them to clients happened multiple times, say people familiar with the reports.

The Boehringer spokeswoman declined to comment on the incident. An IMS spokesman says: "We expect clients to use our data in a responsible and appropriate manner." Mr. Davis says Outcome has policies to ensure metrics are reported accurately to clients.

In November 2014, an employee expressed nervousness to Mr. Desai when early data for ads running on tablets for a J&J ulcerative-colitis drug showed clicks were a minute fraction compared with numbers previously shared with J&J, internal messages reviewed by the Journal.

Mr. Desai outlined a plan to "use the holidays" to slowly lower numbers shown to those clients, according to a message reviewed by the Journal.

"I mean not to the extremes of reality," he said. "But lower."

Mr. Davis says "these are among the issues" to be addressed by the independent counsel. "The company strongly denies the practice of misreporting of campaign information," he says. "The company's policy is to accurately report information to every customer on every program."

The pharmaceutical companies declined to comment.

Over all, Mr. Davis says that "if there was any intentional misconduct, and the company finds out, severe actions will be taken."

come typically billed clients for what it said was the number of matched screens.

From at least 2014 through 2016, Outcome sometimes charged companies for a list match showing more screens than it had installed, sometimes by as much as double, say people familiar with the process.

Representatives for Goldman and Alphabet didn't respond to inquiries. Mr. Gurley, the venture capitalist who lauded Mr. Shah at the time, declined to comment; his firm isn't invested in the company.

A pharmaceutical company wanting to advertise on Outcome's doctor network typically gives the startup a list of specific doctors whose patients the pharmaceutical company wants to target. A diabetes-medication company, for instance, might want to advertise in endocrinologists' offices.

Outcome's analysts match the drug company's target list against its own list of offices with its screens installed, called its "list match" process. Out-

come Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

Outcome sometimes charged for doctors it hoped would install its screens but hadn't yet, say some of the people. Other times, it charged for multiple doctors practicing at the same address, but in different office suites, even if not all had its screens installed.

Mr. Davis says that when the company fails to meet contract terms, it offers make-goods. "Company policy, both currently and historically, is to communicate an accurate list match with transparency to our clients."

Asked if there were cases where clients weren't informed that a match list included doctors without screens, Mr. Davis says: "Yes. These are among the issues" that the independent counsel will review.

Outcome sometimes charged for doctors it hoped would install its screens but hadn't yet, say some of the people. Other times, it charged for multiple doctors practicing at the same address, but in different office suites, even if not all had its screens installed.

Mr. Davis says Outcome shares doctors' identifying information with clients if they agree not to disclose it.

The executive directing the list-match process has long

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

been Mr. Desai, whom Mr. Shah hired in 2012. In October 2014, Mr. Desai gave instructions to prepare a match of doctors for Boehringer Ingelheim GmbH, which wanted to run ads for its drug Spiriva, according to internal messages reviewed by the Journal.

Mr. Desai gave instructions to send to a salesman a list of 4,000 doctors and 2,100 offices for the client, which included some doctors without screens installed, says a person familiar with the matter. The salesman, and by extension the client, weren't informed of that fact,

### Growth Story

Outcome Health's revenue



# GREATER NEW YORK

## Suffolk Executive Ratchets Up Fight With Prosecutor

The two Democrats disagree over \$2.7 million in bonuses paid to county prosecutors

BY ZOLAN KANNO-YOUNGS

Suffolk County Executive Steve Bellone says "unauthorized bonus payments" to longtime District Attorney Thomas Spota's prosecutors were given without approval for the past five years, with the three most recent payments resulting in a nearly \$900,000 hole in the county's budget.

It is the latest spat between the two Democrats. Mr. Bellone last year said Mr. Spota was running "a criminal enterprise" and called for his resignation amid reports of a federal probe into alleged misconduct by Mr. Spota's prosecutors. The probe is ongoing, according to a local law-enforcement official familiar with the case.

Mr. Spota has said his prosecutors perform their duties professionally. He said Mr. Bellone only wanted him out of

office because the district attorney was an aggressive prosecutor.

Mr. Spota's prosecutors were given the payments from 2012 to 2017, Mr. Bellone's spokesman said. They totaled \$2.7 million, according to documents reviewed by The Wall Street Journal. The documents show seven payments from 2012 to 2015 were reimbursed from a fund of assets and money seized during criminal investigations.

Extra payments or "modifications" to salaries for county employees must be approved by both the county executive and county legislature, according to the county charter. It is the county comptroller who distributes the checks to different departments, said a spokesman for Mr. Bellone, who added that the executive office did not approve any of the payments before the comptroller distributed the checks.

The district attorney doesn't need to seek approval because the payments are supposed to be repaid with asset-forfeiture funds, said his spokesman.

Robert Clifford, who described the extra pay as "merit, retention and on-call pay to [assistant district attorneys]."

He added: "Approval is only needed when a budget modification is made."

The initial payments from the county budget are made only after the district attorney confirms there is a sufficient amount of money in asset forfeiture funds, Mr. Clifford said. Mr. Spota would then submit a voucher to the comptroller's office to transfer money from asset forfeiture to the county budget, Mr. Clifford said. Mr. Clifford said the district attorney submitted necessary documents for the transfer of funds to the county comptroller, and he referred additional questions to the comptroller's office.

County Comptroller John Kennedy Jr., and spokeswoman for the legislature didn't return requests for comment.

Asset-forfeiture funds are allocated to police departments, district attorneys and state government programs. The money is mostly used for



MIKE BALSAMO/ASSOCIATED PRESS

District Attorney Thomas Spota defended the bonuses for his staff.

equipment and training. But Scott McNamara, president of the New York state's District Attorneys Association, said state law permits using the funds to pay prosecutors who work forfeiture cases or work special details.

The Suffolk County district attorney and the county executive have feuded over pay for years. In August 2014, Mr. Spota called a meeting with county executive staffers and

demanded raises for his staff, according to two people who say they were present at the meeting.

Later that month, Mr. Spota sent a letter to the executive office questioning whether his office would have enough "incentive" to prosecute sales tax cases that bring revenue to the county if his prosecutors didn't receive raises.

Mr. Spota made payments to his employees 10 times from

2012 to 2017, according to documents. The first seven were reimbursed with asset forfeiture funds, said Jason Elan, spokesman for the county executive.

"Unlike the earlier unauthorized bonus payments, the last three have not been reimbursed by asset forfeiture funds, which has left taxpayers on the hook for nearly \$1 million," he said.

The most recent payment of \$364,500 was divided among 32 of Mr. Spota's employees in March of this year, according to payroll documents.

Mr. Clifford said the notion that the recent payments had left a loss in the budget is false. "These payroll distributions are being paid from state asset forfeiture funds," he said. He referred requests for documentation to the county comptroller, who didn't return the request for comment.

Mr. Clifford said the county's financial-processing system doesn't allow payments to be made directly from the asset-forfeiture account.

## Airbnb Rentals Not a Bonanza For Landlords

BY LAURA KUSISTO

It is getting more difficult to turn a profit renting out a New York City apartment on Airbnb, according to a new study that could ease fears of landlords converting the city's housing stock into a sea of de facto hotel rooms.

Research by New York University professors, in collaboration with Airbnb Inc. economists, found that hosts in the city using the online home-rental company would need to rent units out for a significant portion of the year to generate more profit than they would by leasing them to long-term tenants.

In 2016, a host would need to rent out a unit for an average of 216 days as a short-term rental to match the annual average revenue from a long-term lease. That was up from 194 nights a year in 2012. As of June 2017, the median number of nights booked for a typical entire-home listing in New York City was 46.

The research aims to shed light on some of the critical questions facing regulators as Airbnb brings hotel activity to residential neighborhoods, raising concerns about safety of residents and tourists and the loss of affordable housing for local residents.

"It's a complex new problem that's being generated by the blurring of lines, personal and commercial," said Arun Sundararajan, one of the paper's authors and a professor who studies the so-called sharing economy at NYU's Leonard N. Stern School of Business.

The NYU researchers said their findings might reassure regulators who fear landlords will shift their emphasis to attracting tourists willing to pay a premium to stay for just a few nights.

"You've got to be really successful at doing it and you have to really dedicate yourself to doing it, given the costs," said Ingrid Gould Ellen,

a professor of urban policy and planning at NYU's Wagner Graduate School of Public Service and another author of the report. "For most it's not going to be worth it."

While the research was conducted in collaboration with Airbnb's economists and using data the company provided, Mr. Sundararajan and Ms. Ellen said they weren't paid by Airbnb.

The NYU paper shows that the share of rentals in New York City that are for entire homes, as opposed to individual rooms, has been declining. Listings for entire homes are more likely to be full-time Airbnb units, while private-room rentals are more likely to be residents looking to generate a little income on the side.

In New York City, the share of rentals of entire homes fell to 53% in 2016 from 68% in

46

Median nights booked in a typical Airbnb full-home listing in the city

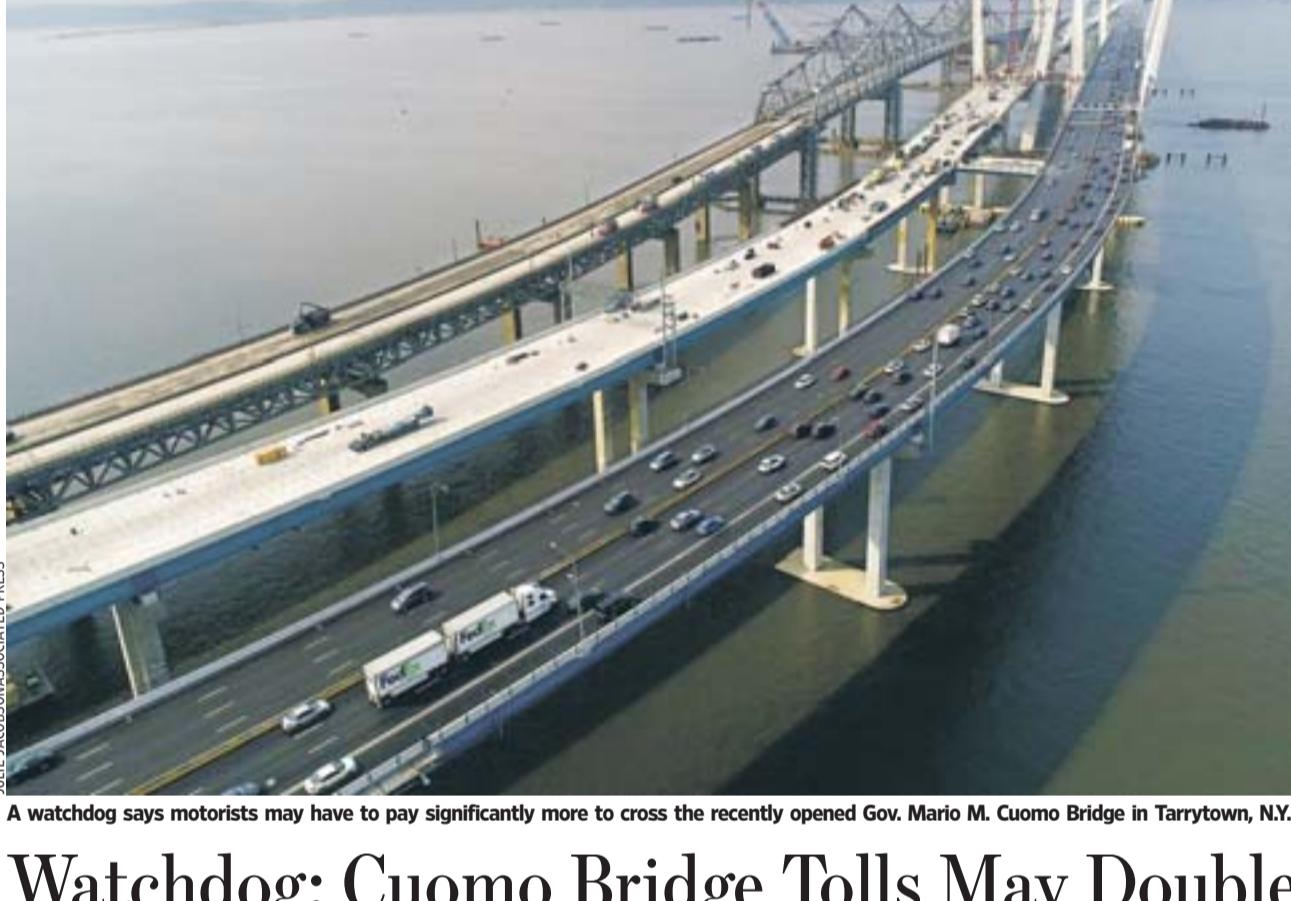
2011, according to NYU.

The changing mix of Airbnb rentals might also be due to a regulatory crackdown that began several years ago.

Airbnb is spreading rapidly into the outer boroughs and to less wealthy neighborhoods.

On the one hand, that helps address another common criticism: that the economic benefits of Airbnb that come from increased tourism have largely been concentrated in wealthier neighborhoods, closer to local hot spots.

But it also means that challenges around quality of life and potential loss of housing could become more concentrated in neighborhoods where local residents already are more vulnerable to displacement.



A watchdog says motorists may have to pay significantly more to cross the recently opened Gov. Mario M. Cuomo Bridge in Tarrytown, N.Y.

## Watchdog: Cuomo Bridge Tolls May Double

BY PAUL BERGER

Tolls on the \$4 billion replacement for the Tappan Zee Bridge may have to double to pay for it.

That is according to a policy brief from a nonpartisan watchdog group that crunched the numbers on the recently opened Gov. Mario M. Cuomo Bridge.

The \$10.70 toll projected by the Citizens Budget Commission would be more than double the current full-price toll of \$5, but \$3 less than earlier New York State Thruway Authority forecasts.

In its policy brief, the group said the higher toll it projected wouldn't be unreasonable compared with the competing Hudson River crossing, the George Washington Bridge, which costs \$15.

"Even if the toll doubles, the Cuomo Bridge still represents a significant value relative to its alternative crossing," the authors conclude.

State Sen. David Carlucci, who represents Rockland

County and parts of Westchester County, said comparing tolls with New York City crossings isn't fair. Mr. Carlucci, who opposes any increase, said, "It could absolutely crush our economy if the costs of the tolls get too high."

The majority of bridge drivers use NY E-ZPass, which gives them a 25-cent toll discount.

Commuters who cross the bridge a minimum of 20 times a month can sign up for an additional \$2 discount.

Thruway users have wondered whether the cost of the 3.1-mile span could be shared across the 570-mile system, which links the Hudson Valley with Albany and Buffalo.

The Citizens Budget Commission found that a 24% toll rise across the Thruway would cover the new bridge.

That would raise the full bridge toll by just \$1.19. But the Citizens Budget Commission brief said that scenario is unfair to upstate drivers "and unlikely."

New York Gov. Andrew

### Cost of Crossing

Full-price toll at some of the region's major bridges

- ◆ Brooklyn Bridge \$0
- ◆ Mario M. Cuomo Bridge \$5
- ◆ Robert F. Kennedy Bridge \$8.50
- ◆ George Washington Bridge \$15
- ◆ Verrazano-Narrows Bridge \$17

Sources: New York State Thruway Authority, Metropolitan Transportation Authority, Port Authority of New York and New Jersey.

Cuomo, whose father the bridge is named to honor, put off the financing issue by freezing Thruway tolls through 2020.

He established a toll task force to explore the subject, but the task force hasn't met since it was created two years

ago.

A spokesman for New York State's Division of Budget, Morris Peters, said it is "premature" to convene the task force before the bridge's final cost is known.

"The governor is committed to keeping tolls frozen systemwide through 2020, and numerous options exist to further minimize the impact on toll payers," he added.

The first span of the twin-span bridge opened in August. The second span is expected to open next fall.

The bridge may come in under budget because only \$270 million of an \$800 million contingency has been spent so far, the Citizens Budget Commission found.

A little over \$1 billion of the bridge's costs are covered by a windfall from financial settlements with banks and insurers.

That leaves the Thruway Authority to cover repayment of a \$1.6 billion federal loan and about \$1 billion in Thruway bonds.

# LONGINES®



WEMPE

EXQUISITE TIMEPIECES & JEWELRY

ESTABLISHED 1878

700 FIFTH AVENUE & 55TH STREET

NEW YORK • 212.397.9000

Hamburg Berlin Munich Dusseldorf Frankfurt

London Madrid Paris Vienna Beijing

OPEN SUNDAYS 12 TO 5



Longines Symphonette

Elegance is an attitude  
Kate Winslet

## GREATER NEW YORK

# City Shifts Gear In Fight to Halt A Tall Building

By JOSH BARBANEL

In a reversal, city planners are assisting a group of residents trying to halt ongoing construction of an 800-foot-tall tower across from a luxury high rise where many in the group live.

For over two years, the residents and a group they founded, the East River Fifties Alliance, has spent more than \$1 million drafting an unusual do-it-yourself zoning rule that could block the tower on East 58th Street near Sutton Place.

City Hall and the city's Planning Commissioner had lambasted the campaign in the past as a misguided effort to block a single building to protect views at the Sovereign, an 485-foot-tall co-op.

But last week, the commission staff released a new zoning proposal by the group and offered support for it. It set an unusual fast track for review that would enable the proposal to be approved by the commission by Nov. 1, before election day, and by the City Council by mid-November.

"We believe there is a land-use rationale," said Bob Tuttle, a city planner, about the group's latest proposal at a recent commission meeting. "We understand the community's desire for height limits."

But at the meeting, Mr. Tuttle acknowledged that the proposed zoning change, which covers portions of a 13-block area east of First Avenue, would only affect a single development site in the foreseeable future: the East 58th Street construction site.

Jonathan Kalikow, president of Gamma Real Estate, which is developing the new tower, warned that the zoning change targeted at his building would have a chilling effect on developers. He said he was rushing

to try to complete the complex foundation needed for the tall narrow tower before the zoning change could take effect.

"This zoning change, if passed, will have really horrific negative consequences for the city of New York," he said.

The new zoning proposal grew out of a meeting in August between planners and elected officials, including Manhattan Borough President Gale Brewer, who had joined East River Fifties group in submitting the plan.

Earlier plans by the group had called for strict height limits. The new approach, recommended by the planning staff, would create a new zoning rule that would force developers on side streets to keep much of the bulk of their buildings below 150 feet and only indirectly cap heights.

It would particularly penalize developers like Mr. Kalikow, who obtained air rights from nearby buildings, zoning experts said. The fast-track schedule was made possible after a decision by Ms. Brewer and the local community board to forgo hearings on the proposed zoning changes.



The Sovereign on 58th Street.

ALEXANDER COHN/THE WALL STREET JOURNAL

## GREATER NEW YORK WATCH

### COURT

#### Testimony Wraps Up In Trial Over Bombs

Prosecutors in the trial of a man accused of setting bombs in Manhattan and New Jersey presented a final summary of their evidence Thursday after the defense declined to make a case of their client's innocence.

After testimony from prosecutors' final witness in Manhattan federal court, Ahmad Rahimi's defense team also rested, without calling witnesses or offering evidence.

Mr. Rahimi faces eight charges, including using a weapon of mass destruction and bombing a place of public use. Prosecutors say the 29-year-old planted three bombs on Sept. 17, 2016, in Seaside Park, N.J., and in Manhattan's Chelsea neighborhood.

One bomb exploded at about 8:30 p.m. on 23rd Street in Chelsea, injuring more than two dozen people and damaging buildings. Police defused another bomb in the neighborhood.

No one was hurt when the Seaside Park bomb went off the same day.

Mr. Rahimi has pleaded not guilty. He faces the possibility of life in prison if convicted.

In a closing statement of more than two hours, Assistant U.S. Attorney Emil Bove carefully enumerated the evidence against Mr. Rahimi, including dozens of videos, DNA and fingerprints, records of purchases, and a letter written by the defendant, claiming responsibility for the bombs.

"Ahmad Khan Rahimi conducted these bombings," Mr. Bove said, moving to stand directly behind the defendant's chair. "He carried these attacks out in a cold, calculated way, with evil in his heart."

"This is not a close case, ladies and gentlemen," Mr. Bove told the jury. "I submit to you that the only appropriate verdict is guilty."

The defense's closing statement is expected Friday morning. The trial began on Oct. 2.

—Thomas MacMillan

### NEW YORK

#### Unions Sue to Halt Teacher Certifications

Two New York teachers unions filed a lawsuit Thursday to halt a plan that would allow charter schools to certify their own instructors.

The complaint, filed by the United Federation of Teachers and the New York State United Teachers in state Supreme Court in Manhattan, charged that the SUNY Board of Trustees Charter Schools Committee, a state oversight body, has put in place a "watered-down system" for certi-

fying teachers in certain charter schools which is "distinct from and contrary to" the system used for certifying teachers who work in public schools.

To work, most prospective teachers have traditionally had to complete a year of course work and pass several exams. But the new regulations adopted Wednesday for some charter schools allow for a candidate to teach after passing one certification exam and completing 160 hours of instruction in behavior management, lesson planning and other skills, and 40 hours of supervised experience in the field.

—Melanie Grayce West

THE WATCH SALON AT LONDON JEWELERS

9TH ANNUAL WATCH FAIR

FRIDAY-SUNDAY OCTOBER 20-22, 12-5PM

AUDEMARS PIGUET      EBEL      PANERAI  
BAUME & MERCIER      FRANCK MULLER      PATEK PHILIPPE  
BLANCPAIN      GRAND SEIKO      PIAGET  
BREGUET      HARRY WINSTON      RAYMOND WEIL  
BREITLING      HUBLOT      ROGER DUBUIS  
BULGARI      IWC SCHAFFHAUSEN      ROLEX  
CARL F. BUCHERER      JAEGER-LECOULTRE      SHINOLA  
CARTIER      LONGINES      SWISS ARMY  
CHANEL      LUMINOX      TAG HEUER  
CHOPARD      MICHELE WATCHES      TUDOR  
CT SCUDERIA      MONTBLANC      VAN CLEEF & ARPELS  
OMEGA

AMERICANA MANHASSET  
2046 NORTHERN BLVD 516.627.7475  
LONDONJEWELERS.COM

# At This Bash, Burgers Get Wild

Chefs put their creative spin on menu staple at a \$225-a-person tasting event

By CHARLES PASSY

Forget Michelin stars or glowing Yelp reviews. For a number of New York chefs, there is only one honor that truly matters, especially come October.

Winning the People's Choice Award at the Burger Bash.

The Bash, a \$225-a-person tasting event set for Friday, has become the signature attraction at the 10-year-old New York City Wine & Food Festival, the largest annual culinary showcase in the city. The four-day festival kicked off on Thursday.

With more than 30 hand-picked competitors from both inside and outside the city, the Bash plays into a growing obsession with the burger, an all-American favorite that has become a platform for gourmet experimentation in recent years.

At the event, the chefs, including such high-profile ones as Robert Irvine of Food Network fame and cookbook author Laurent Tourondel, put creative spins on the menu staple. The tweaks apply to both the meat—lamb burgers, anyone?—and the toppings, which can range from bacon "jam" to béchamel sauce.

As a result, the Bash, which is hosted by celebrity chef Rachael Ray, draws attention on social media and from the local and even national press.

Building on the popularity of the burger event and some other showcases, the festival has grown into a behemoth in New York, encompassing 80-plus events and drawing more than 55,000 attendees overall. The affair, which attracts such sponsors as the Food Network, the Cooking Channel and Coca-Cola, is run on a \$6 million budget, with \$1 million of the pro-



Chefs will have a chance to showcase their talents making gourmet burgers at the Bash set for Friday.

ceeds going to hunger-relief charities.

Winning the Bash's People's Choice Award—there is also a separate award judged by a celebrity panel—can be transformative. Indeed, Josh Capon, a five-time New York-based honoree, says the award helped put him on the dining map, particularly when he won in 2009 on behalf of Lure Fishbar, one of the restaurants that established him in the city.

After that victory, Mr. Capon said, "we had a lot of people coming in just for the burger. There's no question." The chef has even parlayed his festival fame into a stand at Citi Field, which he appropriately called Bash Burger.

But as the event has evolved both in New York and Florida, some say it has gotten a little too outrageous, if not plain out-of-hand. That applies not just to the burgers themselves—there are chefs even substituting compressed ramen noodles or fried plantains for the traditional bun—but also

### Best of the Bash

Here are some burgers that were honored in the past at the Burger Bash:

◆ **Bash Burger** (Josh Capon): Caramelized onion and bacon jam, shaved pickles, American cheese and secret sauce

◆ **Prez Obama Burger** (Spike Mendelsohn): Applewood bacon, onion marmalade, Roquefort cheese and horseradish mayo

◆ **Santa Fe Burger** (Bobby Flay): Queso sauce, roasted green chilies and blue corn chips

◆ **Guy's Bacon Mac n Cheese Burger** (Guy Fieri): Crispy applewood smoked bacon, four-cheese mac n cheese and garlic butter, and other ingredients

◆ **Lamb-Mark** (Marc Murphy): Lamb burger with mint chimichurri

Source: New York City Wine & Food Festival

to the antics of some of the competitors in an effort to get attendees (aka voters) to their tables. Think ones who hand out free T-shirts or even dress in drag.

"In New York, the chefs are insane," said Randy Fisher, the organizer who helps the festival produce the burger event.

As a result, the festival has put in new restrictions this year. They include prohibiting the use of bull-

horns—the noise has apparently become an issue—and the trading of swag for votes.

For all the hoopla and craziness, festival founder and director Lee Schrager says the attention-getting burgers are often all about the basics, as in a medium-rare beef patty topped with no more than quality cheese and a slice of onion and served on a good bun.

"You want to win? Keep it simple," Mr. Schrager said.



NEWARK ACADEMY

Congratulations

RICHARD H. THALER, PH.D.

Class of 1963

Awarded the 2017 Nobel Prize in Economic Sciences

Dr. Thaler's innovative work has helped change the way economists look at the world. He joins many other diversely talented, engaged

Newark Academy alumni who offer to the world a passion for learning, a standard of excellence and a generosity of spirit.

NEWARK ACADEMY

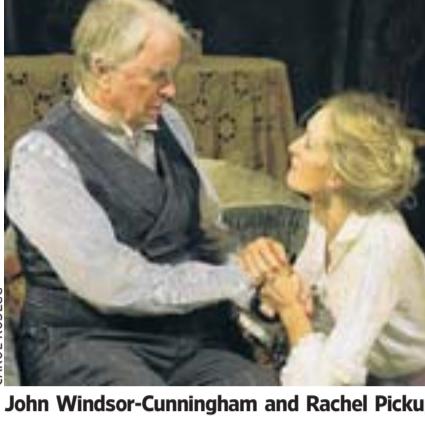
FOUNDED IN 1774

91 South Orange Avenue Livingston, NJ 07039 973.992.7000

[www.newarka.edu](http://www.newarka.edu)

A college preparatory, coeducational day school for students in grades 6-12.

# LIFE & ARTS



John Windsor-Cunningham and Rachel Pickup

## THEATER REVIEW

By Terry Teachout

# Back Home At Irish Rep

New York

**BRIAN FRIEL'S** "The Home Place" was supposed to have been given its U.S. premiere by the Roundabout Theatre Company in 2007. Instead, casting problems caused it to be performed by Minneapolis's Guthrie Theater, after which it soon dropped from sight. "The Home Place" has made it to New York at last, and the Irish Repertory Theatre is doing glorious honor to Mr. Friel's final play. Directed by Charlotte Moore, whose Irish Rep productions of his "Dancing at Lughnasa" and "Molly Sweeney" burn brightly in memory, this is a staging of hushed grace and delicacy I wish Mr. Friel had lived to see.

"The Home Place" is a history play of sorts, though its drama is wholly personal. Set in 1878 in Ballybeg, the not-quite-imaginary Irish village where most of Mr. Friel's plays take place, it unfolds in the home of Christopher Gore (John Windsor-Cunningham), a gentle-souled Anglo-Irish landlord who has fallen in love both with Ballybeg and with the much younger Margaret (Rachel Pickup), who keeps his house and loves his son (Ed Malone). Both of Christopher's loves are hopeless, but the first is more tragic, since he can never be a part of the land to which he is so devoted. For such cloven creatures there is no true acceptance, least of all at a moment when the resentment of his tenants is coming to a rolling boil. When Christopher speaks of "the doomed nexus of those who believe themselves the possessors and those who believe they're dispossessed," you can hear the funeral bell of tribal irredentism tolling.

As usual with Mr. Friel, "The Home Place" is unabashedly Chekhovian, but it also contains a sharp nudge of Shavian satire in the form of Christopher's cousin (Christopher Randolph), a heartless anthropologist who has come to Ballybeg to measure the skulls of the natives, conducting himself very much like Henry Higgins in "Pygmalion." Small wonder that his mere presence incites them to violence: He is the living symbol of the cold modernity that will soon lay waste to the village life that Christopher treasures.

Ms. Moore's staging is so natural that it feels as though the play is not being acted but is merely happening. Not only is the cast, Ms. Pickup and Mr. Windsor-Cunningham in particular, ideally chosen, but James Noone's deep-green set is a miracle of evocative realism. What results is a revival superior in every way to the Guthrie's well-meaning but overblown version. To see it is to come away certain that "The Home Place" is one of Mr. Friel's half-dozen masterpieces.

### The Home Place

Irish Repertory Theatre, 132 W. 22nd St., New York (\$50-\$70), 212-727-2737, closes Nov. 19

Mr. Teachout is the Journal's drama critic. Write to him at teachout@wsj.com.

## THEATER REVIEW | By Jim Fusilli

# The Boss On Broadway

Family, country, faith and music's magic are at the heart of this concert-meets-memoir



Bruce Springsteen, right, and with Patti Scialfa, below, in his autobiographical show.

New York

**PART CONCERT**, part career retrospective, part confession and an entirely new way to experience the storytelling prowess of one of the world's most familiar rock stars, "Springsteen on Broadway" is an enjoyable though not entirely successful recasting of the 68-year-old singer-composer. On Tuesday night, two days before the official opening, the 975-seat Walter Kerr Theatre here hosted Mr. Springsteen's gathering, the topic of which was family, country, faith and music's magic.

"Springsteen on Broadway" finds much of its inspiration in his 2016 autobiography "Born to Run," which took its title from his breakthrough song issued more than 40 years ago. In that song and others of his early career, Mr. Springsteen presented himself in epic terms, promoting a self-created myth of a street-wise tough, filled with grand, glorious ambition and eager to burst out of the Jersey shore and vanquish all challenges. But in the book, a right-size Mr. Springsteen is a troubled and deeply felt man who found his place in music and is still assessing his past. Throughout the two-hour program, Mr. Springsteen appeared as approachable and amiable, occasionally wandering downstage to address the assembly. He reminded the audience that, despite touring the world many times, the man who wrote odes to escape and the lure of the road now lives 10 miles from where he was raised.

Shifting between playing acoustic guitar before a lone microphone at center stage and a nearby grand piano, Mr. Springsteen, in a black T-shirt and jeans, peppered his musical numbers with colorful tales of his inner life during his childhood and his development as a uniquely American artist. Much more than anecdotes to pace a concert, these tales illuminated the compositions he chose to perform. The relatively obscure "My Father's House" and "The Wish" were brought into clear focus by finely wrought narratives of his parents—Doug, whom Bruce rescued in his autobiography from the archetypal presentation in his

songs, and Adele Zerilli, who is a rare presence in his work, but a continuing source of love and inspiration.

Mr. Springsteen dedicated much of the evening to his love affair with America—first its physical beauty, then its character. A robust "The Promised Land," punctuated by a harmonica's wail, and a nasty "Born in the U.S.A.," the latter performed as a country blues with Mr. Springsteen on slide guitar, reflected the push and pull of his patriotism: His faith in America is often shaken, but it never disappears. He said he saw the current, seemingly unbridgeable divide among Americans as "just a bad chapter in the bat-

from life's grinding tedium found in a night out with music.

If "Springsteen on Broadway" worked best when Mr. Springsteen brought the audience closer, it sagged when he reverted to the outsize character required to communicate to much larger crowds. Exhortations about the glory of rock that pump up screaming stadium-packing multitudes were heavy-handed in a venue in which the audience sat quietly in rapt attention; accordingly, a tribute to his friend and former bandmate Clarence Clemons failed to find the intimacy that made his recollections of his parents so heartwarming. An appearance

by his wife, singer Patti Scialfa, to perform as a duet on "Tougher Than the Rest" and "Brilliant Disguise" was a wasted opportunity: Ms. Scialfa has a lovely voice, as her husband stated when introducing her, but it was lost in the sound mix.

Best seen as a special concert rather than a glamour event, "Springsteen on Broadway" is an unabashed proclamation of Mr. Springsteen's abiding affiliation with traditional values. Family members and friends who have passed on remain a presence in his life. He recited the Lord's Prayer, a risky gambit that came off thanks to his linking it to earlier stories of his Catholic education as a child. His career, he said in a tone that balanced pronouncement and revelation, has been dedicated to reflecting the best possibilities of his country and its people. "I hope I've done that," he said. "I hope I've been a good traveling companion." "Springsteen on Broadway" reminds us that he has been just that.

### Springsteen on Broadway

Walter Kerr Theatre, 219 W. 48th St., (\$75-\$850), 877-250-2929, closes Feb. 3, 2018

Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.

## FILM REVIEW | By Joe Morgenstern

# 'MARSHALL': SOUNDLY ARGUED, ACUTELY OBSERVED



Chadwick Boseman and Josh Gad in 'Marshall'

**HERE'S SOMETHING** refreshing—a great-man biopic, simply titled "Marshall," that's more concerned with the man in his earlier years than with the greatness to come.

You get a hint from the opening music, a breezy jazz riff that might sound insufficiently serious for a full account of Thurgood Marshall, the civil-rights attorney who won a landmark victory in the 1954 Supreme Court case Brown v. Board of Education of Topeka, and the first African-American justice of the U.S. Supreme Court. But "Marshall" doesn't try to cover the glory days of a magnificent career.

Set in 1941, it's focused on a real-life Connecticut trial in which the hero, a rising star for the National Association for the Advancement of Colored People, defended a black chauffeur accused of kidnapping and raping a wealthy white woman in Greenwich. And Marshall—a terrific performance by Chadwick Boseman—

comes off at the outset as full of himself to overflowing. In other words, here's an irreverent movie with a quirky ring of truth.

The film, which was directed by Reginald Hudlin, is adept at portraying the social and legal forces arrayed against the chauffeur, Joseph Spell (Sterling K. Brown), in a trial that gains national attention as an example of racism in the North. Spell has already been convicted in Greenwich's court of public opinion. Now the judge, played by James Cromwell, and the prosecutor, played by Dan Stevens, ooze patrician empathy for the alleged victim, Eleanor Strubing (fine work by Kate Hudson).

To complicate Spell's defense even further, bad blood boils up between Marshall and his local co-counsel, Sam Friedman (Josh Gad, in another terrific performance), who is white, Jewish and innocent

Please see MARSHALL page A11

## LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

# A New View of Migrants

**WE KNOW THEM,** or think we do, from TV news—beleaguered refugees from blighted lands clambering out of boats onto beaches, waiting grim-faced for food in makeshift camps, trudging along back roads toward uncertain fates. “Human Flow,” a documentary by the Chinese artist and activist Ai Weiwei, searches them out around the globe and bears witness to their plight—not by showing them, as TV does, with ritual video snippets and sound bites, but by truly seeing these desperate migrants with an artist’s eye.

That means, among other visual strategies, sitting some of them down, or standing them up, in front of a camera long enough for us to study their faces, get a sense of who they are. The handsome features of a Rohingya Muslim who has fled from Myanmar to Bangladesh darken with anger at how his people are seen: “They give us all sorts of names—boat people, drifters—and all because of the tyranny of the military junta.” A young Afghan mother says, gravely, “No one leaves their country lightly.” It doesn’t make sense that her little daughter, sitting beside her, wears a funny balloon tiara with a tip that keeps poking mom in the face, but then it makes no more sense that vast numbers of refugees live, sometimes for generations, in camps that breed disease, despair and radical rage.

Mr. Ai is here, there and everywhere: shooting video with his iPhone; consoling a woman who, she says, has been wandering aimlessly with her son for 60 days; checking out images—the lingua franca of our time—on refugees’ phones. (A Syrian woman shows him a shot of her white cat wearing a little red dress.) One startling image, a white-and-gray grid, presents itself cryptically; maybe it’s a vertical shot of a fence with ants crawling on it. But no, it’s an overhead drone shot of an immense refugee camp in Turkey, and the apparent ants resolve into humans on the



‘Human Flow,’ directed by artist and activist Ai Weiwei, at right

CLOCKWISE FROM TOP LEFT: AMAZON STUDIOS; ANNAPURNA PICTURES; OPEN ROAD FILMS

streets as the camera zooms down. As director and instigator of this ambitious, 140-minute film, Mr. Ai is clearly the dominant sensibility, but far from the only shooter. Over the course of a year, 28 cinematographers and some 200 crew members followed the thrust of the film’s title in 23 countries.

“Human Flow” is a poetic title, but flow implies smooth transit; the movement of refugees around the world is more of a tide with inevitable surges, and with blockages in backwaters formed by walls—especially, as Mr. Ai’s film has it, the long wall, or fence, erected by Hungary, which has split Europe

down the middle. (An oddly tentative section is set near an existing segment of corrugated-metal wall on the U.S.-Mexican border.) It’s hard to gauge what effect the production may have on today’s audiences; attention spans are short and political will is variable. If “Human Flow” has a chance of breaking through the noise and clutter of the media surround, it’s not because the demands Mr. Ai’s documentary makes on our attention are modest; just the opposite. This movie, a testament to the power of seeing, provides a long and uncommonly vivid look at a human crisis that’s changing the face of our planet.



Rebecca Hall, Luke Evans and Bella Heathcote

FILM REVIEW | By Joe Morgenstern

# SUPERHERO KINK

**WHAT A STRANGE** and intriguing week this has turned out to be, with not one but two superhero origin stories, of sorts, hitting the screen simultaneously: “Marshall,” with its portrait of the Supreme Court jurist Thurgood Marshall as an ambitious young lawyer, and “Professor Marston & the Wonder Women,” a biopic by Angela Robinson about the creation of the feminist comic-book icon Wonder Woman. The timing of the film couldn’t be better, given that “Wonder Woman”—the big-screen spectacular—was the best entertainment of the past summer. The film’s style is another matter; it’s didactic, somewhat schematic and often stiff. Yet “Professor Marston” is never less than interesting, a literary and emotional detective story that finds Wonder Woman’s roots in the life of its creator, a Harvard psychology professor named William Moulton Marston.

In Marston’s polyamorous life, that is, since the professor, portrayed blandly by Luke Evans, defied societal taboos of the day—the story begins after World War I—by living a secret life with his formidably accomplished wife and colleague Elizabeth Holloway Marston (an unsubtle perfor-

mance by the usually wonderful Rebecca Hall) and their mutual partner Olive Byrne, a former graduate student played with steady-state radiance by Bella Heathcote.

The inherent problem in such detective work is that the ultimate product—in this case a trailblazing, and much-beloved, fantasy figure of female empowerment—will always be more exciting than the literal process that brought it into being. Thus the real-life trio’s explorations of what was deemed sexual perversion can seem quaint and dutiful to our eyes, even though the film draws convincingly tight connections between those explorations and Marston’s early Wonder Woman comic books, which featured bondage, spanking and torture, and were widely condemned as pornography. (The film begins with a comic-book-burning sequence whose significance comes clear in the story’s later stretches.) All the same, “Professor Marston & the Wonder Women” stands head, shoulders, boots, tiara and lasso above many independent films of the moment. See it and you’ll come away with a new appreciation for the polywonder of creativity.

# MARSHALL

Continued from page A10

of experience in criminal trials. Dismayed by the need to have another lawyer on the case, Marshall is furious, and initially helpless, when the judge warns him that anything he has to say must be expressed through Friedman; coming, as he does, from out of state, the NAACP ace may not speak in open court.

An important part of the drama’s substance lies in the two men turning their fraught rela-

tionship into a partnership that foreshadows the national alliance between blacks and Jews in the emerging civil-rights movement. But that’s an abstract description of a prickly situation slowly blossoming into an affecting and funny bromance. Before this happens, it’s a case of role reversal in which Marshall treats Friedman like a white man might treat a Pullman porter. “Would you help me with that?” Marshall asks casually on his arrival at Bridgeport station, indicating a suitcase full of law books that Friedman promptly lugs to a

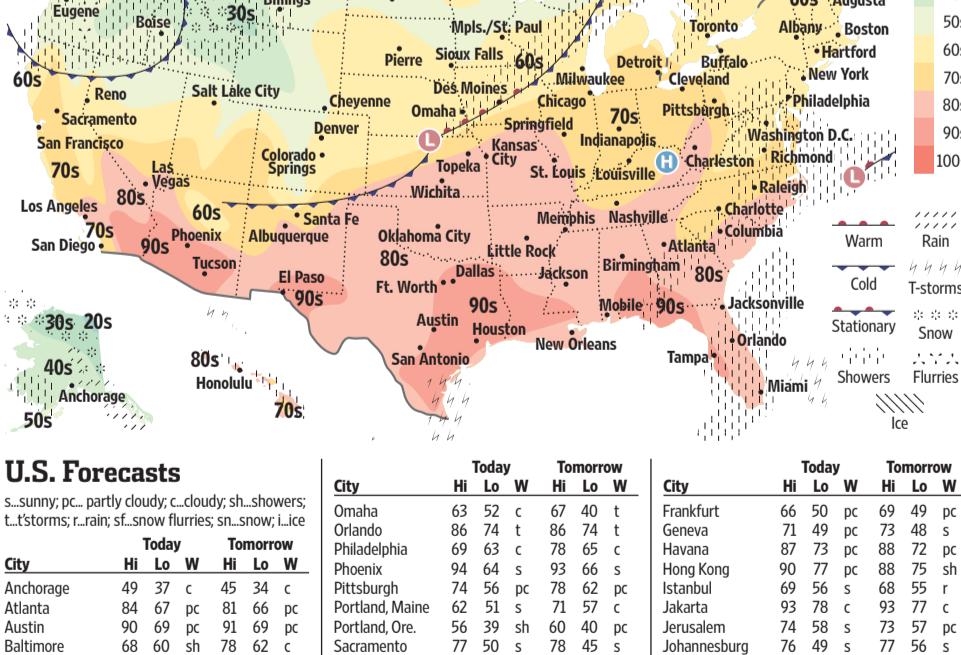


Kate Hudson as Eleanor Strubing

waiting car. Once comity prevails, the co-counsels are co-equals in friendship and respect.

Some of the writing on the fringes of the drama can be uneven. At Minton’s Playhouse, the legendary Harlem jazz club, Marshall runs into the poet Langston Hughes and the writer Zora Neale Hurston in a scene that plays like an over-earnest outtake from “Midnight in Paris.” But the trial sequences have a distinctive, authentic tone that clearly flows from one of the two writ-

## Weather



## U.S. Forecasts

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

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

Today Tomorrow

City Hi Lo W Hi Lo W

Anchorage 49 37 c 45 34 c

Atlanta 84 67 pc 81 66 pc

Austin 90 69 pc 91 69 pc

Baltimore 68 60 sh 78 62 c

Boise 52 30 sh 54 32 s

Boston 63 57 s 70 63 s

Burlington 66 55 pc 70 59 sh

Charlotte 76 61 r 81 62 pc

Chicago 72 61 pc 75 55 r

Cleveland 75 59 pc 80 68 pc

Dallas 93 71 s 94 67 s

Denver 64 38 s 58 32 c

Detroit 71 57 pc 74 65 pc

Houston 91 70 pc 91 69 pc

Indianapolis 72 57 pc 78 64 pc

Kansas City 83 66 s 81 46 t

Las Vegas 84 57 s 80 54 s

Little Rock 84 63 s 90 67 s

Los Angeles 81 59 s 87 60 s

Miami 88 79 sh 88 79 t

Milwaukee 68 59 s 70 51 r

Minneapolis 60 42 c 57 41 r

Nashville 78 58 s 85 67 s

New Orleans 89 73 s 87 75 s

New York City 67 62 c 73 66 c

Oklahoma City 86 67 s 88 53 pc

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 65 56 pc 64 53 pc

Athènes 78 61 s 77 60 s

Baghdad 94 66 s 95 66 s

Bangkok 89 77 t 89 77 t

Beijing 66 42 s 56 47 c

Berlin 60 52 pc 67 53 pc

Brussels 66 55 pc 69 54 pc

Buenos Aires 62 42 c 70 47 s

Dubai 98 78 s 97 80 s

Vancouver 51 38 s 52 43 c

Warsaw 57 45 pc 61 55 c

Zurich 68 44 pc 68 45 s

Edinburgh 66 51 r 60 54 r

Today Tomorrow

City Hi Lo W Hi Lo W

Frankfurt 66 50 pc 69 49 pc

Geneva 71 49 pc 73 48 s

Havana 87 73 pc 88 72 pc

Hong Kong 90 77 pc 88 75 sh

Istanbul 69 56 s 68 55 s

Jakarta 93 78 c 93 77 c

Jerusalem 74 58 s 73 55 s

Johannesburg 76 49 s 77 56 s

London 66 58 pc 67 56 pc

Madrid 83 52 s 83 55 s

Manila 86 79 t 87 79 t

Melbourne 63 48 pc 66 45 pc

Mexico City 71 54 pc 73 55 pc

Milan 74 52 s 75 53 s

Moscow 52 44 r 47 38 r

Nairobi 90 78 t 90 79 t

Paris 71 51 pc 73 53 pc

Rio de Janeiro 89 71 s 87 70 s

Riyadh 97 67 s 100 69 s

Rome 74 53 s 75 54 s

San Juan 88 79 s 87 78 sh

Seoul 66 52 s 68 50 pc

Singapore 87 75 c 88 78 pc

Sydney 75 62 s 66 59 c

Taipei 81 78 s 86 81 r

Tokyo 64 61 r 66 60 r

Toronto 68 55 s 68 63 sh

Vancouver 51 38 s 52 43 c

Warsaw 57 45 pc 61 55 c

Zurich 68 44 pc 68 45 s

## The WSJ Daily Crossword | Edited by Mike Shenk



GETTING UP TO CODE | By Matt Gaffney

The answer to this week's contest crossword is a major U.S. city.

Across

1 Damages forever

6 Fine-tune

11 Texting format, for short

14 Strong point

15 2011 Johnny

16 "Tic \_\_\_ Dough"

17 One way to love somebody

19 Mean pitchers try to keep low

20 Lucy of "Elementary"

21 Accidentally

23 Triple-checking

28 Valhalla VIP

29 Over the outfield fence

30 Omerta enforcers

31 Took top honors

32 Hirer of Pat and Vanna

33 Identify, as in a Facebook photo

35 Utterly fails to be competitive, electorally

36 Called before the wedding

# SPORTS

## MLB PLAYOFFS

# These Are Not Your Father's Yankees

BY JARED DIAMOND

Cleveland

**THE NEW YORK** Yankees' dramatic upset over the Cleveland Indians didn't just extend their season and vault them into an American League Championship Series showdown with the Houston Astros. It all but ensured another episode of the city's hottest new talk show, "The Toe Night Show."

The dugout skit has become a late-season phenomenon when the Yankees hit a home run in the Bronx. Utility infielder Ronald Torreyes, the program's creator, producer and director, grabs a box doctored to resemble a television camera. Somebody else, often second baseman Starlin Castro or shortstop Didi Gregorius, pulls out a makeshift microphone fitted with a custom flag bearing "The Toe Night Show" name. A third player uses baseball gloves as "boom mics" to conduct an "interview" with their slugging teammate when he returns to the bench.

The celebration routine, which Torreyes started at the end of September, is an absurd bit of comedy. It is silly. It is, in other words, the exact opposite of everything the Yankees usually represent.

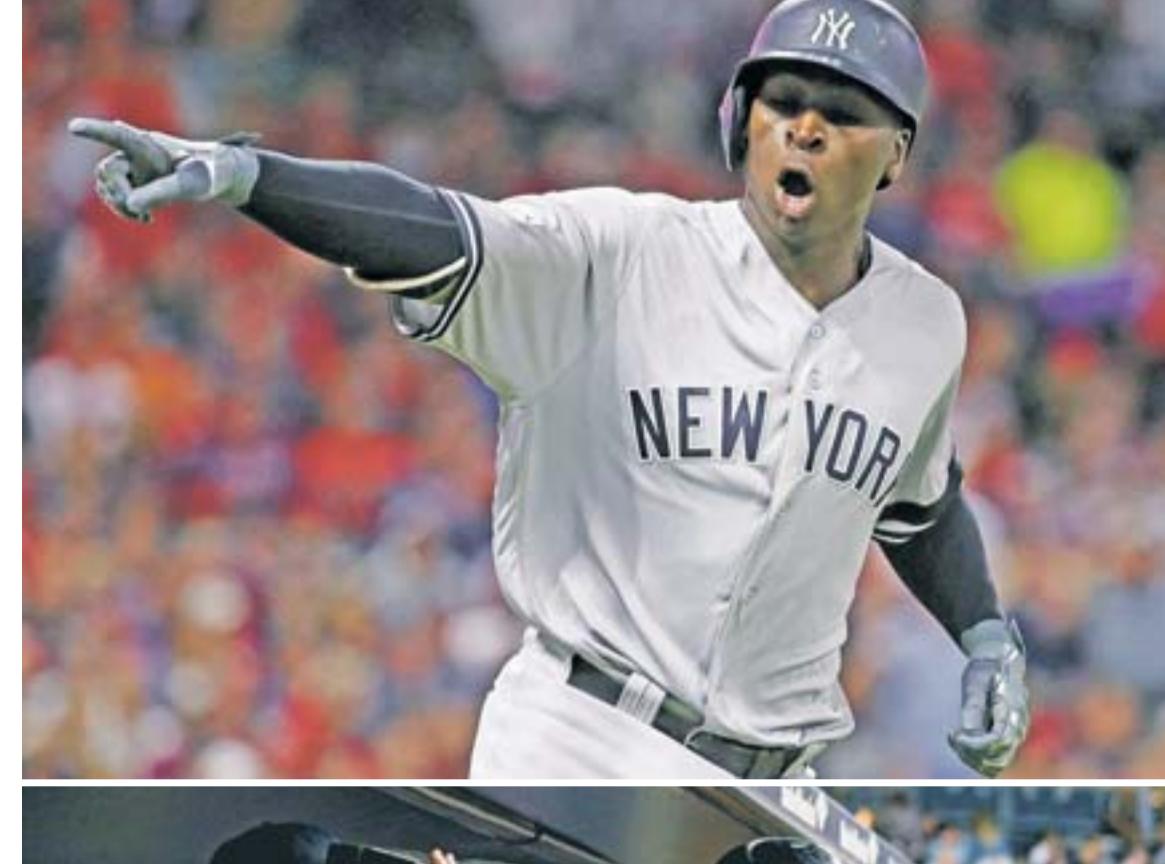
But these Yankees aren't George Steinbrenner's Yankees anymore. They aren't even Derek Jeter's Yankees, his influence fading three years after his retirement. Suddenly, an organization famous for beating individualism out of its players in the name of professionalism has adopted a surprising and fresh image for the new generation: It has embraced fun.

"It's a different time for baseball, a different style," said Austin Romine, a catcher drafted by the Yankees in 2007. "The game's changing, and we've got to change with it."

Infused with an exciting crop of young talent, the Yankees have surprised the baseball world by pushing deep into the postseason ahead of schedule. Against the Indians, they rebounded from a two-games-to-none deficit to win three straight, powered in Game 5 by two Gregorius homers and a brilliant performance by their bullpen.

Winning is nothing new to the Yankees, who now sit eight victories away from their 28th World Series championship. Historically, "fun" hasn't been part of that package. They might have been more accurately described as "boring," "stuck-up" or "elitist." Their approach—an attitude often perceived as arrogance—had alienated some casual viewers, especially as the team failed to reach the postseason in three of the past four years.

Moments of levity like "The Toe Night Show" have injected frivolity into a clubhouse not exactly known



T-B: GREGORY SHAMUS; PAUL BERESWILL (GETTY IMAGES)

Top, New York Yankees shortstop Didi Gregorius celebrates after hitting a home run during Game 5 of the American League Division Series on Wednesday. Above, Aaron Judge gives a mock interview in the dugout during a recent game.

for its antics.

Last month, a bearded, bespectacled, suspenders-wearing Mets fan went viral when he was caught giving the "thumbs-down" sign to express his displeasure at a Yankees homer. The Yankees quickly brought the meme to life, turning the thumbs down into a rallying cry by flashing it after big hits. They even posed for a picture, which spread quickly across the internet, wearing matching thumbs-

down T-shirts.

"You can't always be so straight-edge," relief pitcher Tommy Kahnle said. "It's good to have a little fun."

Such stunts aren't unique in baseball. Chicago Cubs manager Joe Maddon, for instance, has brought exotic animals into the locker room and hosted pajama parties on flights to cultivate a loose, easygoing environment. The sport has worked hard to fight its stodgy reputation in an effort to

attract younger fans.

Until now, however, the Yankees had been a holdover to the old traditions, clinging to the idea that the only fun to be had on a baseball field stemmed from winning. The rest, it seemed, was beneath them—no surprise, considering Steinbrenner, their late owner, once said, "Winning is the most important thing in my life, after breathing."

That mantra later defined Jeter's tenure, when the Yankees won a lot

but, taking a cue from their captain, were often devoid of personality. Kahnle, a Yankees draft pick in 2010, called the organization's atmosphere "businesslike."

That will never disappear. The Yankees still don't wear names on the back of their uniforms and don't allow most facial hair, a policy that has become symbolic of their corporate nature. But a shift has undoubtedly occurred.

"I love the fact that they show their emotions," Yankees general manager Brian Cashman said early Thursday morning at Progressive Field, while the players sprayed Champagne in the clubhouse. "I think it's great for baseball..."

The Yankees cite their youth movement as the catalyst. It's led by Aaron Judge, a rookie who swatted 52 homers in the regular season, and All-Star catcher Gary Sanchez. Judge's breakout inspired the "Judge's Chambers" at Yankee Stadium, a section of seats in right field with faux-wood paneling to look like a jury box, another fun touch uncharacteristic to the Yankees.

Just as important, the veterans, such as pitcher CC Sabathia and outfielder Brett Gardner, have not only allowed the new way, but welcomed it with enthusiasm.

"We've got a lot of young guys on the team, which keeps us older guys feeling fresh," Gardner said.

Even Joe Girardi, the square-jawed, crew-cut Yankees manager who has a degree in engineering from Northwestern, has gotten on board—or at least begrudgingly accepted reality. Girardi, an old-school throwback, played for the Yankees from 1996 through 1999 and acts like it.

Nonetheless, Girardi has learned to appreciate this version of the Yankees, thanks in part to his teenage son, who particularly likes Castro's fashion sense.

"We're living in an age where youth does that, where before it didn't necessarily happen here," Girardi said. "I kind of like it. It shows the youthfulness of this team, and sometimes you get to laugh about it."

Whatever the Yankees are doing, it's clearly working. Despite initially couching 2017 as a rebuilding year, they exceeded expectations by winning 91 games and earning a wild-card spot. The magical ride continued Wednesday, when they stunned the top-seeded Indians.

Next, the Yankees head to Houston for Friday's ALCS Game 1 against the Astros, another team that finished with more than 100 regular-season wins. Time will tell whether they'll prevail—but they'll certainly enjoy themselves.

"It's loose, it's fun, it's really different than it has been in the past couple years," Romine said. "But I think it's a good different."

NFL | By Jason Gay

## THE JETS AND THE BEAUTIFUL UGLY

The upstart, uncharacteristically adorable New York Yankees are in the American League Championship Series. I know this, because I saw them celebrating on the field in Cleveland, wearing really, really ugly hats.

Did I mention the hats—OK, fine, baseball loons, caps—were really, really, really ugly?

I don't understand why baseball, so beholden to its quaint traditions—this is a sport that still uses land lines to call the bullpen, like Grammy inviting you over to an early supper—turns around and saddles its victors with the most ghastly-designed apparel imaginable.

On Wednesday, the sprightly Yankees recovered from an 0-2 deficit to upset powerhouse Cleveland in the American League Divisional Series, only to be forced to wear victory caps that looked stolen from the FREE bin at a Battlestar Galactica yard sale.

Gray, navy and orange, and featuring MLB's bizarre postseason motto, "TAKE 17" (Do you get it? You're trying to "take" the title in 2017, so you say "TAKE 17," like Frankenstein's Monster) they were so hideously cluttered that even NASCAR pit crews were like, *Dang, those are some hideously cluttered caps.*

Baseball's not the only sport that does this, of course: all of the big American sports should be arrested by the fashion police for the post-

game horrors they unleash upon the hats and bodies of their champions. It's gotten to the point I almost feel bad for the winners. After all, if you lose, at least you didn't have to wear the terrible hat. Or cap.

But I digress...

The Yankees are a great sports story, but they're not even the greatest sports story in New York City.

That's because the mighty, mighty New York Jets are headed straight to the Super Bowl.

That's right. You can take it to the bank. It's the biggest NFL surprise this year. The Overachieving Green Machine, baby.

If you followed any of the pre-season football coverage, you know that the 2017 Jets did not have high expectations. The barely had expectations at all. Online bookmaker Bovada set their over-under line for wins at 4.5, and there was some serious debate as to whether the Jets would win a single game. Or even half a game.

Walking in, things looked bleak. The Jets began their season with a quarterback list including 38-year-old Josh McCown, Bryce Petty, Christian Hackenberg and an inflatable giraffe they found at a pool party in New Jersey.

The inflatable giraffe nearly won the job.

They denied it, but it really appeared as if the Jets were trying to lose. *Tanking* was a word that got thrown around. There's strong temptation for a crummy, quarter-



SCOTT GALVIN/REUTERS

back-deficient team to lose a lot this year, as a pair of marquee college quarterbacks, Sam Darnold and Josh Rosen, are expected to be among the top picks in the 2018 draft.

It would be another season of Jets failure—but fruitful failure. There was always the chance that the Jets could get a high pick and mess up and select a used box spring mattress—it's happened before—but there was also the chance they could get a franchise-altering star.

These Jets have not cooperated with the sinister plan, however. After an 0-2 start, they have reeled off three consecutive victories and find themselves in a three-way tie atop the AFC East with the Buffalo Bills and the struggling (well, struggling for them) New England Patriots. McCown has made the team's

decision to start him over the inflatable pool party giraffe look wise.

On Sunday, Grumpy Lobster Boat Captain Bill Belichick and his Super Bowl champs wander into the Meadowlands for a contest that is a lot more intriguing than it looked in early September.

The Jets are always a weird headache for New England, but on Sunday there are actual, exciting stakes.

**You:** Buddy, it's mid-October. Calm down.

**Me:** Do you guys want another Trump/NFL column? Work with me here.

The Jets and their head coach, Todd Bowles, are to be commended for not bowing to the skeptics and rolling over. Of course, there's a classically Jets-y angle to this surprise start: some doomsdayish fans are crabby that

the Jets are sabotaging their chances for the top draft pick. Jets fan Larry David alluded to this during a recent appearance on Dan Patrick's sports talk show.

"What's wrong with them?" David howled. "I don't want them to win any games. I'm sick about this."

And this was when the Jets were a mere 2-2!

Yes, it's early. There's no reason to believe these Jets won't revert to the mean soon, perhaps as early as Sunday. Lobster Boat Bill will surely have a plan.

But why not dream a little dream? Protests, Presidential tweets, the Patriots a loss away from a fetid .500—this football season is already chaotic.

What if it's the Jets—the Jets!—who finish in the really, really, really ugly hats? Or caps.

## OPINION

# Scalias All the Way Down



POTOMAC WATCH  
By Kimberley A. Strassel

That's the cramped view.

The media remains so caught up with the president's tweets that it has missed Mr. Trump's project to transform the rest of the federal judiciary.

The president is stocking the courts with a class of brilliant young textualists bearing little relation to even their Reagan or Bush predecessors. Mr. Trump's nastygrams to Bob Corker will be a distant memory next week. Notre Dame law professor Amy Coney Barrett's influence on the Seventh U.S. Circuit Court of Appeals could still be going strong 40 years from now.

Mr. Trump has now nominated nearly 60 judges, filling more vacancies than Barack Obama did in his entire first year. There are another 160 court openings, allowing Mr. Trump to flip or further consolidate conservative majorities on the circuit courts that have the final say on 99% of federal legal disputes.

This project is the work of Mr. Trump, White House Counsel Don McGahn and Senate Majority Leader Mitch McConnell. Every new president cares about the judiciary, but no administration in memory has

approached appointments with more purpose than this team.

Mr. Trump makes the decisions, though he's taking cues from Mr. McGahn and his team. The Bushies preferred a committee approach: Dozens of advisers hunted for the least controversial nominee with the smallest paper trail. That helped get picks past a Senate filibuster, but it led to bland choices, or to ideological surprises like retired Justice David Souter.

Harry Reid's 2013 decision to blow up the filibuster for judicial nominees has freed the Trump White House from having to worry about a Democratic veto during confirmation. Mr. McGahn's team (loaded with former Clarence Thomas clerks) has carte blanche to work with outside groups like the Federalist Society to tap the most conservative judges.

Mr. McGahn has long been obsessed with constitutional law and the risks of an all-powerful administrative state. His crew isn't subjecting candidates to 1980s-style litmus tests on issues like abortion. Instead the focus is on promoting jurists who understand the unique challenges of our big-government times. Can the prospective nominee read a statute? Does he or she defer to the government's view of its own authority? The result has been a band of young rock stars and Scalia-style textualists like Ms. Barrett, Texas Supreme Court Justice Don Willett and Minnesota Supreme Court Associate Justice David Stras.

Senate Republicans have so far blown their major agenda items, but they've remained unified on judges. They agreed to kill the Senate filibuster for Supreme Court nominees just as to confirm Justice Gorsuch; have confirmed six other judicial nominees; and stand ready to greenlight dozens more. This is a big shift from divisions the party had over the Bush 41 and Bush 43 nominees.

obstruction and get those posts filled.

Former Trump aide Steve Bannon is vowing to primary at least six GOP senators next year, saying he will support only candidates who refuse to back Mr. McConnell for another stint as leader. But Mr. Bannon's claim that Mr. McConnell represents the "swamp" is lazy scapegoating. Yes, health-care reform failed—thanks to three showboating Republican senators. And yes, the House gets more done. But only the Senate is in the long-term personnel business.

The Trump judicial reset was never guaranteed. Mr. McConnell just happens to have a steely passion for remaking the judiciary. Previous majority leaders Trent Lott (best friends with trial lawyers) and Bill Frist (nice, nice) would never have gotten Justice Gorsuch confirmed. Those guys were the "establishment."

Ted Cruz, Mike Lee, Jodi Ernst, Deb Fischer, Dan Sullivan, Cory Gardner, Marco Rubio, Tom Cotton—this is the new generation of Republican senators. They were all elected in recent cycles. They are reformers, far removed from the earmarking, logrolling, crony, backroom days of washed-out Republicans who inspired the tea party.

The country has moved, as has Congress. The proof is in the extraordinary class of judicial nominees now coming through. Mr. Trump will keep baiting the media with shiny objects. In the background, government is being redone.

Write to [kim@wsj.com](mailto:kim@wsj.com).

## While the press goes wild over tweets, Trump is remaking the federal judiciary.

Because Mr. Trump's picks have largely spent their careers focused on administrative law and constitutional questions, few have gotten bogged down by controversial cultural rulings. They do have paper trails, but mostly on serious and technical issues. This helps reassure Republicans even as it deprives Democrats of the fodder they'd need to stage dramatic opposition.

Conservatives praised Mr. McConnell last year for refusing to consider Judge Merrick Garland, whom Mr. Obama had nominated to the Supreme Court. Less well known is the sheer number of federal judgeships Mr. McConnell sat on as the Obama administration wound down. Mr. Trump took office with 107 lower-court vacancies, more than any of the past five presidents save Bill Clinton. The GOP challenge now is to break Democratic

silence sufferfest and muddy fun pit.

Today the Tough Mudder movement is a global enterprise, with more than 2.5 million participants and in excess of \$100 million a year in revenue.

"It Takes a Tribe: Building the Tough Mudder Movement," which Mr. Dean wrote with co-author Tim Adams, is the story of Mr. Dean's entrepreneurial journey. He narrates the history of the Mudder movement, shares stories from the Tough Mudder "tribe" and offers advice on bringing Tough Mudder principles and values into our personal lives and business organizations. It's an attempt to elevate the Mudder culture to the level of Nike's Swoosh and "Just Do It." Topics range from overcoming fears to cultivating and connecting with a tribe, making innovation happen and navigating the challenges of business ownership.

Mr. Dean is a naturally incisive and decisive businessman with an eye for opportunity he has apparently honed since childhood. As a schoolboy, he flogged gym bags branded with his school emblem to a £10,000 profit. Growing up in the gritty industrial town of Worksop, England, a place whose "identity and purpose," he writes, was destroyed by the mid-1980s coal miners' strike, he developed a "nostalgia for grit and camaraderie" that gave rise to his Tough Mudder vision, an attempt to "try to create a business and a culture that might offer a version of those values in a different way and to a new generation."

The elation that participants feel after completing a course is no doubt genuine. Just don't mistake it for a real adventure.

After a five-year stint working counterterrorist operations in the Middle East and Afghanistan for the British Foreign Office, Mr. Dean enrolled at Harvard. He found the experience "frustrating," the courses geared more toward creating a "convincing management consultant" than a real-life entrepreneur. Few places "talk more engagingly about the value of teamwork and show less interest in it in practice," he writes. "We were mostly nerds doing spreadsheets," and Harvard's "science" of creating your own business was mostly taught by "people who had never, and would never, start businesses of their own." The experience filled him with a "stubborn" desire to prove that he was right when everyone around him was telling him he was wrong.

Since then, people all over the world have accepted Mr. Dean's Tough Mudder challenge. There have been those with terrible physical and emotional disabilities who completed events with the aid of the Mudders to their right and left, "help others" being a cornerstone of the Mudder ethos. Some of the stories Mr. Dean tells are truly inspiring: of cancer patients and tragedy victims, those without sight and others afflicted with terrible diseases and disorders. One obese woman lost half her body mass in order to enjoy the "childlike freedom" of "slithering around in mud for the hell of it."

That sure sounds like fun. During his events, Mr. Dean talks with pride about "expecting the unexpected," about participants confronting their fears and about the courage Tough Mudders display by showing up at the starting line. But do these canned corporate obstacle-course experiences rise to the level of genuine adventures, with uncertain outcomes and high-stakes consequences? "What could possibly go wrong?" a National Geographic photographer friend of mine sardonically chuckles before each new harebrained expedition to Iran, Papua New Guinea or South Sudan. The truth is that at Tough Mudder very little is left to chance. The company presumably carries an excellent and well-considered insurance policy. Every course is carefully designed, its danger level moderated and managed. They're cruise-ship Disneyland adventures with orange Tough Mudder headbands. That doesn't mean they aren't colossal mud pies of fun or that they haven't helped tens of thousands of people learn "confidence and resourcefulness" and smash personal barriers. But the threat level just doesn't rise to the threshold of true adventure.

The fatal flaw lurking in all these inspiring entrepreneurial stories is the unasked question: What happens to the person who puts all of his chips behind an idea worse than Mr. Dean's? He fails, goes broke and goes back to flipping burgers. We never learn his name. That's real. Credit Mr. Dean for taking Tough Mudder's truly adventurous step.

Mr. Crouch is the author of "The Bonanza King: John Mackay and the Battle Over the Greatest Fortune in the American West," out next year.

## Coming in BOOKS this weekend

Learning from Leonardo da Vinci • John Green's 'Turtles All the Way Down' • Life and war in the real 'Casablanca'

• Joseph Lister's war on germs • The man who invented art history • Sam Sacks on literary thrillers • & more

## The novelist relies on my research, but my literary doppelgänger makes bad arguments.

Two years ago I wrote in Commentary magazine that it is impossible simply to describe "the way things are" without first making the significant choice of what language to speak in. The language of physics can be extremely useful in talking about the world, but it can never address everything that needs to be said about human life. Equations can elegantly explain how an airplane stays in the air, but they cannot convey the awe someone feels when flying above the clouds.

Science is an approach to common experience. It addresses what is objectively measurable by inventing models that summarize the world's partial predictability. In contrast, the biblical God

tells Moses at the burning bush: "I will be what I will be." He is addressing the uncertainty the future brings for all. No prediction can ever fully answer the question of what will happen next.

Humans will always face a choice about how to react to the unknowable future.

Encounters between God and the Hebrew prophets are often described in terms of covenants,

partly to emphasize that seeing the hand of God at work starts with a conscious decision to view the world a certain way.

Consider someone who assumes that all existence is the work of a creator who speaks through the events of the world. He can follow that assumption down the road and decide whether God seems to be keeping his side of the bargain. Many of us live like this and feel that with time our trust in him has been affirmed. There's no scientific argument for this way of drawing meaning from experience. But there's no way science could disprove it either, because it is outside the scope of scientific inquiry.

Some religious adherents do make claims that deserve to be disputed by science. For instance, they may openly acknowledge that their deepest beliefs are incompatible with the existence of dinosaurs. The fictional me—and perhaps Mr. Brown too—might hope to put these holdouts back on their heels. But disputes like this never answer the most important question: Do we need to keep learning about God? For my part, in light of everything I know, I am certain that we do.

Mr. England is a professor of physics at the Massachusetts Institute of Technology.

# Fake News From the SPLC

By Jeryl Bier

The incident was just a harbinger of what has become a national outbreak of hate, as white supremacists celebrate Donald Trump's victory," the Southern Poverty Law Center proclaimed in a November 2016 report titled "Ten Days After: Harassment and Intimidation in the Aftermath of the Election."

As the SPLC described the incident: "Just a week before the November 8th election, attackers set a church in Greenville, Mississippi, on fire. The historically black church was targeted in what authorities believe was an act of voter intimidation, its walls spray-painted with the phrase 'Vote Trump.'

But the SPLC's "harbinger" turned out to be fake news. Three weeks after the center issued its report, police arrested a member of the vandalized church, Andrew McClinton, and charged him with arson. According to the Washington County Circuit Clerk's office in Greenville, Mr. McClinton has been indicted and is awaiting a trial date. The state fire marshal

told the Associated Press in December he did not believe the crime was "politically motivated."

Although the December 2016 arrest was widely reported at the time, the SPLC did not update or correct its report until I called it to their attention this week.

A church fire started by a congregant isn't an example of 'hate.'

What's more, it was still promoting the false story on Twitter as recently as Sept. 25. And at press time it has yet to update two earlier pieces on the incident, one reporting it the day after it occurred and the other calling on the governor to "condemn . . . race-based violence."

The SPLC has recently come under fire for its tendency to focus on "hate" only when it comes from what the SPLC sees as the political right, and for false characterizations, such as its designation of the Family Research Council as a "hate group" or libertarian social scientist Charles Murray as a "white nationalist."

But even journalists who criticize the SPLC for these smears have praised its tracking of real hate groups and reporting of hate incidents. The Washington Post's Dave Weigel told me in March that he appreciates the SPLC's tracking and profiling of extremist groups and uses the center's website as a reference to gauge the prevalence or impact of extremist groups he runs across when researching stories.

Will the SPLC's sloppiness—at best—in continuing to mischaracterize the Greenville incident as a hate crime lead journalists to reconsider? Mr. Weigel didn't respond to an email request for a follow-up interview. But his newspaper hosts the "Ten Days After" report on its website, noting—under its "Democracy Dies in Darkness" banner—that "the Southern Poverty Law Center documented 867 bias-related incidents in the ten days after the election of Donald Trump." Despite the Post's own reporting of Mr. McClinton's arrest, the report is

presented in its original form, with no correction.

Ms. Via added: "As you write about the SPLC, I urge you to also use the opportunity to shed light on the prevalence of hate incidents in our nation." She also acknowledged that the SPLC's reports "are anecdotal."

Mr. Bier is an accountant and freelance writer.

BOOKSHELF | By Gregory Crouch

# Things You Don't Tell Your Mudder

## It Takes a Tribe

By Will Dean

(Portfolio, 262 pages, \$28)

When Will Dean first submitted his perhaps-too-original business proposal to his Harvard Business School professors, they judged it "simplistic" and "too optimistic." The most common response was: "Mr. Dean, do you really think anyone will pay you to run through mud?" Turns out they would.

It isn't difficult to imagine how preposterous the idea must have seemed in 2010: "Create a weekend adult obstacle course," an "untimed challenge" that could "only be negotiated with help from friends and teammates and strangers." (At the time, other entry-fee based obstacle-course races, such as the Spartan Race and Rugged Maniac, were equally embryonic.) It would be a test "based on mutual cooperation, not winner-take-all competition." Mr. Dean believed that out of an experience of effort, agony and camaraderie would spring a "global tribe that lives the values of courage, personal accomplishment, teamwork, and fun." He would call these people "Tough Mudders."

Mr. Dean has since expanded his "mud fair" into gargantuan events, with 20 to 25 obstacles and thousands of participants spread over 10- to 12-mile courses. They combine the best elements of foul-weather mud-running with team-building exercises that demand military-style leadership. The result is a "test of courage and commitment," made up of equal parts endurance sufferfest and muddy fun pit.

Today the Tough Mudder movement is a global enterprise, with more than 2.5 million participants and in excess of \$100 million a year in revenue.

"It Takes a Tribe: Building the Tough Mudder Movement," which Mr. Dean wrote with co-author Tim Adams, is the story of Mr. Dean's entrepreneurial journey. He narrates the history of the Mudder movement, shares stories from the Tough Mudder "tribe" and offers advice on bringing Tough Mudder principles and values into our personal lives and business organizations. It's an attempt to elevate the Mudder culture to the level of Nike's Swoosh and "Just Do It." Topics range from overcoming fears to cultivating and connecting with a tribe, making innovation happen and navigating the challenges of business ownership.

Mr. Dean is a naturally incisive and decisive businessman with an eye for opportunity he has apparently honed since childhood. As a schoolboy, he flogged gym bags branded with his school emblem to a £10,000 profit. Growing up in the gritty industrial town of Worksop, England, a place whose "identity and purpose," he writes, was destroyed by the mid-1980s coal miners' strike, he developed a "nostalgia for grit and camarader

## OPINION

### REVIEW & OUTLOOK

## Salvaging Private Health Insurance

R epublicans are still trying to defuse the ticking ObamaCare bomb without blowing themselves up, and on Thursday the GOP cut the first wire: President Trump signed an executive order that could begin to revive private insurance markets. More to the point, Americans may start to have more choices at a lower cost.

One piece of this week's order directs the Labor Department to "consider expanding access" to Association Health Plans, which would allow small businesses to team up to offer insurance. The purpose is to let trade groups form insurance risk pools across state lines and enjoy economies of scale. Many large companies are freed from state and some federal benefit mandates and operate under a law known as Erisa. Smaller businesses deserve similar flexibility.

More association plans might start to reverse the decline in small business coverage, and a White House fact sheet notes that the share of workers at small firms with employer coverage has dropped to about one-third in 2017 from almost half in 2010.

The order also seeks to expand the flexibility and use of health-reimbursement arrangements, which allow employers to pay back employees for health-care expenses with pretax dollars. This could be a step toward equalizing the tax treatment for smaller businesses that don't offer coverage and thus don't qualify for the subsidy known as the employer tax exclusion.

A third part of the order directs cabinet agencies to consider new rules on short-term insurance plans, which the Obama Administration restricted for the mortal sin of popularity. The plans traditionally could run for a year and often cover catastrophic events with relatively broad networks of doctors and hospitals. This can be a lifeline for folks between jobs.

But an Obama rule that took effect earlier this year limited the duration of the plans to 90 days. ObamaCare's central planners hated that so many people were choosing the short-term options that can cost a third of standard plans. The Obama Administration said short-term plans don't qualify as "minimum essential coverage" under ObamaCare, though it sure beats the risks of going without insurance.

The short-term market has historically been minuscule, but perhaps demand will be higher now given that average ObamaCare premiums have increased dramatically since 2013. One unknown is how many insurers will participate or what coverage will be included. Presumably the

### Trump's executive order should create more choices and lower costs.

Administration will certify the plans as compliant with ObamaCare's coverage mandate, though the executive order doesn't say.

ObamaCare's defenders are calling all of this "sabotage" and warning about "adverse selection," in which a more robust individual market will siphon off the healthy customers that prop up ObamaCare's exchanges. They predict a death spiral of higher premiums for the sick or elderly left on the exchanges.

Yet the ObamaCare exchanges were deteriorating long before Mr. Trump arrived, as the young and healthy and insurers fled. Enrollment is 60% lower than the Congressional Budget Office predicted, which is impressive even by CBO's record of missing the mark. Some 6.7 million people paid a tax in 2015 rather than buy coverage they don't want or can't afford.

If the small-plan and association markets grow enough, perhaps the exchanges could over time become high-risk pools that subsidize care for the sick, as the Juniper Research Group's Chris Jacobs has suggested. What eludes the Socratic dialogues of Jimmy Kimmel is that the small percentage of Americans with pre-existing conditions need help paying for known problems, not unexpected events built into the price of insurance. This can be done without burying the costs across higher premiums for everyone, as ObamaCare does.

The downside of the executive order, and it's considerable, is that these are all regulations that could be changed by, say, President Bernie Sanders. Reform by statute would be far more durable. So it was surprising to see Kentucky Senator Rand Paul all over cable-TV Thursday taking credit for the new rules after he did so much to scuttle ObamaCare repeal in Congress. He'll need more than this for absolution.

The association-health plans in particular will require what the White House calls a "broader interpretation" of the Erisa law. Any legal judgment will await the fine print, but this is the kind of rule by regulation that will have to withstand inevitable court challenge.

The order's practical effect thus won't be known for months, though the agencies ought to move quickly to mitigate as much damage as possible in next year's markets. The executive order isn't the sabotage Democrats claim but neither is it the political salvation some Republicans hope. Republicans shouldn't use these modest improvements as an excuse to avoid pushing more durable legislative reform.

## America Out of Unesco

T he Trump Administration isn't known for public-relations savvy, and Thursday's surprise that the U.S. is withdrawing from the United Nations's main cultural agency is a case in point. The decision was still the right one.

State Department spokeswoman Heather Nauert said the U.S. will leave the Paris-based U.N. Educational, Scientific and Cultural Organization, or Unesco, on Dec. 31 and become a non-member observer. She cited "concerns with mounting arrears," "the need for fundamental reform" and "continuing anti-Israel bias." Israeli Prime Minister Benjamin Netanyahu called the decision "courageous and ethical" on Twitter and said his country will also quit.

For decades Unesco has been a political agency masquerading as a cultural institution. The Soviets ran its education programs and its anti-American bent continues. Unesco's current chief, Irina Bokova, is a Bulgarian with a Commu-

nist past who ran for U.N. Secretary-General with the backing of Vladimir Putin.

In 2011 Ms. Bokova let the Palestinian Authority join Unesco as a member state, triggering a U.S. law that prevents U.S. funding for any U.N. body that accepts a Palestinian state. Unesco claims the U.S. now owes about \$550 million in missed payments.

In July Unesco declared Israel's Tomb of the Patriarchs and other areas as Palestinian heritage sites, an act of political incitement. As U.N. Ambassador Nikki Haley explained Thursday, the agency has engaged "in a long line of foolish actions, which includes keeping Syrian dictator Bashar al-Assad on a UNESCO human rights committee even after his murderous crackdown on peaceful protesters."

Ms. Haley also wants to reform U.N. peacekeeping and has warned the U.S. may withdraw from the Human Rights Council absent reform. The Unesco withdrawal is a good first step.

## China's Reform Canary

T he debate in China over economic reform has just become more interesting. Central Bank Governor Zhou Xiaochuan on Monday called for freer trade and an end to capital controls as essential to restructure the economy. Coming on the eve of the Communist Party Congress, this could be an important moment.

Mr. Zhou is right that a convertible currency—the yuan—is key to rebalancing China's economy from its long-time dependence on high savings and investment. Capital controls keep savings within China's financial system, depressing the cost of capital and subsidizing investment at the expense of household income.

This combination, known as financial repression, has contributed to the massive increase in lending over the past decade. Total debt in the economy soared to 280% of GDP by some estimates. Moody's and Standard & Poor's downgraded China's sovereign debt this year because of the rapid increase in borrowing, which is historically linked to financial crises.

One possible consequence for China when this bill comes due is slowing growth and stagnating real wages, much like Japan in the 1990s. The return on investment has fallen as more industries suffer from overcapacity.

Beijing recognizes the need to rebalance toward consumption and foster productivity growth. In recent years, the government has forced some factories to close, ordered banks to stop lending to "zombie firms" that are insolvent, and ploughed money into research and development. But it also favors state-owned en-

terprises over private companies that are more efficient and innovative.

Mr. Zhou's insight is that the free movement of capital would discipline companies without government micromanagement. He championed the liberalization of domestic interest rates in 2015, but they are still artificially low because of capital controls.

Only when Chinese savers can seek higher returns abroad will companies have to pay a market price for capital. Banks will also have to pay savers more interest to attract deposits, stimulating consumption.

Beijing would naturally prefer to make this transition when the yuan isn't under attack from speculators. Mr. Zhou's remarks are surprising because China has battled capital flight for the past three years. The outflows exceeded \$100 billion a month in the last half of 2015, prompting Beijing to retighten capital controls.

Global monetary conditions are more favorable this year, with the weak dollar allowing the central bank to keep credit looser. The yuan appreciated against the dollar and China's foreign-exchange reserves began to rise again, though some capital continues to leak out.

That respite may not last, but Mr. Zhou is right that Beijing can't afford to wait. Due to retire next March, the Governor may speak only for reform-minded technocrats. But perhaps his signal flare means that supreme leader Xi Jinping wants to address China's economic imbalances after he consolidates power at this month's Party Congress. That would bring some near-term risks, but in the long run it would promote China's growth and prosperity.

### The central bank governor calls for an end to capital controls.

### Trump's executive order should create more choices and lower costs.

Administration will certify the plans as compliant with ObamaCare's coverage mandate, though the executive order doesn't say.

ObamaCare's defenders are calling all of this "sabotage" and warning about "adverse selection," in which a more robust individual market will siphon off the healthy customers that prop up ObamaCare's exchanges.

They predict a death spiral of higher premiums for the sick or elderly left on the exchanges.

Yet the ObamaCare exchanges were deteriorating long before Mr. Trump arrived, as the young and healthy and insurers fled. Enrollment is 60% lower than the Congressional Budget Office predicted, which is impressive even by CBO's record of missing the mark. Some 6.7 million people paid a tax in 2015 rather than buy coverage they don't want or can't afford.

If the small-plan and association markets grow enough, perhaps the exchanges could over time become high-risk pools that subsidize care for the sick, as the Juniper Research Group's Chris Jacobs has suggested. What eludes the Socratic dialogues of Jimmy Kimmel is that the small percentage of Americans with pre-existing conditions need help paying for known problems, not unexpected events built into the price of insurance. This can be done without burying the costs across higher premiums for everyone, as ObamaCare does.

The downside of the executive order, and it's considerable, is that these are all regulations that could be changed by, say, President Bernie Sanders. Reform by statute would be far more durable. So it was surprising to see Kentucky Senator Rand Paul all over cable-TV Thursday taking credit for the new rules after he did so much to scuttle ObamaCare repeal in Congress. He'll need more than this for absolution.

The association-health plans in particular will require what the White House calls a "broader interpretation" of the Erisa law. Any legal judgment will await the fine print, but this is the kind of rule by regulation that will have to withstand inevitable court challenge.

The order's practical effect thus won't be known for months, though the agencies ought to move quickly to mitigate as much damage as possible in next year's markets. The executive order isn't the sabotage Democrats claim but neither is it the political salvation some Republicans hope. Republicans shouldn't use these modest improvements as an excuse to avoid pushing more durable legislative reform.

## LETTERS TO THE EDITOR

### Deadly Gerrymanders' Threat to Democracy

Regarding your editorials "Supreme Court 'Gobbledygook'" (Oct. 4) and "Of Judges and Gerrymanders" (Oct. 3): Nowhere in the Constitution are political parties mentioned. Were the Supreme Court to allow a standard for gerrymandering where the percentage of "wasted" votes for Democratic voters exceeded by too large a margin those for Republican voters (or vice versa), then it will have enshrined and supported the two current major parties. This would make the task of growing a new party that much harder. Should Justice Anthony Kennedy wish to view this as a First Amendment free-speech issue, he should consider how it would infringe on the free-speech rights of those voters who are supporters of third parties, or of no party.

GARY KAYS  
*Cape Girardeau, Mo.*

You mistake judicial modesty for judicial deference. While courts should not interfere unduly in matters that the Constitution explicitly vests in the legislative or executive branches of government, the notion that the judiciary's default position should be subservient to the political branches is misguided. The framers intended for the federal judiciary to be coequal to its political counterparts, serving as an indispensable check against an encroaching federal government. What will be left of judicial review if the Supreme Court cedes to politicians the power to elect themselves?

The Supreme Court should not neglect its duty to uphold the republican principles enshrined in the Constitution, even if the exercise is challenging and the solution imperfect.

JAMES C. LIDDELL  
*Washington*

Voter competition is vital to providing the highest quality political system. It forces competing candidates to offer new ideas that attract wider acceptance across ideological, racial and social boundaries. Democracy is truly damaged when there are stagnant and established leaders with little to no concern for the viewpoints of a wider slice of the American public. I agree that the Supreme Court should stay away from entering into the fray of partisan gerrymandering. However, we have a federal branch that is designed to deal with hotly debated political issues. Congress, not the courts, should legislate to prohibit redistricting for purely political advantage and require that states consider effects on voter competition, at least minimally. You could call it political antitrust.

ROBERT KUHN  
*University of Michigan Law School  
Ann Arbor, Mich.*

A quick glance at a map of one of those over-gerrymandered districts suggests a simple solution: Enforce an upper limit to the ratio of the length of the perimeter to the area.

JERRY BAUCK  
*Tempe, Ariz.*

### Jones Act Protectionism and American Power

The advice to relax the Jones Act restrictions on shipping to Puerto Rico ("A Jones Act Head Fake on Puerto Rico," Review & Outlook, Oct. 7) and the eventual repeal of the act would make sense if you also campaigned for the repeal of the laws and regulations that restrict U.S. shipping companies from being price competitive on the world market. The labor laws and construction-related regulations that have reduced the U.S. merchant marine service from the force that helped win a world war to a minimal presence in the world shipping market have as much impact on the cost of U.S. goods delivered by ship to Puerto Rico as does the Jones Act.

By the way, Hawaii, American Samoa, American Tahiti, Guam and the U.S. Virgin Islands are subject to the same regulations. Please also remember that goods shipped from other than U.S. ports do not require U.S.-flagged bottoms. Maybe the real answer is to restore the U.S. shipping industry and commercial shipbuilding industry to a competitive stance and make the Jones Act meaningless.

JACK HAMILTON  
*Silverdale, Wash.*

We aren't alone in codifying our protectionist interests. Most seafaring nations (Norway, U.K., Greece, Philippines, India, etc.) have solid cabotage laws similar to our Jones Act. They have never allowed foreign

### Would Cashlessness Work In Puerto Rico Sans Power?

Economists tell us that money performs at least two important roles: It is a medium of exchange and a store of value or a highly liquid form in which to hold wealth. In "Should We Move to a Mostly Cashless Society?" (Journal Report, Sept. 25), Kenneth S. Rogoff's objections to cash focus on the role of currency as a medium of exchange. Yet U.S. currency and the euro are widely used internationally as a store of value, and that use is likely to continue so long as the world is in some form of turmoil. The store of value role performed by currency argues against abolishing the \$100 and \$50 denomination notes.

GAIL E. MAKINEN  
*Arlington, Va.*

When hurricanes Harvey, Irma and Maria knocked out power, cellphones and cable, people were forced to use cash because credit-card readers failed and data transmission couldn't occur and merchants were accepting only cash. The same applies to other natural-disaster scenarios.

ROBERT E. PANOFF  
*Miami*

### CORRECTION

An image that ran with an Oct. 9 review of "Morgan: Mind of the Collector" shows a work of art depicting a Crucifixion from c. 1325-50. The original caption mentioned a different artwork.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.



"I may be domesticated, but I do have a wild side."

## OPINION

# The Iran Deal Violates U.S. Law

By David B. Rivkin Jr.  
And James L. Connaughton

As President Trump decides whether to certify his predecessor's nuclear deal with Iran, here's another wrinkle he should keep in mind: The deal's implementation violates federal law, namely the American Medical Isotopes Production Act of 2012.

That statute seeks to end the nuclear-proliferation risk associated with foreign production of radioactive substances for medical use using weapons-grade highly enriched uranium. U.S. doctors use a molybdenum

Obama let Tehran get into the medical-isotope business, contrary to the intent of Congress.

isotope, moly-99, in 20 million procedures annually to detect early cancer, heart disease and other lethal illnesses. But the U.S. has no domestic production capability, relying instead on foreign suppliers who obtain the necessary highly enriched uranium from the U.S. government.

In enacting the 2012 law, Congress sought to end exports of highly enriched uranium while ramping up sufficient domestic production of moly-99 to satisfy U.S. needs. Since America uses roughly half of the world's moly-99, robust U.S. production would cramp the ability of foreign isotope suppliers to control the market and sell their wares globally.

Under the 2012 law, the National Nuclear Security Administration is supposed to implement programs to encourage U.S. entrepreneurs to develop ways of making moly-99 without using highly enriched uranium, with the goal of making enough of it to justify permanently ending U.S. exports of highly enriched uranium. The Obama administration conspicuously failed to fulfill the law's requirements. Moly-99 is not being produced in the U.S. and the U.S. government continues to export weapons-grade uranium overseas.

The Iran deal makes matters worse. It specifically permits Tehran an unlimited right to generate highly enriched uranium for use in medical isotope production. Iran is free to join with other producers to control supply and price. Earlier this year Ali Akbar Salehi, Iran's former lead nuclear negotiator and now head of the Atomic Energy Organization of Iran, declared Iran's intention to become a major supplier of medical isotopes. Most significantly, the Iran deal's Joint Comprehensive Plan of Action commits the U.S. and other parties to assist Iranian medical isotope development with technology transfer, project finance, export credits and other forms of investment. The European Union has established a joint nuclear cooperation working group with Iran.

The U.S. cannot in good faith implement these obligations without evading its obligation under the American Medical Isotopes Production Act to curtail such foreign medical isotope production. Under U.S. law, there is no question which obligation prevails. The Obama administration, knowing the Senate would never ratify the JCPOA as a treaty, made it an "executive agreement" instead. Such agreements can have the force of law, but under our Constitution the president cannot unilaterally repeal a statute. It's another reason the administration should declare the Iran deal null and void.

Mr. Rivkin, a Washington-based constitutional lawyer, served at the Justice Department and White House Counsel's Office in the Reagan and George H.W. Bush administrations. Mr. Connaughton served as chairman of the White House Council on Environmental Quality, 2001-09.

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief  
DEPUTY MANAGING EDITORS:  
Michael W. Miller, Senior Deputy;  
Thorold Barker, Europe; Paul Beckett,  
Washington; Andrew Dowell, Asia;  
Christine Glancey, Operations;  
Jennifer J. Hicks, Digital;  
Neal Lipschutz, Standards; Alex Martin, News;  
Shazna Nessa, Visuals; Ann Podd, Initiatives;  
Matthew Rose, Enterprise;  
Stephen Wisniewski, Professional News  
Paul A. Gitto, Editor of the Editorial Page;  
Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:  
Suzi Watford, Marketing and Circulation;  
Joseph B. Vincent, Operations;  
Larry L. Hoffman, Production

# Justice Holmes's Free-Speech Lesson

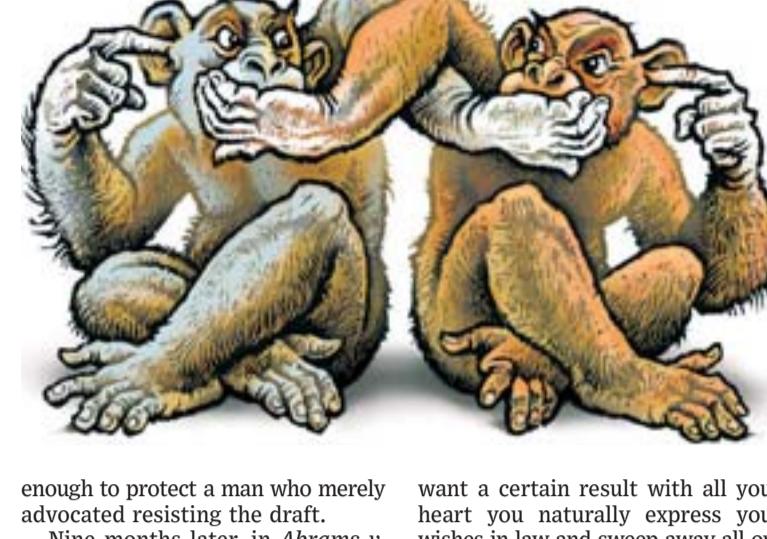
By Richard Dooling

If you are absolutely certain that President Trump is or is not an idiot, that climate change is or is not the most pressing problem of our age, that abortion is or is not murder, that football players should or should not be allowed to kneel during the national anthem, that our nation needs more or fewer gun laws, welcome! Most of us feel the same way. Absolute certainty is common, as is the suspicion that anybody who is absolutely certain of the opposite view must be evil, ignorant or a gullible consumer of fake news.

Along with absolute certainty comes the understandable impulse to regulate or ban the speech of your opponent. Why allow evil and ignorant people to infect others with falsehoods and dangerous ideas? Why not take away the licenses of broadcasters whose news departments have the wrong slant? Why not make hate speech illegal?

Almost a century ago, Justice Oliver Wendell Holmes Jr., wrestled with similar questions in a pair of Espionage Act cases. Holmes was absolutely certain that in most cases individual rights are subordinate to the needs of the state, and that the First Amendment did not protect an American citizen named Charles Schenck from prosecution for printing and mailing circulars opposing the draft.

In 1919 Holmes wrote to that effect for a unanimous Court in *Schenck v. U.S.*, famous for the misbegotten "fire in a crowded theater" analogy. *Schenck* also introduced the "clear and present danger" test, which most people think of as speech-protective, but according to Holmes and his colleagues was not



PHIL FOSTER

enough to protect a man who merely advocated resisting the draft.

Nine months later, in *Abrams v. U.S.*, Holmes changed his mind about the First Amendment. As described in Thomas Healy's 2013 book, "The Great Dissent," Holmes reconsidered his position after reading articles and books sent to him by Zechariah Chafee, Harold Laski and other prominent free-speech advocates.

**The more certain you are, the more you should resist the temptation to silence those who disagree.**

Holmes's dissent in *Abrams* gave birth to modern First Amendment jurisprudence, with its veneration for the marketplace of ideas. He began by observing that it makes perfect sense to persecute people for their opinions: "If you have no doubt of your premises or your power and

want a certain result with all your heart you naturally express your wishes in law and sweep away all opposition." The problem, Holmes realized, is that we are almost always absolutely certain of our premises, but sometimes we are wrong.

Consider the contemporary example of gay rights. The American Psychiatric Association publishes a reference guide, the Diagnostic and Statistical Manual of Mental Disorders, currently in its fifth edition. Originally published in 1952, the DSM listed homosexuality as a mental disorder of one kind or another until 1987. These days, some psychiatrists are pushing to have "homophobia" listed as a mental illness. If that happens, would the APA be announcing that a majority of its members were mentally ill until 1987?

Fifty years ago, the majority of psychiatrists, and the majority of people, were absolutely certain that homosexuality was a mental disorder. If we could go back in time and ask them if gay people should be allowed to argue in public that homosexuality

is not a mental disorder, many of them would say no. We already "know" it is a mental illness—even medical doctors and the Supreme Court agree.

Holmes's radical idea was that we are too often wrong. When we are wrong, the consequences can be dire. When we are not only absolutely certain but also right, what is the harm in allowing other views to be heard? The truth needs no protectors and will eventually win out, but nobody said it better than Holmes:

"When men have realized that time has upset many fighting faiths, they may come to believe even more than they believe the very foundations of their own conduct that the ultimate good desired is better reached by free trade in ideas—that the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out. That at any rate is the theory of our Constitution. It is an experiment, as all life is an experiment. Every year if not every day we have to wager our salvation upon some prophecy based upon imperfect knowledge. While that experiment is part of our system I think that we should be eternally vigilant against attempts to check the expression of opinions that we loathe and believe to be fraught with death."

Maybe you disagree with Justice Holmes. But thanks to the First Amendment, you are free to argue against him and let the best idea win.

*Mr. Dooling teaches at the University of Nebraska College of Law and has published seven books.*

## Gene Editing Is Here, and Desperate Patients Want It

By Henry I. Miller

Should Americans be allowed to edit their DNA to prevent genetic diseases in their children? That question, which once might have sounded like science fiction, is stirring debate as breakthroughs bring the idea closer to reality. Bioethicists and activists, worried about falling down the slippery slope to genetically modified Olympic athletes, are calling for more regulation.

The bigger concern is exactly the opposite—that this kind of excessive introspection will cause patients to suffer and even die needlessly. Anachronistic restrictions at the Food and Drug Administration and the National Institutes of Health effectively ban gene-editing research in human embryos that would lead to implantation and births. These prohibitions are inhibiting critical clinical research and should be lifted immediately.

Curing genetic diseases has been a goal of biotechnology since the 1970s, when the molecular techniques for modifying DNA were invented. So far most of the clinical work on "gene therapy" has involved treating the "somatic" cells that make up, say, the liver or the blood. That altered DNA cannot be passed down to the patient's offspring. In 1990 a 4-year-old with "bubble boy disease," a genetic defect called Severe Combined Immunodeficiency, was first treated at

the National Institutes of Health. A string of qualified successes followed, with promising early results for afflictions ranging from fatal genetic diseases to Parkinson's.

More controversial is editing the DNA of eggs, sperm and embryos, since those changes would be passed on to future generations. Pre-clinical research is moving swiftly: A multinational team led by Shoukhrat Mitalipov, an embryologist at Oregon Health

**Two-thirds of Americans support therapeutic use, but regulators are still stuck in the 1970s.**

and Science University, has corrected in human embryos an abnormal gene called MYBPC3, which can cause a condition marked by cardiac arrhythmia, heart failure and sudden death. That research, published in August, represents a major advance for three reasons.

First, of the 58 embryos manipulated with a gene-editing system called Crispr, the MYBPC3 gene was repaired in 42—a rate of success that's unprecedented in this kind of study. Second, the gene-editing system appears to have worked with extraordinary accuracy, avoiding the unwanted ("off-target") changes to DNA that had plagued earlier attempts.

These recent studies demonstrate how rapidly the field is moving. Using a more primitive approach, the MYBPC3 mutation was first corrected in mice only three years ago. Now, after the Oregon study, the technology is arguably at the stage

Third, all of the cells in the successfully modified embryos contained the normal DNA. If one of the study's corrected embryos had been implanted in a woman's uterus, there's a reasonable chance it would have become a healthy baby.

This type of research is also taking place abroad. Last month a Chinese group led by Junjiu Huang announced it had used a refinement of the Crispr system on human embryos to correct the mutated gene responsible for a blood disorder called beta-thalassemia.

As to the ethics, it would be unacceptable to modify normal embryos—the cliché about "designer babies"—but nobody is proposing to do that, and no American regulatory agency would approve it. If the concern is that embryos may be destroyed, parents with genetic diseases are already discarding many while using in vitro fertilization as a way to avoid passing on abnormal DNA. Today's state-of-the-art approach is to create a set of embryos, test them for the faulty gene, implant a normal one, and discard the rest. The use of Crispr gene-editing to correct abnormal embryos would likely result in fewer being destroyed.

These recent studies demonstrate how rapidly the field is moving. Using a more primitive approach, the MYBPC3 mutation was first corrected in mice only three years ago. Now, after the Oregon study, the technology is arguably at the stage

where clinical trials could be undertaken to see whether gene-edited human embryos can develop into healthy babies. The potential to help millions of people avoid horrific genetic conditions is nearly within scientists' grasp.

What's holding researchers back, at least in America, is outmoded regulations. The FDA is blocked by law from accepting applications for research involving gene editing of the human germ line—meaning eggs, sperm and embryos. The NIH, whose approval also would be needed, is similarly barred from even considering applications to conduct such experiments in humans. These rules date as far back as the 1970s, when the technology was in its infancy. It's easy to invoke hypothetical fears when actual lifesaving interventions are decades away.

Today they aren't—and desperate patients deserve access to whatever cures this technology may be able to provide. The public thinks so, too. A survey this summer found that nearly two-thirds of Americans support therapeutic gene editing—in somatic and germ-line cells alike. Popular opinion is in tune with scientific reality. Legislators and regulators need to catch up.

*Dr. Miller, a physician and molecular biologist, is a fellow at Stanford University's Hoover Institution. He was the founding director of the FDA's Office of Biotechnology.*

Yousif al-Jabouri

I was born 40 years ago in Baghdad. I am married with two children, an 11-year-old boy and an 8-year-old girl. We have been living in the U.S. since 2014.

I worked with the U.S. Army as an interpreter between 2004 and 2009 on Forward Operating Base Warrior in Kirkuk province. I began working for the U.S. because I believed in the honest efforts of the American soldiers to create a better Iraq, with

freedom and democracy, and I believed that Iraqis must have a role in this operation.

As an interpreter, I often had to act like a soldier, only without a weapon. I was exposed to the same danger as the American soldiers, except that I was unarmed and vulnerable to attacks on my days off, when I was not under the unit's protection. I therefore had to live a double life, pretending to work for an oil company in northern Iraq to justify my absence to friends and relatives, whom I kept in the dark for security reasons.

During my employment with the U.S. Army, I received many threats from hostile militias, which continued even after I resigned in 2009, when I heard that the Iraqi government wanted access to the database of local interpreters. That was a scary thing, because the Iraqi government in late-2008 had been infiltrated by hostile entities.

I had seen what extremists do to people like me, accused of treason for working with the U.S. I knew these killers wouldn't spare my family if they managed to find me. Seeking a better life elsewhere for the sake of my children, I applied for and was granted a Special Immigrant Visa for those who had worked with U.S. forces.

While we are grateful to live in safety now, I wish I could say the same for the family I had to leave behind. My mother, brothers and sister, still in Iraq, remain in danger. They are considered the close family

of a traitor and militias will often go after the relatives to get to their main target. Because my family members share my last name, I am unable to use my real name in this public forum. It's too dangerous for them.

**As an Iraqi who helped U.S. troops, I wasn't safe. My mother, sister and brothers still aren't.**

Only the most persecuted and vulnerable refugees will ever be considered for resettlement. Doesn't my family fall into that category? I understand the president wishes to protect Americans from terrorism, but my family members are the ones fleeing the terrorists. They are at great risk of being targeted, as they live in a country where Shiite militias and Islamic State are still influential and looking to make an example out of those who worked with the Americans. Reducing the number of resettlement spots directly puts more lives at risk.

I reached safety in a country that accepted me, my wife and our children. We were treated not as refugees but as citizens. I hope this country will do the same for the rest of my family and others who are in similar situations. Congress can take legislative action to remedy the situation, but the president has the authority to change his mind and increase refugee admissions to respond to an urgent need. He has shifted on policy before, and this would be an appropriate instance for him to change his mind again.

Protecting the persecuted is the right thing to do, and it's what America has always done. That is why I offered my help to Americans in Iraq. I hope the U.S. will continue to do the right thing and resettle refugees, like my family, who live in fear.

*Yousif al-Jabouri is a pseudonym for a case worker at the International Refugee Assistance Project.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief  
DEPUTY MANAGING EDITORS:  
Michael W. Miller, Senior Deputy;  
Thorold Barker, Europe; Paul Beckett,  
Washington; Andrew Dowell, Asia;  
Christine Glancey, Operations;  
Jennifer J. Hicks, Digital;  
Neal Lipschutz, Standards; Alex Martin, News;  
Shazna Nessa, Visuals; Ann Podd, Initiatives;  
Matthew Rose, Enterprise;  
Stephen Wisniewski, Professional News  
Paul A. Gitto, Editor of the Editorial Page;  
Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:  
Suzi Watford, Marketing and Circulation;  
Joseph B. Vincent, Operations;  
Larry L. Hoffman, Production

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief  
DEPUTY MANAGING EDITORS:  
Michael W. Miller, Senior Deputy;  
Thorold Barker, Europe; Paul Beckett,  
Washington; Andrew Dowell, Asia;  
Christine Glancey, Operations;  
Jennifer J. Hicks, Digital;  
Neal Lipschutz, Standards; Alex Martin, News;  
Shazna Nessa, Visuals; Ann Podd, Initiatives;  
Matthew Rose, Enterprise;  
Stephen Wisniewski, Professional News  
Paul A. Gitto, Editor of the Editorial Page;  
Daniel Henninger, Deputy Editor, Editorial Page

DOW JONES  
News Corp

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief  
DEPUTY MANAGING EDITORS:  
Michael W. Miller, Senior Deputy;  
Thorold Barker, Europe; Paul Beckett,  
Washington; Andrew Dowell, Asia;  
Christine Glancey, Operations;  
Jennifer J. Hicks, Digital;  
Neal Lipschutz, Standards; Alex Martin, News;  
Shazna Nessa, Visuals; Ann Podd, Initiatives;  
Matthew Rose, Enterprise;  
Stephen Wisniewski, Professional News  
Paul A. Gitto, Editor of the Editorial Page;  
Daniel Henninger, Deputy Editor, Editorial Page

# GIRLS AROUND THE WORLD ARE FIGHTING FOR THEIR FREEDOM EVERY DAY

TAKE ACTION TO ENSURE #FREEDOMFORGIRLS  
AT [GLOBALGOALS.ORG/DAYOFTHEGIRL](http://GLOBALGOALS.ORG/DAYOFTHEGIRL)

**GLOBAL CITIZEN** + **CHIME**  
FOR CHANGE  
FOUNDED BY GUCCI

JOINING FORCES FOR GENDER EQUALITY

# BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

\* \* \* \* \*

THE WALL STREET JOURNAL.

Friday, October 13, 2017 | B1

S&P 2550.93 ▼ 0.17% S&P FIN ▼ 0.72% S&P IT ▲ 0.04% DJ TRANS ▲ 0.62% WSJ \$ IDX ▼ 0.005% LIBOR 3M 1.359 NIKKEI (Midday) 21003.50 ▲ 0.23%

See more at [WSJMarkets.com](http://WSJMarkets.com)

## Card Lending, Cost Cuts Fortify Banks

Results at J.P. Morgan and Citigroup point to worsening quality of consumer credit

By TELIS DEMOS  
AND EMILY GLAZER

Growth in credit-card lending and a tight rein on costs boosted third-quarter profits at **J.P. Morgan Chase & Co.** and **Citigroup Inc.**, offsetting downbeat trading results and a still-challenging interest-rate environment.

The results, though, pointed to early signs of a potential deterioration in consumer-

credit quality, which could be a concern for many lenders and credit-card issuers.

The results from J.P. Morgan and Citigroup, the Nos. 1 and 4 U.S. banks by assets, respectively, showed modest increases in revenue. But the focus on costs led net income to rise 7.1% at J.P. Morgan to \$6.73 billion and 7.6% to \$4.13 billion at Citigroup.

"We tightly managed our expenses and again saw loan and deposit growth in both our consumer and institutional businesses," Citigroup Chief Executive Michael Corbat told analysts Thursday.

Citigroup's efficiency ratio, or expenses as a percentage of

revenue, improved to 56% for the quarter, better than the bank's target of 58% for the year. J.P. Morgan's fell to 55% from 57% a year earlier.

Both firms managed to beat Wall Street expectations for both revenue and earnings per share. Their stocks fell, though, as the results gave investors few reasons to think shares could build markedly on heady gains experienced in the wake of last year's presidential election.

Since Donald Trump's victory, Citigroup's stock has advanced by nearly 50% and J.P. Morgan shares are up nearly 40%. Both have outpaced the broader stock market and the

KBW Nasdaq Bank Index.

Those gains reflected investor expectations for stronger economic growth, higher interest rates and looser regulations. But many of those hopes, such as for tax overhaul that would boost banks' profits, have yet to materialize.

J.P. Morgan shareholder Jason Ware, chief investment officer of Salt Lake City-based **Albion Financial Group**, said the banks' results were "solid but perhaps not exceptional" and largely in line with expectations.

On the all-important interest-rate front, the experience so far this year has been mixed. Rates have moved

higher as the Federal Reserve has increased its short-term benchmark, but longer-term yields haven't risen as much.

That puts pressure on banks' net-interest margins, or the difference in what they earn by borrowing and lending money. These margins declined at Citigroup from a year ago, while they rose slightly at J.P. Morgan. At both banks, though, the margins remain historically low.

While net income grew at both banks, return on equity, a key measure of profitability,

Please see BANKS page B2

◆ Heard: Consumer credit is worry for small lenders...B12

### Slippage

Net-charge-off rate for bank cards

#### Citi store cards

3Q 2017	4.70%
3Q 2016	3.90%

#### Citi branded cards

3Q 2017	2.84%
3Q 2016	2.25%

#### J.P. Morgan cards

3Q 2017	2.87%
3Q 2016	2.51%

Source: the companies  
THE WALL STREET JOURNAL.

## Goldman To Lend To House Flippers

By LIZ HOFFMAN  
AND PETER RUDGEAIR

**Goldman Sachs Group Inc.**'s push to lend more has taken it to some strange places for a storied, elite Wall Street firm. The latest: house flipping.

Goldman is acquiring **Genesis Capital LLC**, a closely held Los Angeles firm that backs investors seeking to buy, spruce up and quickly sell homes. Genesis, founded in 2007, has been growing rapidly as the housing market continues to recover. It lent \$1 billion last year, up from \$50 million in 2013.

Goldman's interest in a small house-flipping financier reflects both the buoyancy of the residential real-estate market and the Wall Street firm's hunger for new profit engines as its core trading business remains stuck in a postcrisis slump.

Last year, Goldman launched Marcus, an online personal-lending platform that offers a lower-cost alternative for borrowers deep in credit-card debt. A new partnership with **Fidelity Investments** will offer Goldman loans to millions of individual brokerage accounts.

House flipping, once a symbol of the real-estate market's excess, has become hot again. Borrowers took out \$40 billion of these loans in 2016, the most since 2006, when flippers rushed to capitalize on rising home prices, and in some cases fueled the mania.

Genesis's loans average about \$1 million, carry rates of as much as 12% and run for about a year. Since 2014, they have been funded by **Oaktree Capital Management LP**, an alternative-asset giant.

Genesis will swap Oaktree's backing for deeper pockets at

Please see HOUSES page B2

## Chinese Try to Crack the Code for Fresh Food Online



## Fidelity Fires Star Money Manager

A star stock picker at mutual-fund company **Fidelity Investments** was fired last month for allegedly sexually harassing a junior female employee, according to an attorney for the woman and other people familiar with the matter.

By Kirsten Grind,  
Sarah Krouse  
and Jim Oberman

Gavin Baker, 41 years old, was one of the Boston-based investment firm's most well-known fund managers, placing bets on technology companies such as **Uber Technologies Inc.** and **Tesla Inc.** during his eight years at the helm of the \$16.4 billion Fidelity OTC Portfolio. He is also well known in Silicon Valley among venture capitalists and startup firms, as well as in the asset-management industry.

A spokesman for Mr. Baker said he "strenuously" denies any "supposed" allegations of sexual harassment.

"Gavin left Fidelity amicably a few weeks before planning to become engaged to his longtime girlfriend who is an analyst and fund manager there, as he believes his new fiancée and he should not



work at the same firm. After a great 18 years at Fidelity that he's very grateful to have experienced he's excited to begin a new job later this month," the spokesman said in a statement.

A spokesman for Fidelity said that, in general, "when allegations of these sorts arise, we investigate them immediately and take prompt and appropriate action."

The female employee is a 26-year-old equity-research associate at the firm, and is on leave, people familiar with the matter said. Other junior employees also have complained to superiors about harassment by Mr. Baker, people familiar with the matter said.

After the woman filed an internal complaint to Fidelity's human resources department about the alleged harassment, Fidelity Chief Executive Abigail Johnson made the decision to fire Mr. Baker, people familiar with the matter said.

Following Mr. Baker's dismissal, the company is undertaking a review of the culture within its stock picking unit, said a person familiar with the review.

Fidelity is among the world's largest investment and brokerage firms, with \$2.13 trillion in assets under management and \$5.7 trillion in

Please see FIRED page B2

## Equifax Probes Possible New Breach

By ANNAMARIA ANDRIOTIS  
AND ROBERT MCMILLAN

**Equifax Inc.** said Thursday that its website was used to serve "malicious content" to consumers.

The issue was due to code created by an unnamed vendor that Equifax was using to collect performance data on the company's website.

Equifax, already under scrutiny for its security practices, moved one of its web-pages offline "to conduct further analysis" amid reports of a possible hack on Thursday. It

has removed the vendor's code from its webpage.

Equifax systems weren't compromised, the company said in a statement.

This latest cyber issue emerged five weeks after Equifax disclosed a massive hack that compromised vital personal information for potentially 145.5 million Americans.

Following that, the company's chief executive, as well as its chief information and security officers, retired.

The source of this hack was a bug in the company's online dispute portal. That dispute

portal wasn't affected by this more recent issue, Equifax said.

Equifax shares fell nearly 3% at one point Thursday amid reports of a security problem and closed down 1.5% for the day.

The malicious content was discovered earlier this week by security researcher Randy Abrams as he tried to examine his own credit report on the Equifax website.

The problem was that Equifax's site was delivering fraudulent Adobe Flash updates to some visitors who tried to obtain free credit reports. The updates, while appearing to be a

new version of Adobe Systems Inc.'s widely used software were fake, said Mr. Abrams.

If installed, the updates would likely install malicious "adware" on the user's computer, he said. "They just want to hijack your browser and redirect it to disreputable sites," Mr. Abrams said of the adware creators.

Mr. Abrams noted the problem in a blog post and this was later reported on by website Ars Technica.

◆ Bill would boost oversight of credit-reporting firms..... B10

STREETWISE | By James Mackintosh

## A Case for the Bulls Is Hard to Warrant

Believers in the bull market have been making a one-word case for why this year's rise in stocks is justified: earnings. With profits on a roll and the world economy in synchronized growth mode, what's not to like?

As the earnings season gets into full swing, analysts are predicting another great set of profit figures. Hurricane effects make the consensus forecast of 5.5% year-over-year growth for the S&P 500 even less certain than usual, but there's no doubt that companies have delivered.

The trouble is how investors have reacted. The market is expensive on virtually every measure, which could be justified by strong earnings growth in the future. But when those earnings come through, the market ought to get less expensive.

Instead, it has become even pricier, meaning still-faster growth in profits is anticipated. The bull case is even harder to justify.

The simplest way to look at this is to break down price changes into changes in earnings and valuation. So long as stock prices rise by less than earnings, the valuation, or price/earnings ratio, comes down.

The P/E ratio can be measured in many ways, but at the moment the two most popular gauges—the price-to-forward operating earnings and the cyclically adjusted P/E ratio, or CAPE—have rarely been higher.

In the past, such high valuations were often followed by disappointment for investors, because earnings didn't come through to justify them. There is a good and a bad way for a high P/E ratio to drop back down to more normal levels. The bad way

valuation is **Apple Inc.** At the top of the dot-com bubble in 2000, Apple's shares traded at 34 times its (paltry) earnings. It now trades at less than 18 times trailing earnings and only 14 times estimates for the next 12 months, according to Thomson Reuters.

Apple has, of course, been a fabulous investment despite the lower valuation, because earnings rose 50-fold in the past 17 years, allowing the stock price to soar even as the P/E ratio came down.

Unfortunately for the bulls, this year hasn't been a case of companies growing into their valuations. It hasn't even been a case of forecast earnings going up fast enough that companies might soon grow into their earnings. In fact, it has been the opposite, at least among the S&P 500.

Only 78 companies out of the 490 for which FactSet

Please see STREET page B10

valuation is

Operating earnings

Earnings as reported

\$30

-15

-30

'88 '90 2000 '10

DATA FOR THE TWO FINAL QUARTERS OF 2017 ARE ESTIMATES.

SOURCE: S&P DOW JONES INDICES

THE WALL STREET JOURNAL

valuation is

Operating earnings

Earnings as reported

\$30

-15

-30

'88 '90 2000 '10

DATA FOR THE TWO FINAL QUARTERS OF 2017 ARE ESTIMATES.

SOURCE: S&P DOW JONES INDICES

THE WALL STREET JOURNAL

valuation is

Operating earnings

Earnings as reported

\$30

-15

-30

'88 '90 2000 '10

DATA FOR THE TWO FINAL QUARTERS OF 2017 ARE ESTIMATES.

SOURCE: S&P DOW JONES INDICES

THE WALL STREET JOURNAL

valuation is

Operating earnings

Earnings as reported

\$30

## 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
Activision Blizzard.....B2
Advanced Micro Devices.....B11
Air Berlin.....B6
Airbus.....B3
Air China Cargo.....B4
Albion Financial Group.....B1
Alibaba Group.....B4
Alitalia.....B6
Alphabet.....A1
Amazon.com.....A1,B2,B4,B12
AMC Networks.....A2
American Airlines Group.....B6
Anbang Insurance Group.....B12
Anglo American.....B6
Apple.....B1
AT&T.....A1
B
Bank of America.....B11
BHP Billiton.....B6
BlackRock.....B6
Boeing.....A7,B3
C
CarGurus.....B11
Charter Communications.....A1,A2
Citigroup.....B1,B11,B12
Comcast.....A1
ContextMedia Health.....A9
Costco Wholesale.....B2
D
Deloitte.....B10
Delta Air Lines.....B6
Deutsche Lufthansa.....B6
Dish Network.....A1,A2
E
Dow Jones.....A1,A8
DXC Technology.....B11
F
easyJet.....B6
Equifax.....B1,B4,B10
Experian.....B10
G
Facebook.....A2,B2,B4
Fidelity Investments.....B1
Freepost-McMoRan.....B11
H - I
General Motors.....B3
Genesis Capital.....B1
Gilead Sciences.....B3
Goldman Sachs Group.....A1,B1
J
HSBC.....B10
Innate Immunotherapeutics.....A3
K
JD.com.....B4
J.P. Morgan Chase.....B1,B11,B12
Juniper Networks.....B12
L
JWB Real Estate Capital.....B2
M
Kite Pharma.....B3
Kobe Steel.....B3
N
Lockheed Martin.....A7
O - R
Uber Technologies.....B1
United Continental Holdings.....B6
S
Samsung Electronics.....B6
Seven & I Holdings.....B12
Shanghai Futures Exchange.....B11
Snap.....B2
Sony Pictures Entertainment.....B4
Southwest Airlines.....B6
Sterlite Industries.....B6
Sunoco.....B12
T
Target.....B4
Tesla.....B1
Thames Water.....B12
Time Warner.....A2
TransUnion.....B10
U
Vedanta Resources.....B6
Viacom.....A2
W - Y
Wal-Mart Stores.....A2
Walt Disney.....A1,A2
Weinstein.....A2,B3
Wells Fargo.....B11
Yahoo.....B4

## INDEX TO PEOPLE

A
Ackerly, John.....B4
Agarwal, Anil.....B6
B
Baker, Gavin.....B1
Berman, Craig.....A1
Bezos, Jeff.....A2
Briesemann, Daniel.....B11
C
Cavanaugh, Karyn.....B11
Colby, Jim.....B12
Corbat, Michael.....B1
F
Feinberg, Lila.....A2
Flint, John.....B10
G - H
Gait, Paul.....B6
Gersbach, John.....B2
Gildersleeve, Gary.....B12
Glensberg, Ivan.....B6
Goodell, Roger.....A1,A8
I
Hackett, Isa Dick.....A2
Hansen, Michael.....B4
J
Isaka, Ryuichi.....B12
Johnson, Abigail.....B1
K
Kalra, Sonu.....B2
Kelley, David E.....A2
Kohli, Aaron.....B11
Kwon Oh-hyun.....B6
L
Lake, Marianne.....B2
Lin, Christopher.....B2
Loeb, Daniel.....B12
M
Martinez, Laurent.....B3
Mayer, Marissa.....B4
McGovern, Tom.....B2
Moffett, Craig.....A2
P
Morris, Michael.....A2
R
Price, Roy.....A1
Rieger, J.R.....B12
Riggs, Michael.....B4
Ryan, Shawn.....A2
S
Sandberg, Sheryl.....B4
Schlitzing, Warren.....B2
Schneiderman, Eric.....B10
Sifakis, Alex.....B2
Smith, Richard.....B10
Stankey, John.....A2
W
Ware, Jason.....B1
Weinstein, Harvey.....B1,B3
Widmer, Michael.....B11
Wong, Tal.....B11
Z
Zhao, Yue.....B4

## BANKS

*Continued from the prior page* remained relatively subdued. J.P. Morgan's return for the third quarter was 11%. That is above the bank's theoretical cost of capital of 10%, but not by much.

Citigroup, meanwhile, posted a return of 7.3%. Although this is up from 6.8% in the prior quarter and a year earlier, it is still well below the 10% level. Citigroup for years hasn't posted a return that consistently cleared that hurdle.

The banks also had to combat a decline in trading revenue in the third quarter, as financial-market volatility

remains at historically low levels. J.P. Morgan's trading revenue dropped 21% to \$4.53 billion, hurt by a 27% falloff in fixed-income trading. Citigroup's trading desk didn't suffer as sharp a decline, but trading was still down 11% from a year ago to \$3.63 billion.

J.P. Morgan finance chief Marianne Lake said during a call with analysts that the bank expects sluggish trading activity to continue into the fourth quarter and there were "no obvious catalysts on the horizon."

Both banks found bright spots with consumers.

Citigroup said it saw a 12% rise in revenue in its core North American retail-banking unit, to \$1.2 billion, in part as

more customers used its wealth-management services. It also saw a 6% jump in credit-card lending globally.

"We would rate the health of the consumer right now as pretty good," Mr. Corbat said. "The combination of jobs, a little bit of wage growth, stable housing and rising asset prices has left the consumer in a pretty good place."

J.P. Morgan also saw growth in its consumer unit, including an 8% rise in U.S. interest-bearing deposits. Ms. Lake said revenue in its credit-card business is expected to grow.

However, there are early signs that credit quality is slipping. Consumer payback rates have been a concern for lenders across the board, even

as the U.S. labor market remains robust.

Citigroup set aside \$2.15 billion in the third quarter to cover loans that could turn

bad in the future, about \$400 million more than a year ago. Much of that uptick in provisions was for credit-card loans. The bank said that future charge-offs were increasing more quickly than anticipated,

year ago.

The bank previously had suggested the second half of 2017 would deliver growth after years of investments—such as paying to take on the card business of **Costco Wholesale Corp.**—bore fruit.

"As late as June, we believed that...we'd be able to deliver at least some level of year-over-year revenue growth," Mr. Gersbach said. He added the bank was seeing tough competition in cards, where rivals have been offering increasingly generous inducements.

Mr. Gersbach said he still expected the bank's newest products, such as the Costco cards, to eventually deliver healthy growth.

## HOUSES

*Continued from the prior page* Goldman, which in recent years bought a deposit base from GE Capital. Terms of Goldman's deal with Genesis weren't disclosed.

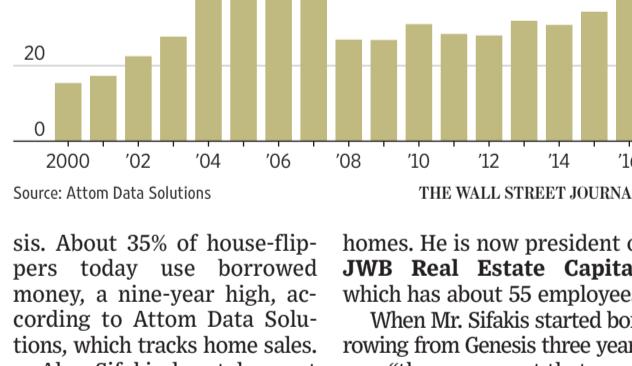
Goldman has been pushing lending as its traditional engines of trading and banking either sputter or mature. It has chosen its spots carefully, avoiding credit cards and other businesses that would put it in direct competition with large rivals and instead focusing on niche products where there is room to grow.

Buying Genesis inches Goldman closer to residential mortgages—an area executives have eyed warily, mindful of the public-relations and regulatory drubbing the firm took during the financial crisis for its sub-prime-trading activities.

Home-flipping finance, while a niche of the giant residential-mortgage market, is again a big business, after falling sharply following the cri-

### Fix-and-Flip

Investor spending on house-flipping has risen in recent years, though it remains below precrisis peaks.



sis. About 35% of house-flippers today use borrowed money, a nine-year high, according to Attom Data Solutions, which tracks home sales.

Alex Sifakis has taken out more than 100 loans from Genesis to renovate and sell homes in and around Jacksonville, Fla. Mr. Sifakis, 34 years old, got into the business in 2006 after attending a real-estate seminar on how to flip

homes. He is now president of **JWB Real Estate Capital**, which has about 55 employees.

When Mr. Sifakis started borrowing from Genesis three years ago, "there were not that many lenders out there," he said. Now, rising home prices and falling inventories have attracted new lenders offering lower rates, as well as increased competition from new borrowers.

"A lot more new home flip-

pers are coming out of the woodwork," he said. They "have seen the [TV] shows." (HGTV has become one of the fastest-growing cable-TV channels by airing shows such as "Flip or Flop.")

Banks and other large financial firms are increasingly dabbling in the business, though few as directly as Goldman will now do. Wells Fargo & Co. and J.P. Morgan Chase & Co. have extended credit lines to fix-and-flip lenders. Last year, Japanese investment bank Nomura Holdings Inc. securitized \$126 million in loans from online real-estate lender LendingHome Corp.

In recent months, buyers backed by Blackstone Group LP and Fortress Investment Group LLC have bought companies that specialize in these loans.

Genesis's loans will be booked through Goldman's regulated banking entity, which is looking for places to deploy its growing stash of deposits. But because Genesis's borrowers don't intend to live in the properties they buy, their loans are generally classified as commercial credits.

Investment in nonpublic companies comprised a small portion of the fund's portfolio under Mr. Baker's leadership, but included high-profile companies such as ride-sharing company Uber and Snapchat parent **Snap Inc.** before it went public.

Despite his fund's top performance, the OTC Portfolio hasn't been immune from broad industry pressure on mutual funds run by stock pickers. Investors pulled a net \$1.1 billion from the fund in 2016 and withdrew a net \$146 million in the first nine months of the year, according to Morningstar.

### ADVERTISEMENT

## Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

### BANKRUPTCIES

#### UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re: LEHMAN BROTHERS U.K. HOLDINGS (DELAWARE) INC. and LEHMAN PASS-THROUGH SECURITIES INC., Debtors. Chapter 11 Case No. 17-12442 (SCC) (Jointly Administered)

Official Form 309F (For Corporations or Partnerships)

Notice of Chapter 11 Bankruptcy Case

For each of the debtors listed above, a case has been filed under chapter 11 of the Bankruptcy Code. An order for relief has been entered.

This notice has important information about the cases for creditors, debtors, and trustees, including information about the meeting of creditors and deadlines.

The filing of the cases imposed an automatic stay against most collection activities. This means that creditors generally may not take action to collect debts from the debtors or the debtors' property.

For example, while the stay is in effect, creditors cannot sue, assert a deficiency, repossess property, or otherwise try to collect from the debtors. Creditors cannot demand repayment from the debtors by mail, phone, or otherwise. Creditors who violate the stay can be required to pay actual and punitive damages and attorney's fees.

Confirmation of a chapter 11 plan may result in a discharge of debt. A creditor who wants to have a particular debt or debtors discharged may be required to file a complaint in the bankruptcy clerk's office within the deadline specified in this notice. (See line 11 below for more information.)

To protect your rights, consult an attorney. All documents filed in the case may be inspected at the bankruptcy clerk's office at the address listed below or through PACER (Public Access to Court Electronic Records) at www.pacer.gov.

The staff of the bankruptcy clerk's office cannot give legal advice.

1. Debtors' full names: Lehman Brothers U.K. Holdings (Delaware) Inc., Lehman Pass-Through Securities Inc.

2. All other names used in the last 8 years: N/A.

3. Address: 27 Park Avenue, 46th Floor, New York, New York 10153-0019.

4. Debtors' attorney: Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153-0019. Garrett A. Fail, Jacqueline Marcus, Matthew S. Barr. Contact phone: (212) 310-8000. Email: garrett.fail@well.com jacqueline.marcus@well.com matt.barr@well.com.

5. Bankruptcy clerk's office: Clerk of the United States Bankruptcy Court, One Bowling Green, New York, NY 10004-1408. Documents in this case may be filed at this address. You may inspect all records in the case at this office or online at www.pacer.gov. Hours open: 8:30 a.m. - 5:00 p.m. CT.

6. Meeting of creditors: No meeting of creditors pursuant to section 341(a) of the Bankruptcy Code has been scheduled at this time. If a section 341(a) Meeting is scheduled in the future, further notice will be provided.

7. Proof of claim deadline: Deadline for filing proof of claim: November 14, 2017.

A proof of claim is a signed statement describing a creditor's claim. A proof of claim form may be obtained at www.uscourts.gov or any bankruptcy clerk's office.

Your claim will be allowed in the amount scheduled unless:

\* your claim is designated as disputed, contingent, or unliquidated;

\* you file a proof of claim in a different amount; or

\* you receive another notice.

If your claim is not scheduled or if your claim is designated as disputed, contingent, or unliquidated, you must file a proof of claim or you might not be paid on your claim and you might be unable to vote on a plan. You may file a proof of claim even if your claim is scheduled.

You may review the schedules at the bankruptcy clerk's office.

Secured creditors retain their collateral regardless of whether they file a proof of claim.

## BUSINESS NEWS

# NYPD Probes Weinstein Incident

BY ZOLAN KANNO-YOUNGS  
AND ERICH SCHWARTZEL

Authorities in New York are re-examining allegations of sexual abuse by Harvey Weinstein, raising the prospect that the disgraced producer could face criminal charges.

New York Police Department Chief of Detectives Robert Boyce earlier this week ordered the Special Victims Division to re-examine the evidence of an alleged assault in 2015, according to a law-enforcement official familiar with the investigation.

Investigators on Thursday were looking at an incident when an Italian model taped the producer apologizing for touching her breasts, the official said. Manhattan District Attorney Cyrus Vance Jr. has come under scrutiny recently for not pursuing sexual-abuse charges in the case.

"We're re-examining all of

**Investigators were looking at an incident involving an Italian model.**

the case," the official said. "If other victims come forward, we'll investigate those as well."

Mr. Weinstein's career and public reputation have rapidly imploded since a report last Thursday by the New York Times detailed a pattern of alleged sexual harassment and financial payouts to women over the past several decades. He was fired by the board of his Weinstein Co. studio on Sunday.

The model's account was one of several covered in an investigative report published by the New Yorker magazine this week. The model wore a wire for authorities, and the New Yorker published audio from the recording that features Mr. Weinstein repeatedly asking that she join him in his hotel room.

In a statement, the department said it is "conducting a review to determine if there are any additional complaints relating to the Harvey Weinstein matter. No filed complaints have been identified as of this time."

In a statement last week, Mr. Weinstein apologized for how he had "behaved with colleagues in the past." A representative for Mr. Weinstein declined to comment further on Thursday.

British media on Thursday reported that U.K. police launched a probe into allegations against Mr. Weinstein. A spokesman for London's Metropolitan Police wouldn't confirm the reports, but when asked said police in the English county of Merseyside on Wednesday passed along an allegation of sexual assault that dated from the late 1980s.

The U.K. doesn't have a statute of limitations for sexual assault. New York's statute of limitations is one year for a sexual-assault claim and three years for a sexual-harassment claim.

—Jenny Gross contributed to this article.

# GM to Idle Plant, Eliminate Jobs

Move is prompted by cooling auto sales in the U.S., especially of passenger cars

By MIKE COLIAS

General Motors Co. plans to temporarily close a Detroit factory and deepen cuts in production of slow-selling cars at the plant, idling some workers and letting others go around the holiday season.

GM's Detroit-Hamtramck assembly plant will shut down for about six weeks starting in mid-November, said people familiar with the plan. Roughly 1,500 workers who help build four passenger-car models at the plant will be laid off.

When operations resume, production will be scaled back 20%, costing about 200 workers their jobs, the people said.

A GM spokesman declined to comment.

The nation's largest auto maker already laid off several hundred employees at the Detroit-Hamtramck factory by eliminating the evening work shift earlier this year.

GM, like other auto makers, is revising production plans amid cooling U.S. vehicle sales, punctuated by a sharp contraction in the market for passenger cars. Consumers are opting for larger and more versatile sport-utility vehicles, with low prices at the fuel pump boosting the segment.

The upshot is dealer lots packed with compact and mid-size sedans that were staples of the U.S. auto market a few years back. GM, which has more passenger-car-only factories than its competitors, has moved aggressively to realign production amid the



General Motors intends to shut down its Detroit-Hamtramck assembly plant, shown in 2014, for about six weeks starting next month.

shift in consumer tastes.

Over the past year, GM has slashed passenger-car output, resulting in nearly 3,000 laid-off workers overall. Some have been transferred to busier plants making SUVs or components.

The Detroit-Hamtramck plant, which straddles the border of the Motor City and its smaller neighbor, is GM's least-productive assembly factory in North America, according to WardsAuto.com. And the 32-year-old plant has been hit especially hard by the passenger-car slump.

Workers there build four nameplates, including the small Chevrolet Volt plug-in hybrid and the Cadillac CT6, a large sedan introduced last year as the luxury brand's flagship car. Demand for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

model typically translates into stronger sales.

Critics lauded the CT6 as on a par with German luxury cars, but sales are nonetheless falling short of GM's goals.

GM executives repeatedly have said they would cut output to align with demand, even though the reduced production hurts revenue. Car companies book revenue when they ship vehicles to dealerships, and GM had long been criticized for cranking out too many cars that require steep discounts to sell.

GM finance chief Chuck Stevens told analysts in July that the company is "committed to take action on passenger cars, which we have done and will continue to do as required to align supply and demand."

the Buick LaCrosse, another car built at the plant, according to WardsAuto.com. A two-month supply is considered healthy. The cars are struggling to attract buyers even though most were recently redesigned. A fresh look for a

## TECHNOLOGY

# CEOs Make Protecting Data a Top Goal

Cyberattack threats change work habits of corporate bosses; cautious email replies

BY VANESSA FUHRMANS

Cyberthreats have zoomed to the top of CEOs' worry lists for fear a data breach could cost them their jobs and take down their businesses.

The fallout of attacks on companies from Target Corp. to Yahoo Inc. and, most recently, Equifax Inc. has thrust more corporate bosses to the front line of cybersecurity and changed the way they work.

No longer leaving data protection just to information-technology departments, chief executives are now often the ones reassuring nervous boards, stressing the importance of data security to employees, and leading drills to gird for a potential hack. And as especially ripe phishing targets, CEOs—more than many other staffers—are being forced to rein in once-free-

wheeling email habits.

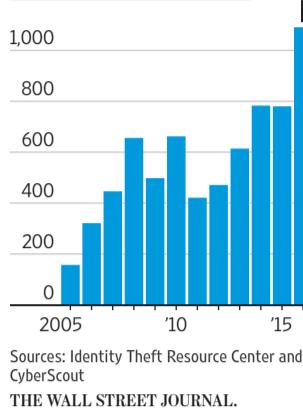
The number of U.S. data breaches jumped to a record 791 in the first six months of 2017, according to the nonprofit Identity Theft Resource Center and data-security firm CyberScout. That is a 29% jump from the year-earlier period. At the same time, U.S. chief executives surveyed by KPMG LLP this year on average ranked cybersecurity as their top investment focus over the next three years, up from its second-place spot in last year's survey.

"This is something a lot of us just didn't have to worry about five years ago—somebody else was handling that," says Michael Riggs, chief executive of car-hauling company **Jack Cooper Holdings** Corp. But now, "any CEO who's not putting this at the top of their priority list is crazy."

That is partly because their jobs are often the first on the line. Breaches at Target, Sony Pictures Entertainment and Equifax all spurred the departures of their bosses. Yahoo's then-CEO Marissa Mayer lost

### Hack Attacks

Reported U.S. data breaches of educational institutions, military and government agencies, medical facilities, financial firms and other businesses.



Sources: Identity Theft Resource Center and CyberScout  
THE WALL STREET JOURNAL.

her 2016 bonus after an attack that occurred on her watch.

"The more it hits everyday citizens, the more likely it will cost a CEO their job," says Brett Stephens, chief executive of board and executive search firm RSR Partners.

Jack Cooper, which has over 3,000 employees and transports cars for General Motors Co., Ford Motor Co. and other auto makers, doesn't just have to guard its own data. It is under pressure not to become the inadvertent portal through which hackers could gain access to its car-making customers, whose systems interact with theirs.

"They are a lot bigger pot of gold than we are, and we have to give assurances that we're not just OK, but that we're making this a top priority as far as the CEO and board are concerned," Mr. Riggs says.

Earlier this year, he rearranged the company's organizational structure so that the chief information officer reports directly to Mr. Riggs. On the executive team's conference call every Monday, the CIO updates Mr. Riggs and the rest of Jack Cooper's top executives on cybersecurity matters, from software problems with suppliers to other companies that have suffered attacks. On occasion, the team

has used the weekly updates to act immediately on a cybersecurity recommendation, such as a software upgrade.

Among the biggest cyber-risks to companies are CEOs themselves. The sheer amount of publicly available information about them makes it easy for so-called phishers to craft authentic-looking email urging them to click on malicious links or to initiate money transfers, experts say.

For Michael Hansen, CEO of

**Michael Hansen, CEO of Cengage Learning, takes part in drills that simulate cyberattacks.**

educational-content company Cengage Learning, that risk means he often can't immediately respond to email from students and other customers. He says he makes a point of answering each email, which number as many as five a day.

Now, though, he says he first has to scrutinize the email address and message or send them to the company's IT department for verification, which usually takes a couple of hours. "I would love to just hit the 'reply' button," he says. "But at the same time I have to be conscious that not everyone could be legitimate."

A few times a year, Mr. Hansen and other senior managers take part in drills in which they walk through a simulated phishing or other cyberattack and determine when to inform customers and investors of the breach.

For a business leader, "going through the process helps you appreciate the level of pain this will cause in real life," says John Ackerly, a former tech policy director in George W. Bush's White House who is CEO of Washington-based encryption and data-protection firm **Virtru** Corp. Plus, "it gives you insight into the quality of your team and where the weak links are."

—Angus Loten contributed to this article.



A vending machine sold hairy crabs in Shanghai last month. Alibaba and JD.com say their shipments of the delicacy could help customers become comfortable with buying fresh food online.

CHINA CIRCUIT | By Li Yuan

## Online Rivals View Crab as Key to Sales Feast

 Hairy crabs, a freshwater delicacy for the fall season, are the new foot soldiers in China's online fresh-food delivery war. E-commerce rivals **Alibaba Group Holding** and **JD.com** are competing to deliver the crustaceans fast and alive to customers.

To do that, JD.com works with **Air China Cargo** for prompt handling of hairy crabs at airports. Alibaba's Tmall assembled a fleet of 40 refrigerated trucks to pick up freshly harvested crabs and deliver them to 70 flights every day.

Both companies say they deliver hairy crabs to consumers in some cities within six hours of ordering for those in hundreds of other cities. Both promise to reimburse customers if the crabs arrive dead.

JD.com says it sold over 16 million hairy crabs and gift coupons in September, almost doubling from a year earlier. Tmall says it sold 140,000 in one minute at a presale event last month.

A reason for all the attention on hairy crabs—is

called for the bristles on their claws and legs—is that Chinese prefer to cook them live, believing they taste better. Unlike North American lobsters, which both JD.com and Alibaba sell, crabs resonate with Chinese. They are native to the rivers and estuaries of eastern China, and there is a craze to eat them in autumn, when the females are plump with roe.

**M**ore important for the companies, getting a live crab to a consumer is crucial to staying competitive and capturing the leading edge in delivering fresh food.

"The e-commerce companies have hit a bottleneck," says Zhao Yue, an analyst at research firm Analysys International in Beijing. "Fresh food is the last big category they have yet to conquer. It also happens to be a high-frequency purchase, which is exactly what the companies are looking for."

Online shopping is booming in China, but the growth in sales is slowing, from 67% in 2012 to 56% in 2014 and 26% in 2016, according to the Commerce Ministry. Alibaba and JD.com, which al-

ready have nearly 80% of the online retail market, are hunting for new prospects. Fresh food is seen as the final frontier.

Goldman Sachs expects online consumer purchases of groceries, including fresh food, to grow 34% between 2016 and 2020 in China, much higher than apparel, at 20%, or electronics and ap-

pliances, at 13%. By 2020, it estimates, consumer goods and groceries will be a \$2 trillion market, with fresh food accounting for 40%.

Getting Chinese to buy fresh food online is a challenge. Just like in the U.S., Chinese prefer to shop for fresh food at markets. Only 3% of fresh food was purchased online in China in 2016, according to Analysys. Alibaba is experimenting by allowing customers to shop at physical grocery stores

and then order by smartphone for home delivery.

The fresh-food business is tough, with low margins. Unlike with books or shoes, quality control is difficult with vegetables, meat and fish, and they spoil easily. E-commerce companies have to build climate-controlled logistics chains, increase the frequency of deliveries and keep inventories low. Logistics alone can eat as much as half the total cost for the online fresh-food business, says Ms. Zhao of Analysys.

Alibaba and JD.com tout their logistics capabilities, but both declined to say whether their fresh-food businesses—Tmall Fresh and JD Fresh—are profitable. Analysts like Ms. Zhao say they aren't. A JD.com spokesman says the fresh-food business generates sales in other product areas.

For their hairy-crab war, Tmall and JD.com worked for months to secure sourcing deals with crab farmers, set up new logistics chains and gear up marketing.

The most challenging part is keeping the crabs alive. About 4% of 15,000 comments on a \$30 package of eight crabs on JD.com were

left by unhappy customers. Some complained that their crabs were dead. By comparison, out of some 75,000 comments on a top-selling rice cooker on JD.com, about 700 were labeled as "negative," or less than 1%.

**S**imilar complaints appear on Tmall, though it doesn't categorize customer comments in terms of favorable or unfavorable.

Most people who have purchased fresh food online this year are members of China's middle class, with monthly incomes of over 8,000 yuan (\$1,214), according to iResearch in Beijing.

The target now is consumers beyond that group. If they are comfortable buying a perishable item like crab online, the thinking goes, they will shop for everything. "Fresh food is a very strategic area of the business. We are building trust and the consumer habit of buying everything from JD," says Zhujun Chu, a JD.com executive in charge of fresh food.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

## Amazon Has Plans to Hire 120,000 Seasonal Workers

BY LAURA STEVENS

**Amazon.com** Inc. said it plans to add 120,000 seasonal employees to help fill holiday orders at its warehouses, nearly doubling that segment of its workforce and topping hiring plans at other major retailers.

Still, it is the same number of temporary workers the online retailer brought on last year, reflecting hiring already done this year toward meeting its goal of adding 100,000 full-time and 30,000 part-time workers through mid-2018. Amazon plans to retain some of the workers, which would help it keep building toward that number.

Supply-chain experts say

competitive due to near record-low unemployment, requiring retailers and logistics companies to offer higher wages and other perks.

Amazon got an early start. In August—right before seasonal hiring traditionally starts—the company held a job fair online and in a dozen cities to hire 50,000 new permanent employees in a day. It received about 20,000 applications that day, and has since filled all the jobs, a spokeswoman said.

Amazon said it employs more than 125,000 full-time workers at over 75 fulfillment warehouses across the U.S.—a number likely to be updated when the company reports third-quarter earnings in the coming weeks.

Already, Amazon has warned it will be a quarter with heavy spending, in part due to opening new warehouses.

United Parcel Service Inc. has said it would hire 95,000 workers, also on par with last year, aiming to increase operational efficiency with the same number of workers even as the number of packages it ships grows. Wal-Mart Stores Inc. plans to give its in-store employees more hours, but also add 5,000 extra seasonal workers at its e-commerce business.

Macy's Inc. intends to increase seasonal hires at its warehouses by 20% to 18,000, although overall seasonal hiring at the retailer is down slightly.



Amazon boosts hiring at its warehouses to handle holiday orders.

## Facebook To Detail Russia's Ad Targets

BY DEEPA SEETHARAMAN AND JULIE BYKOWICZ

**Facebook** Inc. will publicly disclose the types of people targeted by Russian-backed ads during and after the 2016 presidential election, operating chief Sheryl Sandberg said.

In an interview Thursday with Axios, Ms. Sandberg acknowledged Facebook's platform was manipulated in a way it shouldn't have been during the election. She said the company was cooperating with Congress and planned to share with investigators more information about Russian-linked activity on the social network.

Facebook said last month that it had identified 470 "inauthentic" Russian-backed accounts tied to one pro-Kremlin company that was responsible for \$100,000 in ad spending on the company's platform. Those ads reached an estimated 10 million people.

The targeting information will reveal what kinds of American voters Russians aimed to reach. Facebook enables ads to be targeted by race, ethnicity, location and other characteristics.

Those who have seen the Facebook ads describe them as being intended to sow chaos. But Ms. Sandberg stressed that had the ads been purchased by legitimate accounts, Facebook would have allowed them to run. "We don't check the information people put on Facebook before they run it and I don't think anybody should want us to do that," Ms. Sandberg said.

Facebook is sharing information about its findings with other tech companies, she said. The company also is investing in machine learning to detect the kind of fake accounts that spread fake news during the election.

Congress is investigating foreign interference in the 2016 election, including efforts to back Donald Trump and oppose his Democratic rival, Hillary Clinton.

Ms. Sandberg spent back-to-back days on Capitol Hill this week addressing some of Facebook's challenges.

On Wednesday, she met with leaders of the House Intelligence Committee. On Thursday, she and a team of several Facebook executives sat down with members of the Congressional Black Caucus, a group of 49 black lawmakers.

In the Thursday meeting, Ms. Sandberg said Facebook was taking steps to increase diversity, including committing to add an African-American member to its board, according to five lawmakers who emerged from the briefing.

She also promised that Facebook would do more to combat foreign influence on the platform, according to lawmakers in the meeting.

—Byron Tau contributed to this article.

THE WALL STREET JOURNAL.

## CEO Council

# Annual Meeting

November 13–14,  
2017

Washington, D.C.

In a time of political tumult, the new administration in Washington is already recasting trade relations, health-care policy, tax rates, regulation and America's role in the world.

Join The Wall Street Journal as we explore these topics with key officials, industry leaders and global CEOs.



### Speakers include:

#### Anne Case

Professor, Economics and Public Affairs  
Emeritus, Princeton University

#### Kevin Hassett

Chairman, Council of Economic  
Advisers

#### Lawrence H. Summers

President Emeritus, Harvard University;  
Secretary, U.S. Department of the  
Treasury (1999-2001)

#### Angus Deaton

Nobel Laureate in Economics;  
Senior Scholar, Princeton University

#### Jerry Kaplan

Adjunct Professor, Stanford University;  
Author, "Humans Need Not Apply:  
A Guide to Wealth and Work in the Age  
of Artificial Intelligence"

#### Rex W. Tillerson

Secretary, U.S. Department  
of State

#### Betsy DeVos

Secretary, U.S. Department  
of Education

#### Amy Klobuchar

U.S. Senator (D., Minn.)

#### Jay Walker

Founder and CEO, Upside;  
Founder, Priceline.com;  
Founder, Library of the History  
of Human Imagination

#### John Ferriola

Chairman, CEO and President,  
Nucor Corporation

#### Chris Liddell

Assistant to the President;  
Director, Strategic Initiatives,  
The White House

#### Mark Warner

U.S. Senator (D., Va.)

#### Martin Ford

Author, "Rise of the Robots:  
Technology and the Threat  
of a Jobless Future"

#### Wilbur L. Ross, Jr.

Secretary, U.S. Department  
of Commerce

CEO Council membership is by invitation.

Learn more at [CEOCouncil.wsj.com](http://CEOCouncil.wsj.com)

Proudly supported by:

**AT Kearney**

**h** HR CERTIFICATION  
INSTITUTE™

**LAND ROVER**  
ABOVE & BEYOND

MOVE THE WORLD FORWARD  
MITSUBISHI  
HEAVY  
INDUSTRIES  
GROUP

**MUFG**

**Tech Mahindra**

**workday**

Built for the future.®



## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average



#### S&P 500 Index



#### Nasdaq Composite Index



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### Major U.S. Stock-Market Indexes

	Dow Jones			S&P 500 Index			Nasdaq Composite Index			
	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD % chg	
Industrial Average	22884.82	22821.13	22841.01	-31.88	-0.14	22872.89	17888.28	26.2	15.6	11.4
Transportation Avg	10049.73	9960.59	10038.13	61.47	0.62	10038.13	7967.02	24.6	11.0	8.3
Utility Average	746.88	742.37	744.88	2.42	0.33	754.80	625.44	13.7	12.9	9.9
Total Stock Market	26512.89	26446.10	26470.10	-40.29	-0.15	26510.39	21514.15	20.0	13.7	10.3
Barron's 400	686.15	683.41	685.10	-0.79	-0.12	687.05	521.59	26.8	13.9	11.7
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	6613.50	6586.32	6591.51	-12.04	-0.18	6603.55	5046.37	26.4	22.4	15.5
Nasdaq 100	6093.76	6063.47	6069.99	-11.26	-0.19	6081.25	4660.46	26.4	24.8	16.2
<b>Standard &amp; Poor's</b>										
500 Index	2555.33	2548.31	2550.93	-4.31	-0.17	2555.24	2085.18	19.6	13.9	10.2
MidCap 400	1822.29	1813.50	1819.73	-0.01	-0.001	1819.96	1476.68	19.8	9.6	11.7
SmallCap 600	911.52	906.16	909.43	-1.11	-0.12	918.72	703.64	23.3	8.5	14.2
<b>Other Indexes</b>										
Russell 2000	1508.43	1501.14	1505.16	-1.76	-0.12	1512.09	1156.89	23.8	10.9	12.6
NYSE Composite	12353.14	12325.03	12338.75	-23.31	-0.19	12362.06	10289.35	17.3	11.6	6.2
Value Line	543.19	540.55	542.41	-0.78	-0.14	545.78	455.65	14.9	7.2	6.1
NYSE Arca Biotech	4285.52	4250.33	4269.74	-5.97	-0.14	4304.77	2834.14	38.5	38.9	12.3
NYSE Arca Pharma	555.63	554.18	554.89	-0.97	-0.17	555.86	463.78	10.9	15.2	2.7
KBW Bank	100.78	99.24	99.36	-1.06	-1.05	100.76	70.90	40.1	8.2	13.0
PHLX® Gold/Silver	87.45	86.51	87.12	-0.02	-0.02	96.72	73.03	5.5	10.5	4.1
PHLX® Oil Service	137.91	136.04	136.95	-1.86	-1.34	192.66	117.79	-17.4	-25.5	-17.2
PHLX® Semiconductor	1219.35	1210.40	1211.10	-4.09	-0.34	1215.19	802.88	50.8	33.6	29.2
CBOE Volatility	10.33	9.65	9.91	0.06	0.61	22.51	9.19	-40.6	-29.4	-22.4

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Norwegian Cruise Line	NCLH	9,642.0	58.92	0.06	0.10	59.09	58.83
VanEck Vectors Gold Miner	GDX	8,210.5	23.68	-0.04	-0.17	23.72	23.68
SPDR S&P 500	SPY	6,791.3	254.53	-0.11	-0.04	255.05	253.17
iShares MSCI Emg Markets	EEM	5,661.8	46.30	0.06	0.13	46.33	46.20
CenturyLink	CTL	5,487.3	20.29	-0.06	-0.29	20.40	20.20
Level 3 Comm	LVLT	4,693.7	55.40	...	unch.	55.66	55.33
iShares MSCI Brazil Cap	EWZ	4,258.8	42.80	0.04	0.09	42.83	42.76
iShares China Large-Cap	FXI	2,559.2	45.87	...	unch.	45.92	45.81

#### Percentage gainers...

EXFO	EXFO	9.8	4.65	0.60	14.81	4.70	4.10
Inotek Pharmaceuticals	ITEK	159.7	3.23	0.28	9.49	3.77	2.95
Finish Line Cl A	FINL	44.6	11.12	0.67	6.41	11.12	10.45
Spark Therapeutics	ONCE	226.0	91.00	4.80	5.57	92.67	86.20
Zion Oil Gas	ZN	13.1	3.06	0.15	5.15	3.10	2.75
Tandem Diabetes Care	TNDM	53.6	3.58	-1.10	-23.50	4.56	3.40
Applied Optoelectronics	AAOI	850.7	46.68	-12.16	-20.67	58.84	43.05
Endocyte	ECYT	406.5	4.40	-0.45	-9.28	5.40	4.35
Rexahn Pharmaceuticals	RNN	19.1	2.70	-0.14	-4.93	2.88	2.70
TTM Technologies	TTMI	184.0	15.00	-0.63	-4.03	15.63	15.00

#### ...And losers

Tandem Diabetes Care	TNDM	53.6	3.58	-1.10	-23.50	4.56	3.40
Applied Optoelectronics	AAOI	850.7	46.68	-12.16	-20.67	58.84	43.05
Endocyte	ECYT	406.5	4.40	-0.45	-9.28	5.40	4.35
Rexahn Pharmaceuticals	RNN	19.1	2.70	-0.14	-4.93	2.88	2.70
TTM Technologies	TTMI	184.0	15.00	-0.63	-4.03	15.63	15.00

#### Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.


<



# BIGGEST 1,000 STOCKS

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, October 12, 2017

Net

Stock Sym Close Chg

## BANKING & FINANCE

# The BBBs Rule Investment-Grade Bonds

IMF flags supremacy of lower-grade debt as an indication of feverish hunt for yield

By MIKE BIRD

The market in investment-grade bonds is increasingly dominated by the very lowest-quality debt that qualifies for that rating.

That could cause problems as investors stock up on bonds more prone to default or to quickly losing their value should credit conditions turn.

The portion of global corporate bonds rated triple-B has roughly doubled in a decade and now makes up nearly half of all investment-grade credit.

The share of triple-B rated bonds in the U.S. has recently surpassed its 2002 peak, climbing above 47% of all in-

vestment-grade credit. Around 48% of bonds in the eurozone are rated triple-B, while less than 20% were when Lehman Brothers collapsed in 2008.

Triple-B debt securities are the last rung on the investment-grade ladder. A downgrade to double-B sees a company's bonds enter high-yield, or junk, indexes instead.

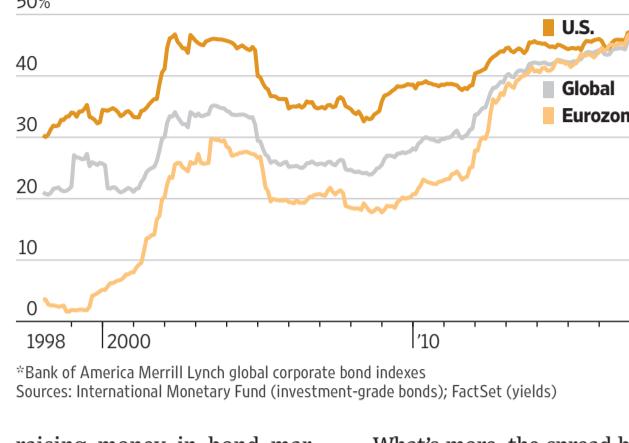
This triple-B supremacy has been flagged in the International Monetary Fund's latest global financial stability report as an example of the relentless hunt for yield among bond investors.

"Low yields, compressed spreads, abundant financing, and the relatively high cost of equity capital have encouraged a buildup of financial balance sheet leverage," the report said.

Ultralow interest rates and massive bond buying by central banks have pushed down financing costs for companies

### Bulging BBBs

The percentage of investment-grade bonds rated BBB has reached record highs during the last 12 months, with a particularly sharp rise in Europe in recent years...



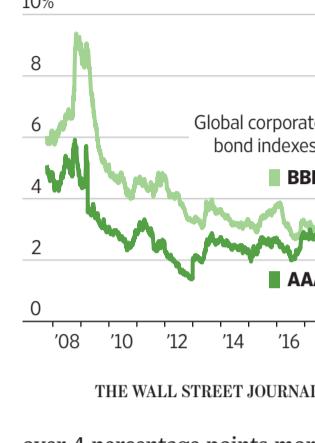
\*Bank of America Merrill Lynch global corporate bond indexes

Sources: International Monetary Fund (investment-grade bonds); FactSet (yields)

raising money in bond markets. The yield on Bank of America Merrill Lynch's global corporate BBB index is just 2.89%, compared with a 20-year average of more like 5.1%.

What's more, the spread between the highest- and lowest-rated investment grade credits has collapsed. In 2008, during the financial crisis, triple-B rated bonds yielded over 8%,

...while the difference in corporate yields has tightened considerably, especially recently.



THE WALL STREET JOURNAL.

over 4 percentage points more than AAA-rated debt. On Wednesday, that spread was just 0.25 percentage point.

That could be bad news for investors if credit conditions

worsen.

Default rates on any investment-grade credit are very low, but they vary between different ratings levels.

For triple-B rated companies, the highest one-year global default rate was 1%, reached in 2002, according to S&P Global Ratings.

In comparison, the default rate for AAA-rated bonds has been 0% in every year since 1981, even during the financial crisis.

Investors with more triple-Bs could also expect more volatility. During 2008, Bank of America Merrill Lynch's BBB Global Corporate Index fell in value by around 15%, while the AAA index ended the year flat.

With the gap between yields currently so thin, investors are offered very little protection against a market panic, or even against a small rise in default rates, which have been low for the past five years.

## HSBC Appoints a Lifer as CEO

By MARGOT PATRICK

When a teenage John Flint decided he wanted to become a banker, his high-school headmaster wrote to a contact at HSBC Holdings PLC for advice. The reply came back: young Flint should go to college, then enter HSBC's international officers program and prepare to travel the world.

Mr. Flint, now 49 years old, duly did both. On Thursday, he was named by HSBC Chairman Mark Tucker as the bank's new chief executive, succeeding Stuart Gulliver, in a vote for continuity at the Asia-focused bank and for Mr. Flint's homegrown values.

To get the top spot, Mr. Flint saw off rivals from inside and outside the bank. Mr. Tucker's outsider status—he is the bank's first externally hired chairman—meant analysts expected the new CEO to be Mr. Flint or another internal candidate. In an interview with The Wall Street Journal, Mr. Tucker—who started this month, breaking with a century-old tradition of the bank of promoting from within—said Mr. Flint is "the best and optimal fit" for the job.

Now the head of retail banking and wealth management, Mr. Flint is quintessentially HSBC.

After joining its international leadership program out of college, he learned the ropes in bank branches, trading rooms and at the bank's treasury department, in cities including Hong Kong, London, New York and Bangkok.

The assignments often had him working alongside Mr. Gulliver, and he was the outgoing CEO's chief of staff for a year before taking his current role in 2013.

Colleagues describe Mr. Flint as sharp, capable and mild-mannered, with some of the same instinct and skill Mr. Gulliver is known for in managing risk and market shocks. Those skills were honed in Asia's financial crisis in the 1990s, when a young Mr. Flint



John Flint learned the ropes in branches, trading rooms and at HSBC's treasury department.

was head of global markets at the bank's Indonesian arm and led it to profits despite the turmoil.

As part of HSBC's cadre of international officers—later rebranded by the bank as international managers to drop the military connotation—Mr. Flint moved up the ranks and has long been seen as a possible CEO.

He is expected to continue on much the same track as Mr. Gulliver with respect to the bank's strategy. Mr. Tucker said elements of it may be "enhanced and accelerated." Efforts already under way include investing more in Asia

and rebuilding profitability in the U.S. and Mexico. HSBC made a disastrous foray into the U.S. in the early 2000s, buying a large subprime lender just before the financial crisis.

Its business in the country is now a mix of retail branches in key markets such as New York and California and commercial and investment banking.

Mr. Flint, who as a child lived in Saudi Arabia for several years while his father was a teacher there, has "vision and passion" for HSBC, Mr. Tucker said. HSBC said Mr. Flint wasn't available for an interview Thursday.

In a statement, Mr. Flint

said he was humbled and excited. He said the bank "must continue to innovate and accelerate" its pace of change.

Last year, Mr. Flint traveled with other HSBC executives and research analysts from other banks and brokers on a trip through China's Pearl River Delta region. One analyst who hadn't met him before said he was struck by his down-to-earth manner and self-deprecating humor.

Mr. Gulliver, 58, said in March he would retire in 2018. He also has been at the bank his entire career, and he too came up through the international managers' program.

the future, they pushed up the forward P/E ratio by about a 10th. Investors assume not just that earnings will be higher, but that earnings will accelerate.

The opposite happened to telecom: Predicted earnings fell, and the forward P/E ratio dropped, making it the cheapest S&P 500 sector. Investors expect future earnings not just to be lower but to fall even faster than they previously thought.

Again, both decisions might be proved right, and it's normal for investors to project the recent past into the distant future. Jonathan Golub, Credit Suisse Group AG's chief U.S. equity strategist, says shareholders typically push up valuations even in the late stages of an economic expansion, and P/E ratios come down on average only when recession hits and the market falls.

But the fact that this year's earnings provide a good explanation of what's happened to stock prices doesn't mean they're a good justification. And it certainly doesn't mean investors should sleep easy owning one of the most expensive markets in history.

### Stocks Are Expensive

S&P 500 12-month forward P/E ratio

Monthly

25 times

20

15

10

5

0

'88 '90 '2000 '10

Year to date, weekly

18.5 times

18.0

17.5

17.0

16.5

J F M A M J J A S O

Source: Thomson Reuters Datastream

Weighted by market value, the forward P/E ratio—with a history back to the 1970s—has been higher only once since the dot-com bubble burst, while the historical CAPE compiled by Yale Prof. Robert Shiller was higher only in 1929 and the dot-com bubble.

This can still work out. A stronger global economy, weaker dollar and low interest rates might mean earnings will accelerate enough to bring down valuations even as share prices rise a little more.

But this is different from the claim that rising earnings justify this year's stock gains.

Consider the technology and telecom sectors. Tech has been reporting big gains in profits, and analysts have upgraded their earnings forecasts by more than any other sector, while telecom companies are struggling with a price war and are in the only sector in which earnings estimates have dropped this year.

On the face of it, this explains why tech has been the best-performing sector in 2017 and telecom the worst. But shareholders didn't just project the higher earnings of tech into

## New York Investigates Deloitte Cyberbreach

By MICHAEL RAPORT

The New York attorney general's office is looking into the cyberbreach at Deloitte LLP that the accounting firm says compromised information on a small number of its clients.

The office is "investigating the data breach and its circumstances," a spokeswoman for Attorney General Eric Schneiderman said Wednesday in response to an inquiry from The Wall Street Journal. Deloitte disclosed the breach in September.

At the time, the firm said a hacker accessed data via an email platform relating to a "very few" Deloitte clients. Deloitte said the breach didn't cause any disruption to clients' businesses, consumers or Deloitte's provision of services.

Deloitte's breach is one of a string of recent hacks that have deepened concerns about the security of consumers' and businesses' digital information. Credit-reporting company Equifax Inc. has acknowledged that hackers stole the personal information of up to 145.5 million Americans between May and July. The Securities and Exchange Commission has said its Edgar corporate-filing system was hacked last year, and that the thieves could have used the information for insider trading.

Deloitte said Mr. Schneiderman's office has reached out to it about the breach "with some questions focused on private information of New

York state residents," and that such a move was "typically the case in response to a cyber-incident reported in the media." The firm reiterated that "consumers were not affected by this incident."

The Deloitte hack was aimed at obtaining information that the hacker could take advantage of, said a person familiar with the situation, credentials like passwords from Deloitte clients that the hacker could then use to try to break into those clients' own systems. They were "looking for things that they could leverage outside of Deloitte," the person said.

*Attorney general is looking at attack that began in 2016 and was detected this year.*

The Deloitte breach began in September 2016, and the firm detected it in April 2017 when it noticed unusual activity in its email system, people familiar with the situation said.

But sensitive data on Deloitte's clients weren't compromised, Deloitte has said.

Ultimately, the number of emails the hackers actually accessed was small enough that investigators were later able to read every one, said one of the people familiar with the situation.

By ANDREW ACKERMAN

WASHINGTON—Top congressional Republicans made the first significant moves to boost federal oversight of credit-reporting firms in response to the hack disclosed by Equifax Inc. last month.

Rep. Patrick McHenry of North Carolina introduced a bill on Thursday to require the three major credit-reporting firms—Equifax, Experian PLC and TransUnion—to submit to regular federal cybersecurity reviews for the first time. All three companies also would have to phase out their use of Social Security numbers to verify identities by 2020.

As a deputy GOP whip, Mr. McHenry holds significant sway among House Republicans. The bill is an important starting point for the House Financial Services Committee as it considers a legislative response.

Separately, Sen. Mike Crapo (R., Idaho), chairman of the Senate Banking Committee, asked federal banking regulators if they needed more authority to supervise the credit-reporting firms to ensure they adequately protect consumer data.

"I am concerned there may be a regulatory gap with respect to supervision of credit reporting agencies for data security standards," Mr. Crapo wrote in a letter to the heads of the Federal Reserve, Office of the Comptroller of the Currency and Federal De-

posit Insurance Corp.

A spokesman for the Fed and a spokeswoman for the FDIC confirmed the agencies received Mr. Crapo's letter and planned to reply. A spokesman for the OCC didn't immediately respond to a request for comment.

Representatives for the three credit-reporting firms didn't respond to requests for comment. A person familiar with their thinking said the companies support some aspects of the bill sponsored by Mr. McHenry, including the heightened supervision.

The lawmakers' moves come after a series of hearings in the House and Senate last week featuring former Equifax Chief Executive Richard Smith. Mr. Smith repeatedly apologized for the hack and said the company didn't initially understand its severity.

The Equifax hack "exposed a major shortcoming in our nation's cybersecurity laws and Congress must act," Mr. McHenry said in a statement.

Equifax disclosed last month that data belonging to about 145.5 million Americans was potentially compromised.

The proposed legislation doesn't specify which federal agency will inspect cybersecurity at the companies. Rather, the bill leaves it up to a panel of bank regulators, the Federal Financial Institutions Examination Council, to designate one of the federal banking agencies as the supervisor.

## STREET

Continued from page B1  
has comparable estimates grew toward their valuation this year, increasing earnings while their shares rose more slowly. That's almost as many as the 70 in which valuations dropped in a way shareholders hate, with shares falling as earnings estimates rose.

The result is troubling. Even as estimated earnings for the next 12 months went up, the market went up more, pushing the S&P's forward P/E ratio from 17.2 to 18. Investors became more optimistic, meaning an even bigger rise in earnings is needed in the future to avoid disappointment.

The result is that many valuation gauges are flashing red. Strategist Peter Oppenheimer at Goldman Sachs Group Inc. calculates that the median stock is in the top 1% to 3% of historical valuations when measured by the price to book, forward P/E ratio, total company value to sales or to operating income, and the P/E-to-growth ratio.

## MARKETS

# Treasurys Advance On North Korea Fear

BY DANIEL KRUGER

U.S. government bond prices rose Thursday as investors focused on geopolitical risks and the outlook for inflation and Federal Reserve policy.

The yield on the benchmark 10-year U.S. Treasury note fell to 2.323%, the lowest since Sept. 28, from 2.346% Wednesday. Yields fall as bond prices rise.

Investors bought Treasurys after the U.S. Geological Survey reported an event with "earthquake-like characteristics" in an area of North Korea where nuclear tests have been conducted.

Also spurring demand for bonds was a U.S. proposal to let the North American Free Trade Agreement expire after five years unless the U.S., Canada and Mexico each renew it.

"There was quite a bit of bad news," said Aaron Kohli, an interest-rate strategist with BMO Capital Markets.

Yields moved briefly higher earlier in the session as labor and inflation data raised expectations that Friday's report on consumer prices could show that inflation will be strong enough for the Fed's course of rate increases to match the central bank's forecasts.

Initial jobless claims, a proxy for layoffs across the U.S., decreased by 15,000 to a seasonally adjusted 243,000 in the week ended Oct. 7, the Labor Department said Thursday. Economists surveyed by The Wall Street Journal expected 252,000 new claims last week.

### AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

29-YEAR, 10-MONTH BONDS	
Applications	\$30,360,091,400
Accepted bids	\$12,000,002,900
"noncompetitively"	\$4,905,400
"foreign noncompetitively"	\$0
Auction price (rate)	97.601366 (2.870%)
Interest rate	2.750%
Bids at clearing yield accepted	23.37%
Cusip number	912810RY6
The bonds, dated Oct. 16, 2017, mature on Aug. 15, 2047.	

# China Muddles a Global Signal

Shanghai's growth as a metals-trading hub risks distorting gauge of economic activity

BY AMRITH RAMKUMAR

Shanghai is encroaching on London as the hub of the metals-trading world—a shift that investors say threatens to erode the reliability of copper, zinc and

**COMMODITIES** aluminum prices as a read on the health of the global economy.

Trading volume on the Shanghai Futures Exchange nearly tripled between April 2013 and July 2017, data on averages compiled by IHS Markit show. Metric tons traded in Shanghai have climbed each year since 2013.

Futures and options volume on the London Metal Exchange, long the center for global metals trading, fell 12% from 2014 to 2016 and is roughly flat this year, according to the LME, which is still the leader in physical trading.

Because industrial metals such as copper are used in the manufacturing of items from bridges to electric vehicles, they have long been used to gauge the likely course of future economic activity. Now, analysts say speculative Chinese investors—ranging from hedge funds to retail bettors—risk distorting that picture by accelerating price moves in either direction.

That is fueling concerns about whether prices are becoming severed from the world's supply-demand dynamics.

"Heavy speculation can amplify moves in an extraordinary and unwarranted manner," said Tai Wong, head of metals trading at BMO Capital Markets. "This makes base metals a less reliable global economic indicator."

Commenting on the increase in Shanghai volume, an LME spokeswoman said the two exchanges should be viewed as complementary platforms. "There is some overlap in participants, but a change in trading on any venue does not automatically result in a change for another venue," she said.

Companies that produce commodities typically hedge using futures or options to



Analysts say speculative Chinese investors are accelerating metals-price moves. Copper cathode sheets are packed at a Russian plant.

KIRILL KUKHMAR/TASS/ZUMA PRESS

guarantee a price for their output. In contrast, speculators use futures and contracts to try to turn quick profits.

In the U.S. and London, traders and analysts get weekly data consistently on whether commodities producers and speculators are positioned for rising or falling prices and how active they are moving in and out of positions. But in other parts of the world, especially China, this data isn't as readily available, making it harder for investors to surmise which way speculators might push prices next.

Still, pinning down how much speculative bets are influencing prices remains an essential question in countries such as China, and analysts around the world have to try to answer it with limited data.

Chinese speculation was "the key driver of the rally" in base metals this year, said Michael Widmer, chief metals strategist at Bank of America Merrill Lynch. "We've virtually not seen any improvement in underlying fundamentals."

China is the world's largest metals consumer. But now, it has also become home to massive trading in metals. Because the government has taken

### Shanghai Surge

Base-metals trading on the Shanghai Futures Exchange has risen rapidly in recent years.



Note: 12-month rolling averages; volumes in copper, aluminum, tin, nickel, zinc and lead that are represented by futures

Source: IHS Markit

THE WALL STREET JOURNAL

steps to cool the property market and the country's normally volatile stock market has calmed, Chinese retail investors have turned to base metals in recent years to generate rapid returns. Analysts said they prefer to trade on an exchange within the country because it is easier than trading on foreign exchanges like the LME.

On some days this year, the reactions in prices to reports left many in the metals market

confounded. Prices rose even after information that typically sends copper and other base metals lower. On such days, some fundamental investors and analysts blamed speculators.

Data on Aug. 13 showed the pace of Chinese industrial output, retail and housing sales, and fixed-asset investments decelerated in July. Still, after two days of muted moves, prices of copper, aluminum and nickel went on to rally for the week and continued rising for the rest of August.

On Aug. 29, U.S. mining giant

**Freeport-McMoRan** reached an agreement with the Indonesian government over a key mine—a potential blow to copper prices since disputes between the company and country had limited supply. Yet prices went on to advance in five of the next six sessions. Many analysts use copper as a benchmark to gauge the performance of the wider industrial-metals complex because of its widespread uses.

"Bullish news is being used to buy, but bearish news is being ignored," said Daniel Briesemann, an analyst at Commerzbank. He said the 16% gain by an LME base metals gauge between May and August appeared largely driven

by short-term players. Before then, the LME gauge had been roughly flat this year.

Copper prices have fallen 1.5% from a nearly three-year intraday high last month. After about a four-month rally earlier this year, prices of nickel and iron ore have each tumbled at least 8%. Still, prices of copper, aluminum and zinc are each up more than 20% this year.

Many investors and analysts are nervous ahead of the Chinese Communist Party's leadership transition this month, which could bring changes to economic policy and spark volatility in commodities prices.

Some investors and analysts attribute the rally in base metals this year to synchronized global growth and potential supply deficits. They note that bullish bets on metals have increased in other parts of the world.

This summer, net bets by hedge funds and other speculative investors on a higher copper price set records for six straight weeks, according to Commodity Futures Trading Commission data going back to 2006 tracking CME Group exchanges. The same trend has held in London, where bets that copper prices would rise also hit their highest level in years.



Advanced Micro Devices shares rose 2.3% Thursday. The semiconductor company's Roy Taylor spoke at a conference in the U.K. in April.

# Stocks Decline as Banks Kick Off Earnings

BY AKANE OTANI AND RIVA GOLD

Declines in bank shares pulled U.S. stock indexes away from records.

Earnings season kicked off in earnest this week, with **J.P. Morgan Chase** and **Citigroup** reporting quarterly results that disappointed investors Thursday.

Strong earnings growth among U.S. companies has supported major stock indexes this year. If results are

solid again this quarter, that should help U.S. stocks keep climbing even as investors raise concerns about valuations that make shares look pricey, some analysts said.

"Growth may not be stellar, but it's enough to create a good tailwind for company earnings," said Karyn Cavanaugh, senior market strategist at Voya Investment Management.

The Dow Jones Industrial Average fell 31.88 points, or 0.1%, to 22,841.01 after finish-

ing at a record Wednesday. The S&P 500 edged down 4.31 points, or 0.2%, to 2,550.93, while the Nasdaq Composite fell 12.04, or 0.2%, to 6,591.51.

J.P. Morgan shares declined 85 cents, or 0.9%, to \$95.99 after the company beat expectations for earnings and revenue but said revenue from fixed-income trading fell.

Citigroup lost 2.57, or 3.4%, to 72.37 after the bank topped analysts' forecasts for revenue and earnings. Still, the company's return on equity continued to lag behind its peers.

**Bank of America** and **Wells Fargo** are scheduled to report results Friday.

**CarGurus**, which made its stock-market debut Thursday, opened 81% above its initial-public-offering price, marking the biggest pop on an opening trade for U.S.-listed IPOs this year. Shares of the online car seller closed up 11.58, or 72%, to 27.58.

Technology-services company **DXC Technology** was the biggest gainer in the S&P 500,

adding 3.55, or 4.1%, to 91.20.

Semiconductor company **Advanced Micro Devices** added 32 cents, or 2.3%, to 14.20.

Energy shares in the S&P 500, one of the worst-performing groups of the year, fell 0.4% Thursday as oil prices slid. U.S. crude for November delivery fell 1.4% to \$50.60 a barrel.

Elsewhere, the Stoxx Europe 600 swung between small gains and losses before finishing up less than 0.1%.

Early Friday, Japan's Nikkei Stock Average gained 0.28%, breaking 21,000. South Korea's Kospi was up 0.07%.

Noncompetitive tenders for

both issues must be received by 11 a.m. EDT Monday and competitive tenders by 1:30 a.m.

### Treasury Auctions

The Treasury Department will auction \$83 billion in securities next week, comprising \$36 billion in new debt and \$47 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Monday:** \$42 billion in 13-week bills, a reopening of an issue first sold on July 20, 2017, maturing Jan. 18, 2018. Cusip number: 912796NN5.

Also, \$36 billion in 26-week bills, dated Oct. 19, 2017, maturing April 19, 2018. Cusip number: 912796PB9.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 1:30 a.m.

◆ **Thursday:** \$5 billion in 29-year, four-month 0.875% Treasury inflation-protected securities, a reopening of an issue first sold on Feb. 28, 2017, maturing Feb. 15, 2047. Cusip number: 912810RW0.

Noncompetitive tenders for

the TIPS must be received by noon Thursday and competitive tenders by 1 p.m.

# Global Oil Supply Increases

BY CHRISTOPHER ALESSI

LONDON—The world's oil supply expanded in September on the back of steady U.S. production growth, even as the global market continued to show signs of rebalancing, the International Energy Agency said Thursday.

In its closely watched monthly report, the IEA said global oil supply had risen by 90,000 barrels a day last month from August, to 97.5 million barrels a day. That level was 620,000 barrels a day higher than during the same period a year ago.

Supply growth in September was mainly driven by production in the U.S., despite disruptions caused by the hurricane season, as well as output in the North Sea and Kazakhstan, the report said.

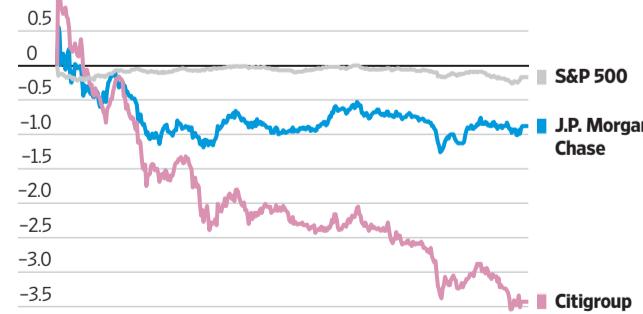
"Well completions at U.S. shale oil fields have picked up from the low levels seen at the start of the year, so that even though new rig additions have stalled, output continues its upward trend," the agency noted.

The IEA said production from the Organization of the Petroleum Exporting Countries rose only slightly in September, by 10,000 barrels a day, to 32.65 million barrels a day, in a sign that the cartel's efforts to rein in output are largely on track. That level was 400,000 barrels a day lower than last year, a period of elevated OPEC output.

There is "little doubt that the leading producers have re-committed to do whatever it takes to underpin the market and to support the long process of rebalancing," the IEA said.

Brent crude, the global benchmark, fell 1.2%, to \$56.25 a barrel, on Thursday.

Shares of Citigroup and J.P. Morgan Chase fell after the banks reported quarterly earnings.



Source: FactSet

THE WALL STREET JOURNAL

## MARKETS

# Munis Advance as Washington Stays Put

Prices have rebounded as scant progress on Trump's agenda allays fears of a rate surge

By HEATHER GILLERS

Inaction in Washington has been a boon for municipal-bond investors this year.

In the two months after the 2016 election, investors took \$27 billion out of muni-bond funds. The fear was that President Donald Trump's agenda for taxes, infrastructure and health care would drive up interest rates, and thus make outstanding bonds less attractive.

Washington has made scant policy changes, and those concerns have since abated. In addition, the GOP tax framework leaves the tax-deductibility of municipal bonds intact. In short, little has changed, and investors are again doing what they had done in previous decades: buying munis.

"So far this year has been very good for returns for munis, and somewhat unexpectedly," said Jim Colby, senior municipal portfolio manager at VanEck.

Also driving up prices: Cities and states have so far issued much less debt than last year, leaving investors hungry for municipal bonds.

Though prices have drifted downward slightly over the past month alongside Treasurys, the S&P Municipal Bond Index is back to its pre-election level, 4.4% higher than at the beginning of January.

In trading this month, a New York state general-obligation bond carried a yield of 1.2%, compared with 2.1% in December. Yields fall as prices rise.

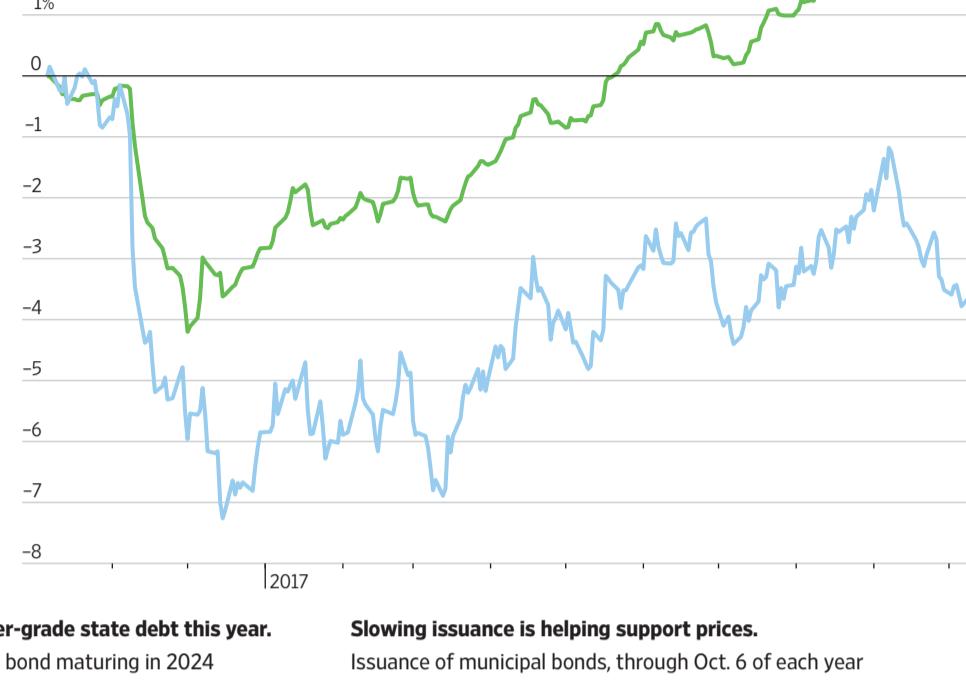
About \$28 billion flowed into municipal-bond mutual funds and exchange-traded funds from January through September, according to the Investment Company Institute.

### Unbowed

Municipal-bond prices are still in positive territory for 2017, despite a September selloff that echoed a sharp postelection decline. Many analysts say a slowdown in issuance figures prominently in the strong performance.

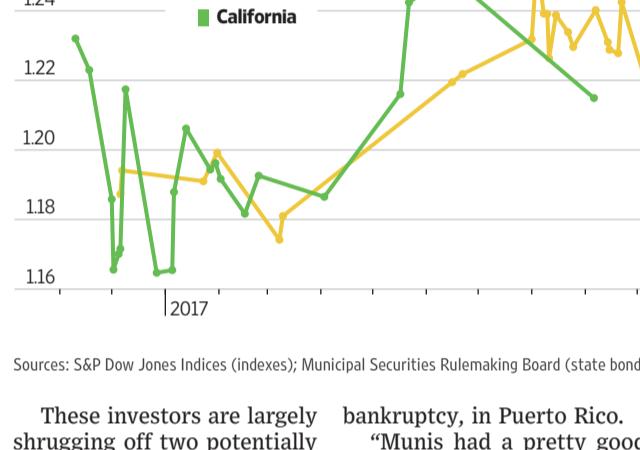
Muni prices have risen in 2017 alongside Treasurys.

■ S&P Municipal Bond Index  
■ S&P U.S. Treasury Bond Current 10-Year Index



Investors have snapped up higher-grade state debt this year.

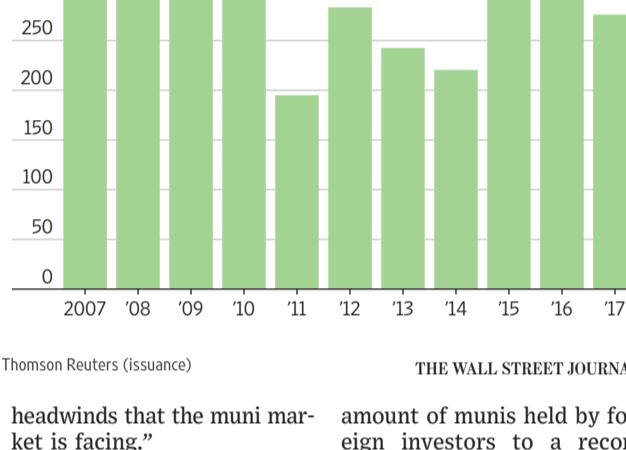
Price of a state general-obligation bond maturing in 2024



Sources: S&P Dow Jones Indices (indexes); Municipal Securities Rulemaking Board (state bonds); Thomson Reuters (issuance)

Slowing issuance is helping support prices.

Issuance of municipal bonds, through Oct. 6 of each year



THE WALL STREET JOURNAL.

though they don't benefit from tax exemptions.

Despite high demand in both the U.S. and abroad, munis are in fairly short supply. Municipalities this year have issued \$276 billion in new bonds as of last week, down 18% from this time last year, according to Thomson Reuters. The state of Massachusetts has sold about \$1.7 billion in general-obligation bonds this year, half the amount it had issued by this time last year, according to Municipal Securities Rulemaking Board data.

The drop-off comes as cities and states are doing far fewer refinancing deals this year; many governments typically refinance before a new presidential administration, to head off potential uncertainty, said Matt Fabian, a partner at Municipal Market Analytics.

One of the few hiccups to the rebound in prices this year was in September. Since last month, bond prices have fallen slightly alongside Treasurys after the Federal Reserve signaled it remained on course to steadily raise interest rates.

But that dip barely dented the upward trend in muni prices since January. Some bondholders were relieved after a Trump infrastructure plan that could have diverted the assets of large infrastructure investors away from muni bonds didn't materialize. Given that failure, the inability to repeal the Affordable Care Act and other setbacks for the Trump administration, investors became increasingly confident big changes weren't coming from Washington this year.

"As the year has worn on, there has been this understanding that these things, if they happen, they're not going to happen any time soon, and they may not happen at all," said Gary Gildersleeve, partner and portfolio manager at Evercore Wealth Management.

These investors are largely shrugging off two potentially disruptive events: multiple ratings downgrades in Hartford, Conn., where the mayor in July hired restructuring advisers; and what amounts to the largest-ever municipal

bankruptcy in Puerto Rico.

"Munis had a pretty good year," said J.R. Rieger, managing director of fixed-income index product management at S&P Dow Jones Indices LLC. "That's kind of a surprise to me given all the headline

headwinds that the muni market is facing."

Increasing demand also came from foreign buyers. More than \$3 billion flowed into municipal bonds from outside the U.S. in the second quarter, bringing the total

amount of munis held by foreign investors to a record \$98.6 billion, according to Federal Reserve data. With global interest rates still low, munis appeal to foreign institutional investors seeking safe long-dated securities, even

when the U.S. began exiting quantitative easing and China's growth slowed. Ordinary Chinese feared that the yuan would fall as growth slowed. Both individuals and companies rushed to get money out of China.

This was the start of the era when **Anbang Insurance Group** paid nearly \$2 billion for the Waldorf Astoria in New York. In February 2016, **China National Chemical**

acquired Syngenta for \$43 billion.

The China bid, or at least the expectation of one, sent prices of luxury properties soaring, fueled real-estate bubbles from Vancouver to Sydney, and pushed up

prices of companies seen as desirable for Chinese buyers.

Alarmed by the outflow, Beijing began to tighten capital controls in 2015 and 2016, but the deal making persisted until this year

when the government cracked down. So far this year, outbound mergers and acquisitions by Chinese companies are down 27% from the year-earlier period, according to data provider Dealogic.

"The short bubble of China bids is over," says one M&A banker who has advised on Chinese acquisitions.

Now, pretty much the only thing the Chinese government encourages its companies to buy are high-tech firms. But these assets are precisely the kind that Western governments don't want to fall into Chinese hands.

Nor is China set to return as a big buyer of Treasurys. Indeed, if the Federal Reserve keeps tightening, China could be a seller of bonds to prop up the yuan.

In the years ahead, financial markets around the world will have to live without the ever-present China bid. Whether China was a savvy investor or the dumb money, asset prices will likely be lower. —Aaron Back

Analysts believe the short-fall may be coming from Amazon.

The operator of the AWS cloud service spent nearly \$9 billion in capital expenditures and new capital leases in the first half, up 73% from the year-earlier period. Wall Street widely expects that to moderate.

That is good news for Amazon shareholders. It doesn't exactly put suppliers like Juniper on Cloud 9, though.

### OVERHEARD

**Amazon.com** is hardly known for penny-pinching, but, like many of its customers, the internet giant may be watching its bills heading into the holiday shopping season.

That was suggested by a warning from **Juniper Networks**, which sells networking gear to companies that operate cloud computing networks. Late Wednesday, Juniper reduced its third-quarter revenue forecast by 5% at the midpoint. The company blamed lower-than-expected sales from its "cloud vertical," which accounts for nearly 30% of revenue.

Analysts believe the short-fall may be coming from Amazon.

The operator of the AWS cloud service spent nearly \$9 billion in capital expenditures and new capital leases in the first half, up 73% from the year-earlier period. Wall Street widely expects that to moderate.

That is good news for Amazon shareholders. It doesn't exactly put suppliers like Juniper on Cloud 9, though.

### Inconvenient Truths About Seven & I

More than a year after one of the U.S.'s best-known investors scored a rare win in a Japanese boardroom tussle, inconveniences remain at the operator of convenience store chain 7-Eleven.

In April last year, activist investor Daniel Loeb ousted the veteran 83-year-old chief of Japan's **Seven & I Holdings**. Ryuichi Isaka, an internal candidate backed by Mr. Loeb, subsequently became the retail company's boss.

Mr. Loeb seems to have made the right choice. Seven & I reported Thursday a better-than-expected 10% increase in operating profit for the quarter ended in August.

That was mostly due to a strong performance in North America, where operating income increased 17%.

The company is expanding in the U.S. In April, it said it would acquire more than 1,000 convenience stores and gas stations there from **Sunoco** for \$3.3 billion. The deal will help the company to achieve its goal of having 10,000 stores in North America by 2019.

But Mr. Isaka needs more than running successful convenience store businesses.

Seven & I still has substantial businesses in department stores, superstores and mail-order services, which are barely making any profit.

Those businesses are locking up cash that could be deployed in its convenience stores.

Seven & I's share price has barely changed since Mr. Loeb kicked out the old boss. More aggressive changes are needed to make the victory truly count. —Jacky Wong

## Say Goodbye to the China Bid

Second in a Heard on the Street series about China

China's seemingly insatiable demand for foreign assets has driven up prices for everything from U.S. Treasury bonds to global companies to luxury real estate. Now, a combination of market forces and capital controls is choking off the flow of Chinese cash. Markets around the world will have to adjust.

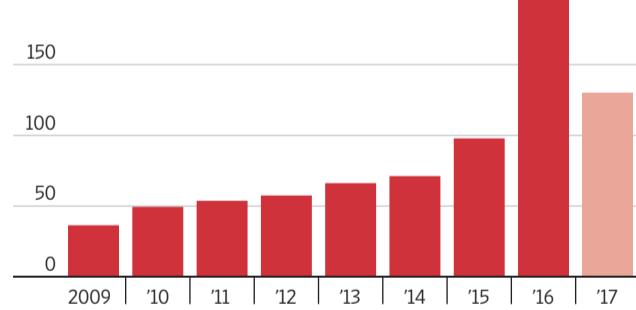
As Chinese exports boomed starting in the early part of the last decade and foreign investment flooded into the country, it recycled these inflows into foreign government bonds, mostly Treasurys, to keep the yuan from rising. The buying persisted for over a decade, driving bond prices up and yields down globally.

China moved to invest in other asset classes, buying stakes in Morgan Stanley and U.K. utility Thames Water via government fund China Investment.

The form of China's foreign buying shifted in 2014,

### Downshift

Overseas mergers and acquisitions by Chinese companies



Note: Figures for 2017 are as of Oct. 9.

Source: Dealogic

when the U.S. began exiting quantitative easing and China's growth slowed. Ordinary Chinese feared that the yuan would fall as growth slowed. Both individuals and companies rushed to get money out of China.

This was the start of the era when **Anbang Insurance Group** paid nearly \$2 billion for the Waldorf Astoria in New York. In February 2016, **China National Chemical**

acquired Syngenta for \$43 billion.

The China bid, or at least the expectation of one, sent prices of luxury properties soaring, fueled real-estate bubbles from Vancouver to Sydney, and pushed up

prices of companies seen as desirable for Chinese buyers.

Alarmed by the outflow, Beijing began to tighten capital controls in 2015 and 2016, but the deal making persisted until this year

when the government cracked down. So far this year, outbound mergers and acquisitions by Chinese companies are down 27% from the year-earlier period, according to data provider Dealogic.

"The short bubble of China bids is over," says one M&A banker who has advised on Chinese acquisitions.

Now, pretty much the only thing the Chinese government encourages its companies to buy are high-tech firms. But these assets are precisely the kind that Western governments don't want to fall into Chinese hands.

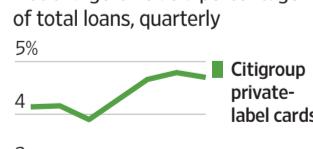
Nor is China set to return as a big buyer of Treasurys. Indeed, if the Federal Reserve keeps tightening, China could be a seller of bonds to prop up the yuan.

In the years ahead, financial markets around the world will have to live without the ever-present China bid. Whether China was a savvy investor or the dumb money, asset prices will likely be lower. —Aaron Back

## Big Banks' Card Woes Spell Trouble for Smaller Lenders

### Credit Stress

Net charge-offs as a percentage of total loans, quarterly

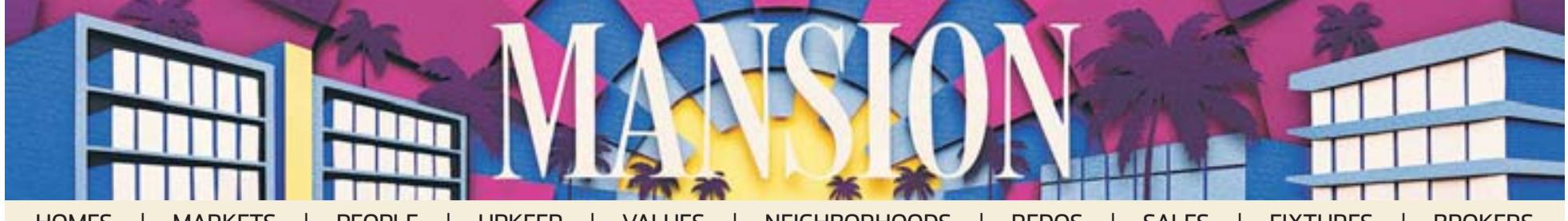


Source: the company

banking at Citigroup.

Nevertheless, there was one area that deserves greater investor scrutiny, the continued deterioration in both banks' U.S. credit-card portfolios. This is more of an issue for Citigroup, because its card business tilts more toward somewhat less prime borrowers.

At J.P. Morgan, card charge-offs rose to 2.87% of total loans from 2.51% a year earlier. The bank stressed that this increase is well within its expectations.



HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday, October 13, 2017 | M1

HIGH-RISE LIVING & DESIGN

## Condos Go Business Class

Developers are turning century-old New York office buildings into residential condos, hoping to dazzle buyers with a slice of history: Want to live in the Woolworth Building?



CLOCKWISE FROM BOTTOM: DOROTHY HONG FOR THE WALL STREET JOURNAL (2); WILLIAMS NEW YORK (2)

**FROM BANK TO BEDROOMS** The Chetrit Group is converting the former New York headquarters of the Emigrant Industrial Savings Bank. Architect Jeremy Singer says the conversion of the Beaux-Arts building, designed by Raymond F. Almirall, was made easier by its H-shaped structure, which allows better access to sunlight with triple exposures in some apartments.

BY KATHERINE CLARKE

**HARRY MACKLOWE** remembers his first trip to One Wall Street more than 50 years ago, for a meeting to discuss his account at the Irving Trust Company bank.

He recalls entering a double-height lobby bathed in a red tile mosaic by Hildreth Meière, a prominent muralist in her day, and being ushered up to an executive suite at the pinnacle of the building, with a towering glass window overlooking New York harbor. The ceiling was embellished with shells from the Philippines. "I

was a much younger man and I was overwhelmed by it," says Mr. Macklowe.

Mr. Macklowe, 80, is back, this time leading a group that is converting the nearly century-old office building into 566 luxury condominiums.

Mr. Macklowe isn't alone in seeing value in  
*Please turn to page M6*

## A MILE-HIGH BUILDING BOOM

Luxury apartment buildings are climbing fast in Denver. As the skyline gets crowded, developers offer new incentives to stand out.

BY CANDACE JACKSON

**A BOOMING TECH** industry and strong job market have fueled an apartment-building frenzy in the midsize, mile-high city of Denver. Neighborhoods once filled with rundown 19th-century warehouses, modest apartment complexes and vacant lots have transformed into landscapes of glass, brick and steel, as new structures continue to climb.

Standing on the 12th-floor



**GOING UP** Construction cranes dot the Denver landscape. Above, the skyline as seen from LoHi, or lower highlands district.



INSIDE

### NORTHERN EXPOSURE

An island home off of Norway, built to coexist with the water **M3**

### MERCEDES RUEHL

The trunk of old clothes that inspired an Oscar winner **M14**



ONLY NETJETS®

To learn more, visit [netjets.com](http://netjets.com) or call a Private Aviation Concierge at 1-877-JET-2017.

NetJets is a Berkshire Hathaway company. Aircraft are managed and operated by NetJets Aviation, Inc. NetJets is a registered service mark. ©2017 NetJets IP, LLC. All rights reserved.



## Timeless Traditions Meet Modern Living

121 Marina • Starting from upper \$4 million

Merging modern luxury with the traditions of Ocean Reef.

- Three- to Six-Bedroom Luxury Residences
- Located Adjacent to the Club's 175-slip Marina
- Smart Home Technology and First-Class Amenities
- Expansive Terraces with Sunset Views

From slips to beautiful oceanfront estates, Ocean Reef Club offers an array of residential choices to compliment your lifestyle.

To receive a copy of our Real Estate Guide and learn more about this private club community, call 305.367.6600 or visit [OceanReefClubLiving.com](http://OceanReefClubLiving.com)



OCEAN REEF CLUB  
REAL ESTATE COMPANY  
KEY LARGO, FLORIDA

NEW HOMES • VILLAS • CONDOMINIUMS  
MARINA DOCKS • VILLA & HOME RENTALS

Equal Housing Opportunity

## AUCTION NOVEMBER 15



### SCENIC RYE ESTATE ON 4+/- ACRES

3 Club Road, Rye, NY

#### Potential 3-Lot Subdivision On Prestigious Apawamis Club Grounds

- 13,650+/- SF Home in Exceptional Condition
- 7 Spacious Bedrooms, 8 Full & 3 Half Bathrooms
- Separate Caretaker Apartment
- 5-Car Heated Garage, Pool, Theatre, Game Room & More
- Renovated and Expanded in 2009
- 1/2 Mile Walk to Train and Downtown

Live in This Exceptional Estate or  
Use Subdivision to Generate Income!

[MadisonHawk.com/Auctions/Rye](http://MadisonHawk.com/Auctions/Rye)

800.547.1045

MADISON HAWK  
Accelerated Real Estate Solutions

### A TECH ENTREPRENEUR LISTS TWO MONTANA RANCHES

A technology entrepreneur is putting his two central Montana cattle ranches on the market for \$14.5 million and \$14.95 million.

The sellers are Bill Cruz and his wife, Patricia. Mr. Cruz, 56, co-founded a software trading firm, later called TradeStation Group, with his younger brother. The company was sold to Monex Group for \$411 million in 2011.

Near White Sulphur Springs, Eagle Creek Ranch includes more than 4 miles of Eagle Creek, 6,910 deeded acres and approximately 7,540 acres that are U.S. Forest Service grazing allotments. There is an approximately 2,000-square-foot log home, a horse

barn and a metal shop. This ranch is asking \$14.95 million.

Eagle Creek was going to be the couple's "forever place" said Mr. Cruz, until he was visiting a friend about 175 miles away and saw Bull Mountain Ranch, which he bought in 2007 to add to his holdings. The roughly 15,600-acre Bull

Mountain ranch has about 9,800 deeded acres and 5,800 acres that are part of a 40-year lease (more than 35 years are left on the lease, said Mr. Cruz). It has a log cabin more than 2,000 square feet.

Randy Shelton and Joel Leadbetter of Hall & Hall share the listings.

—Sarah Tilton



FROM TOP: YOO JEAN HAN; HALL AND HALL (2); BLAKE WORTHINGTON



## MANSION

### PRIVATE PROPERTIES

## Fernando Botero Lists in New York

tures show. Other pieces rest against the walls alongside Mr. Botero's painting materials. The pieces won't be included in any sale, Ms. Botero said.

The artist, 85, bought the first unit in 1980 and added the second in 1989, according to property records. He bought the apartment when he was living in Europe and would visit two or three times a year, tapping Colombia-born New York architect Juan Montoya to design the space, Ms. Botero said.

Mr. Botero lived in New York beginning in the 1960s but more recently has spent his time in Europe. He is based primarily in Monaco, Ms. Botero said. She said he is selling the apartment because he is busy with exhibitions in Europe, and finds it harder with age to make the long trip to the U.S.

Listing agent Serena Boardman of Sotheby's International Realty said the building is a rare instance of a condominium in the heart of the Upper East Side residential district, which is dominated by cooperatives.

—Katherine Clarke

ment is a combination of two units, comprising two bedrooms, 3½ bathrooms and an art studio. It has views of Central Park.

Mr. Botero's art is on display around the apartment, including a large painting of a chubby naked woman with red earrings clutching a pink towel in her bathroom, listing pic-

### PACIFIC PALISADES SPEC HOUSE LISTS FOR \$20 MILLION

A newly built European farmhouse-style home in Los Angeles' Pacific Palisades is slated to go on the market for \$20 million.

On a 1-acre site surrounded by towering redwood and sycamore trees, the main house totals 14,000 square feet with 10 bedrooms, nine bathrooms and two half-bathrooms. Clad in wood siding, the house consists of two wings joined by an interior footbridge.

The master suite spans the entire second floor of one wing, while additional bedrooms sit on top of the other. There is also covered garage parking for up to 10 cars, a 20-foot pool, a bocce court

and a children's tree house. In Rustic Canyon, which is known for its horse farms and ranches, the property borders Will Rogers State Park, a popular destination for horseback riding.

The home was built by design and development team Eliana and David Rokach, who bought the site for \$3.7 million in 2015, according to public records. The couple previously built another Palisades property, which they sold last year for \$6.79 million.

The property is listed by Aaron Kirman of John Aaroe Group and Santiago Arana of The Agency.

—Katherine Clarke



► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion).  
Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)

**THE RESIDENCES  
MANDARIN ORIENTAL  
ATLANTA**

Expansive Full Floor Residences • Construction Commenced

3376 PEACHTREE ROAD N.E. 404.995.7580 [MORESIDENCESATLANTA.COM](http://MORESIDENCESATLANTA.COM)

Sales by Karen Rodriguez | GROUP KORA | Berkshire Hathaway HomeServices Georgia Properties

The Residences at Mandarin Oriental, Atlanta (The Residences) are not developed, sponsored, owned, offered or sold by Mandarin Oriental Hotel Group or any affiliate thereof (MOHG), and MOHG makes no representation, warranty or guarantee of any kind regarding The Residences. The developers and owners of the Residences use the Mandarin Oriental name and trademarks subject to terms of revocable licenses from MOHG which may expire or be terminated. A member of the franchise system of BHH Affiliates, LLC. Equal Housing Opportunity.

**Luxury Estate Auction**  
On-line – No Buyer's Premium

129 Rumson Road, Rumson, NJ

**NEW CONSTRUCTION**  
Just Blocks to Beaches and Marinas  
10 Minutes from Wall Street Ferry

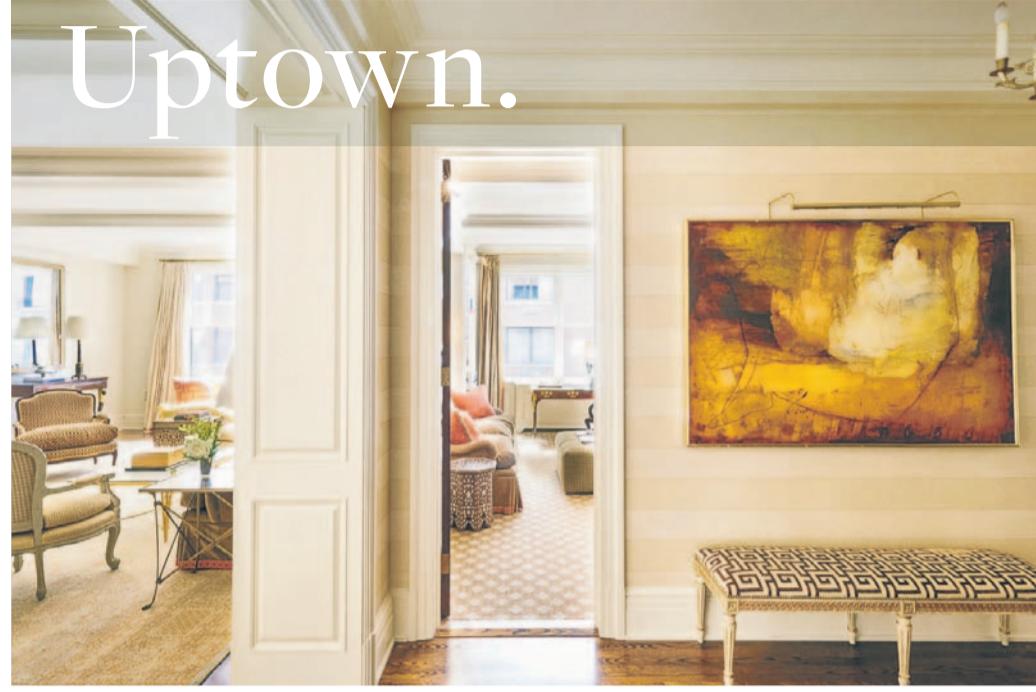
6,600sf • 1.58 Acres • 6 Bedrooms  
(luxurious master suite plus 5 spacious bedrooms)  
7 Baths • Stunning gourmet kitchen with custom inset cabinetry and professional-grade appliances  
Great room with fireplace • French doors to covered porch overlooking grounds  
Extensive custom millwork  
1,000-Bottle temperature-controlled wine cellar  
1,000sf Heated 3-car garage

**Open House**  
This weekend, 1–4 PM

**Private Appointments/Contact Info**  
732-842-2110

**Video Tour and Details**  
[129rumsonroad.com](http://129rumsonroad.com)

THIS HOUSE IS BEING OFFERED AT AUCTION EXCLUSIVELY BY THE DEVELOPER. DEVELOPER RESERVES THE RIGHT TO ACCEPT OR DENY ANY OFFER. PREVIOUSLY LISTED FOR \$3,375,000. MINIMUM BID: \$2,850,000. THIS AUCTION IS NET TO THE BIDDER BUT NOT TO BUYER'S PREMIUM. NO COMMISSIONS WILL BE PAID BY DEVELOPER. BUYERS WILL BE RESPONSIBLE FOR ALL CLOSING COSTS DUE FOR THE PURCHASE OF REAL ESTATE IN NEW JERSEY.



## Uptown.

### 1125 Park Avenue

Impeccably renovated 9-room, triple mint corner residence in Carnegie Hill's most sought after co-op building. | \$6,950,000.

Ana Centola, 212.439.3802, Lisa Larson, 917.678.7042



#### 45 East End Avenue

Sun-flooded & oversized, mint 6RM home w/ sweeping river views & a private terrace. | \$2,595,000.

Susan Landau Abrams, 212.439.4537

Michael Abrams, 212.439.4559



#### 40 East 78th Street

Stylish 705 sq. ft. home thoughtfully redesigned into a large 21"x23"

open loft space. | \$1,675,000.

June L. Gottlieb, 917.826.9996

Allison Chiaramonte, 646.248.0193



#### 19 East 88th Street

Gracious and bright one-bedroom home with a private, planted terrace that runs the length of the entire apartment. | \$1,375,000.

Ellen Z. Wedeles, 917.880.0147



#### 444 East 86th Street

Rarely available, beautifully renovated, sun-filled 3BR, 3BA penthouse with stunning city and river views. | \$3,150,000.

Claire Groome, 212.464.8269



#### 300 Central Park West

Lovely 3BR, 3BA at the El Dorado w/ south views overlooking a beautiful tree-lined street. | \$3,995,000.

Linda Reiner, 212.439.4538

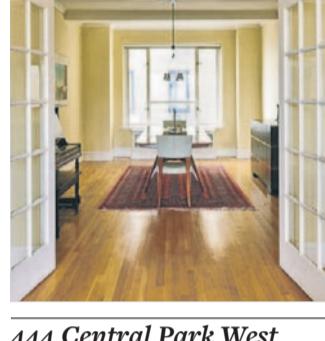
Lisa T. Deslauriers, 212.439.5182



#### 1133 Park Avenue

Gracious prewar 7-room residence in the heart of Carnegie Hill with a sun-filled LR facing a beautiful tree-line street. | \$2,595,000.

Wendy Greenbaum, 212.439.4542



#### 444 Central Park West

Elegant prewar residence perched on a high floor in a full-service Art Deco building with a private terrace. | \$1,750,000.

Svetlana Choi, 212.327.9619



#### 164 West 79th Street

Beautiful & bright 2-bedroom, 1.5-bath home on a beautiful & quiet tree-lined street. | \$1,250,000.

Bill Kowalcuk, 212.300.1846

Brett Compton, 212.300.1848

Deborah Ribner, 917.593.2232



#### 225 Lafayette Street

Rarely available 3BR, 3.5-bath corner condo on a high floor in the Cass Gilbert's Beaux Arts SPRING building. | \$5,100,000.

Ugo Russino, 347.701.9969



#### 81 White Street

Spacious 2,100 SF home that offers true Tribeca loft living at its finest. Can easily be restored to its original 3BR layout if desired. | \$2,575,000.

Gabriel Leibowitz, 917.312.5624



#### 15 Broad Street

Sprawling sun-drenched 2-bedroom, 2-bath home on a high floor with stunning north & west views. | \$2,495,000.

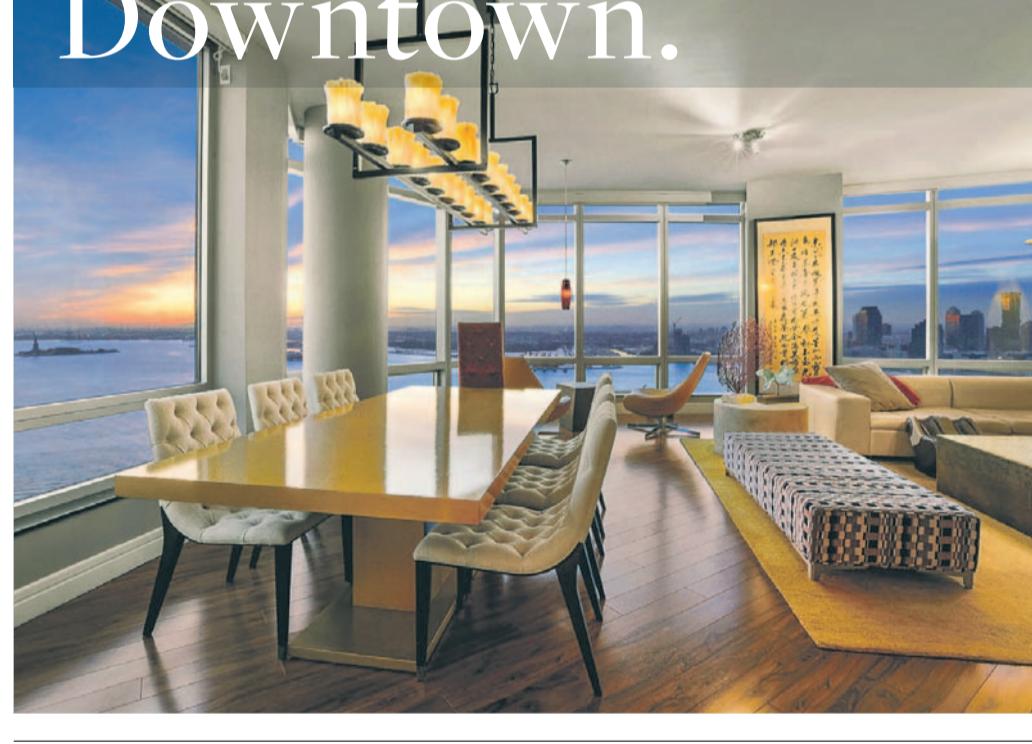
Renaud De Tilly, 347.614.6070



#### 50 Franklin Street

Sunny & cheerful one bedroom residence with 9-foot ceilings, floor-to-ceiling windows in a full-service condo. | \$1,395,000.

Dorothy Schrager, 917.691.7353



## Downtown.

### 10 West Street

Ultra-luxurious 4-bed, 4.5-bath condo perched on top of the Ritz-Carlton Residences downtown with spectacular waterviews from every room.

\$12,500,000. | Herbert Chou, 212.380.2417, Natalya Bowen, 212.380.2405

# THE KENT

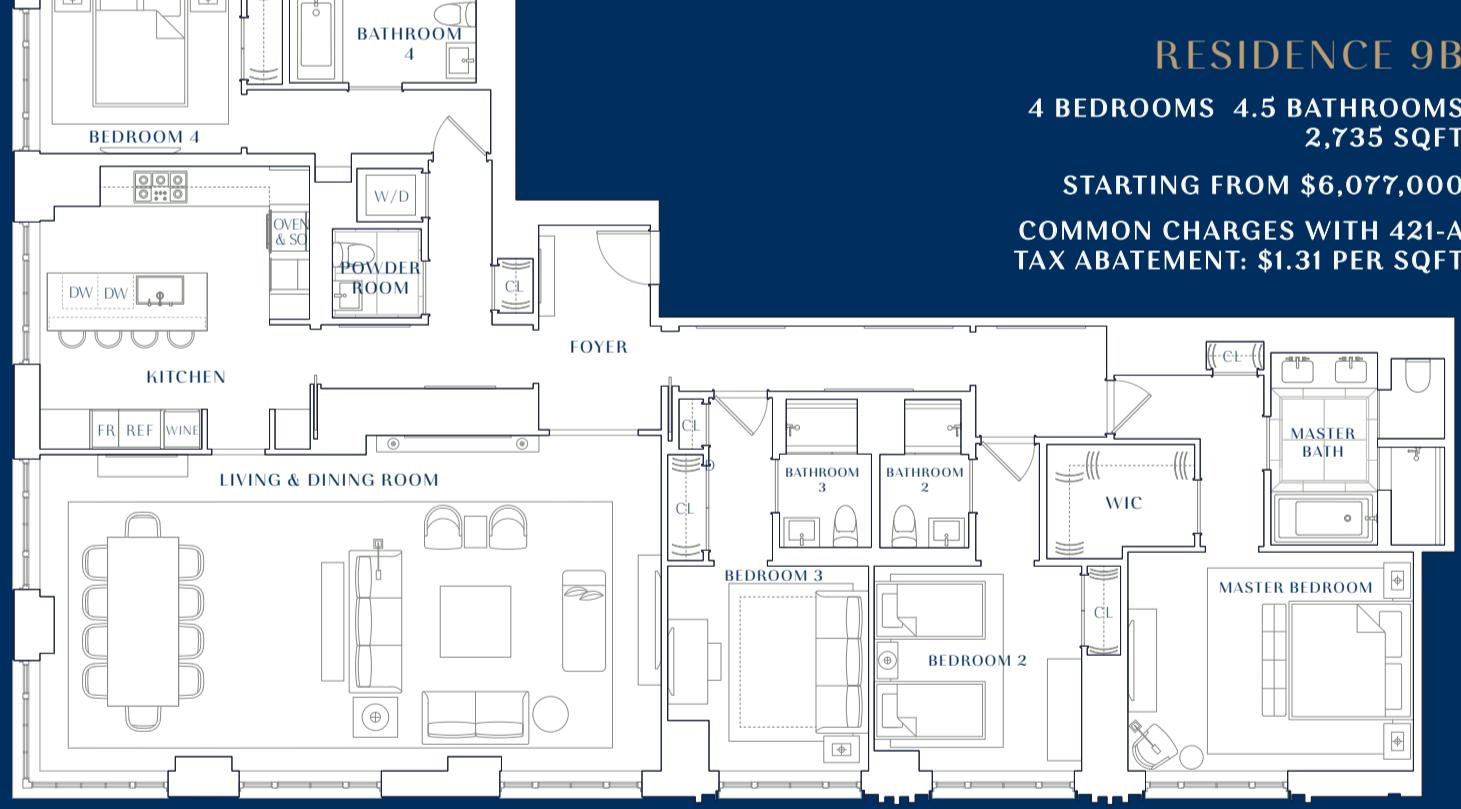
200 EAST 95TH STREET

20 YEAR TAX ABATEMENT



## THE UPPER EAST SIDE'S MOST VALUABLE ADDRESS

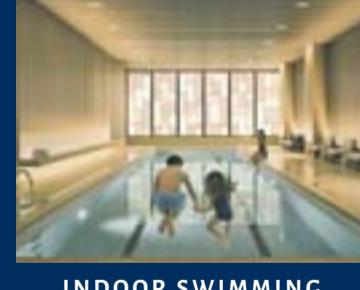
The Extell tradition of world-class finishes and high quality construction continues on the Upper East Side with The Kent. Gracious, family-sized homes designed by Alexandra Champalimaud and Beyer Blinder Belle are complemented by custom oversized windows that feature Park to River views and 10'-15' ceiling heights. Three levels of amenities include a grand two-story lobby, an indoor pool, private fitness center, The Sound Lounge, Camp Kent playroom, and multiple salons for entertaining.



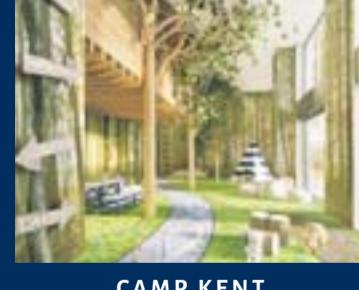
KITCHEN



MASTER BATHROOM



INDOOR SWIMMING



CAMP KENT

OCCUPANCY 2017 | LOW CARRYING COSTS

Two to Five Bedroom Condominium Residences from \$2.7M

Sales Gallery Open by Appointment

1450 Lexington Avenue

212.922.9595 · THEKENTNYC.COM

**EXTELL**

All dimensions are approximate and subject to normal construction variances and tolerances. Square footage exceeds the usable floor area and includes columns, mechanical pipe shafts, shaftways, chaseways, conduits and other common elements. Plans and dimensions may contain minor variation from floor to floor. Units will not be offered furnished. Furniture layouts shown are for concept only and are not coordinated with building systems. Sponsor reserves the right to make changes in accordance with the terms of the Offering Plan. The complete offering terms are in an offering plan available from Sponsor. File No. CD15-0238. Sponsor: 95th and Third LLC, 805 Third Avenue, Seventh Floor, New York, NY 10022. All images are a combination of photography and artist renderings. Equal Housing Opportunity. Brand by Williams New York.

**INVESTMENT GROUP**

## MANSION

### BALANCE SHEET

# A Second Home Makes Waves

A Norwegian family builds a vacation oasis on a tiny, sea-swept island

PHOTOGRAPH BY KURT HJELTNES; ARCHITECTS AS: SVENNING BRAATHEN FOR THE WALL STREET JOURNAL (2)



**ANCHORED** Peter and Marianne Straume built a maritime home adapted to its island setting. A staircase accommodates rising waters and steel table legs resist rust.

BY J.S. MARCUS

**A TINY, EXPOSED ISLAND** off the far-west coast of Norway may be blessed with beautiful surroundings, but it also is at the mercy of punishing storms. So it is an unlikely place to build a year-round, multimillion-dollar vacation home.

A Norwegian couple, Peter and Marianne Straume, however, did just that on the one-third acre of land, located off the coast midway between the cities of Bergen and Trondheim. They relied on construction techniques usually reserved for large ships and oil rigs.

The three-story, 3,875-square-foot, four-bedroom, 2½-bathroom house takes up much of the islet. It was built on a bigger island near the area's main city, Alesund, transported whole by barge, lowered by crane onto a foundation, and welded and cemented into place.

The Straumes and their sons—Harald, 16, and Arthur, 13—moved into the house in spring 2016. To date, the couple has spent about \$2 million on the project.

Only accessible by water, the house—set amid various-size inhabited islands and a network of fjords—required an investment in boats. A 13-footer is used to reach the nearest island, which also is accessible by car from the mainland. A larger boat takes them to get supplies in a nearby harbor town or to the airport—a 30-minute trip including the stretch in open waters.

The family lives in Oslo and also

owns a ski cabin. They use their island house about 50 days a year, from longer family stays in summer when the sun shines until 11 p.m., to ski-filled winter weekends when Mr. Straume and friends head to nearby slopes by boat.

The house is built to withstand hurricane-force winds and flooding. But the sea is seen less as a threat than as a source of comfort, amusement and sustenance.

Mr. Straume compares his home to an aquarium. It is surrounded by water and sky, and he can gaze at seals, otters, porpoises and jumping salmon, to name a few of nature's offerings. He also can enjoy snow-topped mountains and the Northern Lights.

Mr. Straume, 46, an investment banker, gathers crabs and, when in season, lobsters from his traps, boils them in seawater and serves them for lunch along with the dry, white Burgundy wine he keeps on hand. "I like to think of the sea as my backyard," he says.

In calm weather, he and his wife, a 44-year-old Oslo civil servant, relax in their outdoor sitting area, or on one of their home's three terraces.

They can even enjoy the outdoors in rough weather. The home is covered in a weather-resistant, lattice facade made of kebony, a Norwegian wood product that simulates the durability of tropical hardwood. It forms an adjustable shell around the house, so that when a storm is pounding one side, the family can keep the house open at the opposite end.

"The whole concept is that ev-



### KEY COSTS

**Island**  
**\$62,400**

**Architect's fee**  
**\$162,200**

**Additional furniture**  
**\$75,000**

**Fireplace, heating, ventilation**  
**\$40,000**

**Bathrooms**  
**\$150,000**

**Kitchen**  
**\$50,000**

**Boats**  
**\$78,000**



erything can be open, depending on where the sun is or the wind is," Mr. Straume says.

The first floor has an open-plan kitchen, with Gaggenau appliances, designed by the couple's Oslo architect, Knut Hjeltnes. Nearby, a utility room is fitted with a metal hatch, typically used on large vessels, that can create a waterproof seal during flooding. It cost \$3,700.

In another concession to potential rising waters, Mr. Hjeltnes designed a striking staircase that doesn't touch the floor. Nearby, a custom-built teak dining table has rust-resistant steel legs.

Bedrooms are divided between two wings. The master bedroom and the boys' room are above the living room, and two smaller bedrooms for guests are above the outdoor dining area. Instead of

curtains or sliding doors, showers are equipped with LED-lit walls.

The top floor is a large unheated attic useful for large gatherings. The Norwegian coast has a moderate climate, with temperatures around 50 degrees on any given day, so Mr. Straume also can use the space to store wine.

The sea is less than 20 feet deep here, and the family gets water and electricity via underwater cables and pipes connected to the nearby settled island, about 300 feet away. "Digging is expensive but going through water is easy," Mr. Straume says.

A high-bandwidth radio link allows the family to stream shows in their second-floor sitting room, where a pull-down screen converts the space into a home cinema.

Built on the site of a 19th-cen-

tury boathouse that blew away in a storm in the early 1990s, the project started in 2009 when Mr. Straume—who has family in the area—bought the islet. Securing permission for a home involved years of negotiations with planning commissions—and a streak of good luck.

In the end, approval to proceed came when officials missed a notification deadline, leading to a decision in the Straumes' favor. Five years later, the family saw the inside of the house for the first time.

"I was quite emotional," says Mrs. Straume. "We had seen the drawings, and the architect had explained everything, but it was difficult to imagine. When we came in, it was like 'Wow, this is what he meant.' It was a great feeling."

### THE AIR IS DIFFERENT HERE

There's Kiawah Island. Then there's Timbers Kiawah.  
21 unique oceanfront residences.  
Surrounded by pristine nature, good food and world-class golf.  
Served up fresh with a whole new take on Lowcountry hospitality.  
You'll find that everything's different here.  
Including you.



Kiawah Island, SC | [TimbersKiawah.com/mansions](http://TimbersKiawah.com/mansions) | 843.689.7802

TIMBERS KIAWAH

OCEAN CLUB & RESIDENCES

### TIMBERS COLLECTION

Aspen | Bachelor Gulch | Cabo San Lucas | Jupiter | Kaua'i | Kiawah Island | Maui | Napa | Scottsdale | Snowmass | Sonoma | Southern California | Steamboat | Tuscany | U.S. Virgin Islands | Vail

This advertisement does not constitute an offer to sell nor the solicitation of an offer to purchase made in any jurisdiction nor made to residents of any jurisdiction, including New York, where registration is required and applicable registration requirements are not fully satisfied. Timbers Kiawah Acquisition Partner, LLC uses the Timbers Resort®, Timbers Collection® and certain other Timbers brand names under a limited non-transferable license in connection with the sales and marketing of the Timbers Kiawah Ocean Club & Residences (the "Project"). If this license is terminated or expires without renewal, the Project will no longer be identified with nor have any right to use the Timbers® marks and names. All renderings depicted in this advertisement are illustrative only and may be changed at any time. All rights reserved.

## HIGH-RISE LIVING & DESIGN

ELEMENTS

# INTO THE WOODS

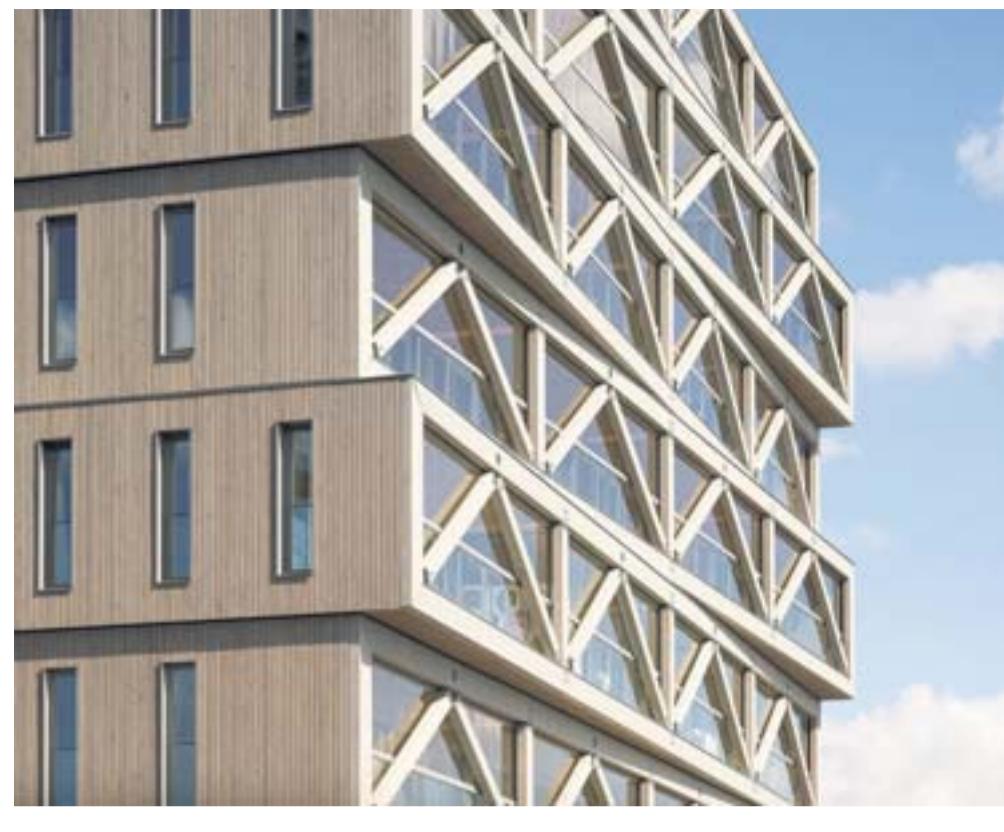
Builders are turning to timber for a new generation of mid-rise buildings

**ONE OF THE NEWEST** materials in mid-rise residential and office construction comes from an old source: trees.

With the emergence of cross-laminated timber, or CLT, and nail-laminated timber (think plywood, but much thicker and stronger), architects are able to design buildings of 10-to-12 stories or more with timber cores and panels. While engineered wood hasn't entirely replaced steel, reinforced concrete or masonry in mid-rise construction, some builders say the cost savings and environmental benefits make timber a good alternative for many uses.

Here's a look at buildings around the world built using engineered wood.

—Adam Bonislawski



### AMSTERDAM

Completed in 2016, Patch22, a 26-unit apartment building, tops out at just under 100 feet. According to architect and developer Tom Frantzen, its wood-based cladding and framing were intended to make it stand out in a sluggish housing market. "No one was buying homes, so we knew we had to do something different," he said. "Building in wood would attract what we called the crazy people, and we thought, there must be some crazy people in Amsterdam even during the crisis. Which turned out to be true." Apartments in the building (originally sold as raw space) ran about \$300 per square foot. Re-sales are going in the range of about \$645 per square foot.



### MELBOURNE

Forté, a 10-story, 23-unit building in Melbourne's Victoria Harbour neighborhood, was Australia's first timber mid-rise when completed in 2012, according to developer Lendlease. The building uses European spruce grown in Austria and made into cross-laminated panels. Each unit comes with its own vegetable garden.

### LONDON

Light but sturdy, CLT panels can be transported relatively easily, which opens up new possibilities around modular construction. Case in point: the Cube, a 108-foot hybrid timber-steel apartment structure built in the Shoreditch neighborhood in 2015. According to the developer, Regal Homes, the building's CLT panels were constructed in Austria, then trucked to the build site and assembled according to a computer model of the project. Apartments in the building range from about \$1,260 to \$1,575 per square foot.



### PORTRLAND, ORE.

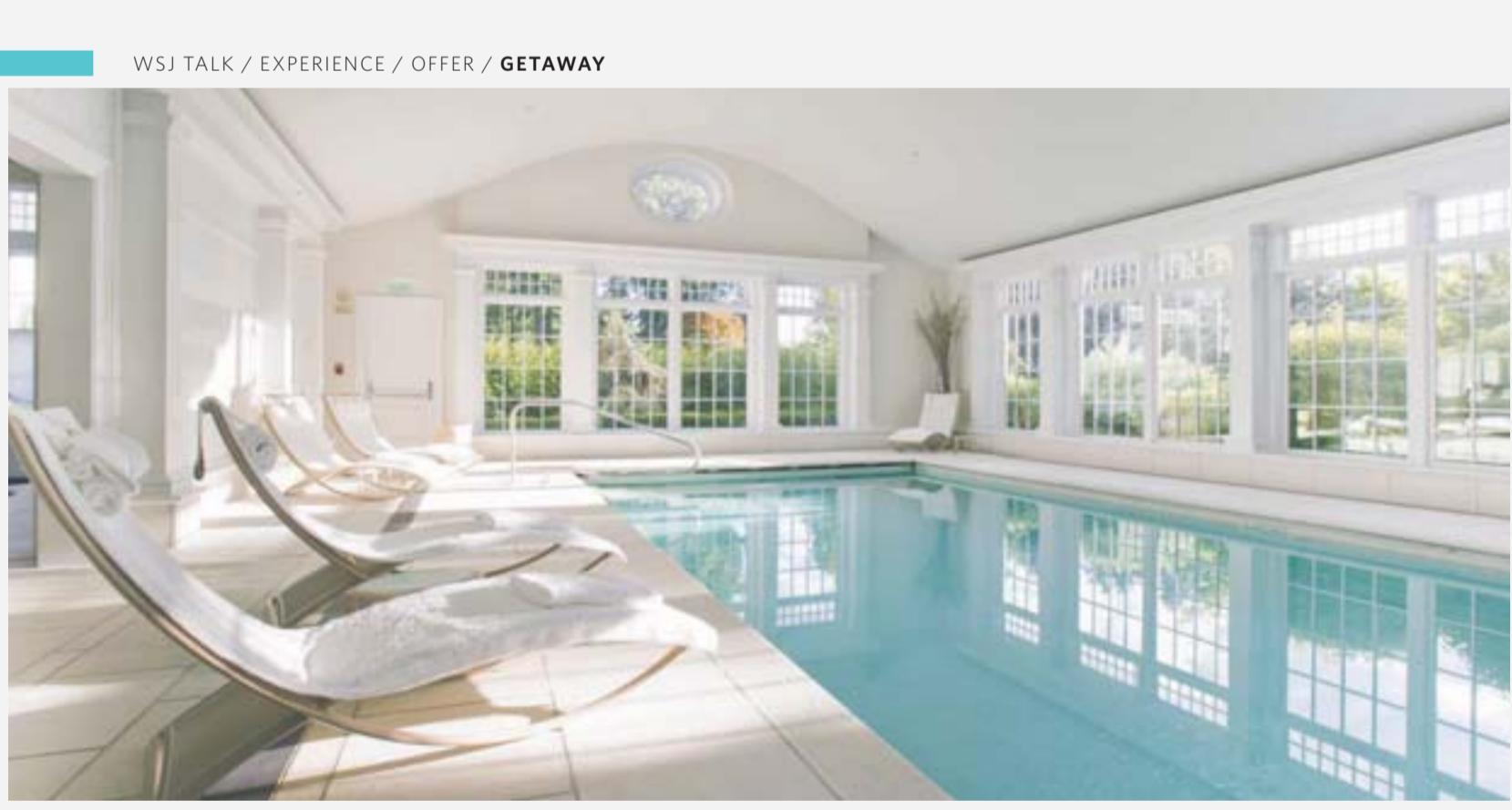
In June, the city issued building permits for the Framework Project, above, a 12-story (148-foot) building constructed mainly with sustainably harvested engineered lumber. To get the permits, developers had to submit designs that passed rigorous fire, seismic and other safety tests to prove its durability was comparable to typical steel-and-concrete construction. Scheduled for completion in early 2019, Framework will house 60 affordable apartments along with a mix of retail and office space.

Portland is also home to Carbon12, an eight-story steel-and-timber condo building that topped out this spring. The development features 14 apartments ranging in price from around \$800,000 to \$1.5 million and includes direct elevator access to each unit along with automated underground parking.



### VIENNA

Austria is one of the biggest producers of CLT and Vienna is the site of one of its most ambitious projects. Upon completion (projected for 2018), Vienna's timber-and-concrete HoHo building will rise 24 stories—considerably taller than most other timber structures—and feature short-term rental units, along with a hotel and restaurant.



# Win a Countryside Retreat\*

Escape from the pressures of everyday living with three nights at the Grace Mayflower Inn and Spa in Connecticut. During your stay, enjoy a chef's tasting dinner, spa treatments and nature with hiking, biking and more in the resort's 58 beautiful acres of woodland.

EXCLUSIVE TO WSJ MEMBERS  
ENTER TO WIN AT [WSJPLUS.COM/GACEMAYFLOWER](http://WSJPLUS.COM/GACEMAYFLOWER)

WSJ+  
INVITES + OFFERS + INSPIRATION

GRACE  
MAYFLOWER  
INN & SPA

\*No purchase necessary. Void where prohibited. If you subscribed to The Wall Street Journal after October 6, 2017 you will not be eligible to win. Open only to legal residents of the 50 United States (and D.C.), or Canada (excluding the Province of Quebec), age 18 and over. Any resident of Canada whose entry is selected in the random draw must correctly answer, unaided, a time-limited mathematical skill testing question to qualify as a winner of the prize. For official rules, including prize description and odds, visit [wsjplus.com/officialrules](http://wsjplus.com/officialrules). Sponsor: Dow Jones & Company, 1211 6th Avenue, New York, NY 10036.

# Sotheby's INTERNATIONAL REALTY



UNIQUE IMPRESSIONS WORLDWIDE

SOTHEBYSREALTY.COM



## PALM CAY, BAHAMAS

Enjoy exquisite beach views and tranquil ocean breezes from this luxurious 4 bedroom, 3.5 bath, 2,000 sq. ft. townhouse located in the gated beachfront and marina community of Palm Cay. WEB: QRBN64. \$1,475,000 US.

craig.pinder@sir.com

Damianos Sotheby's International Realty  
+1 242.457.2282 | SIRbahamas.com



## PARADISE ISLAND, BAHAMAS

Reef At Atlantis. Seize the chance to own this stunning condo in one of the world's most celebrated resorts. This 14th floor, 2 bedroom, 3 bathroom unit enjoys incredible views of Paradise Beach. Resort amenities. WEB: 30704. \$1,195,000 US.

Nick.Damianos@SIR.com

Damianos Sotheby's International Realty  
+1 242.376.1841 | SIRbahamas.com



## ST. BARTH, CARIBBEAN

St. Barth's most spectacular estate. 9 bedrooms including a caretaker residence. Panoramic views including the islands of Saba and Statia and year round sunset. Private five bedroom main residence, two bedroom guest house, and two pools. \$46,000,000. tom@stbarth.com

St. Barth Properties Sotheby's International Realty  
+1 508.570.4481 | sothebysrealty-stbarth.com



## BELVEDERE, CALIFORNIA

This French country-inspired home is defined by grand, light-filled living spaces, manicured stepped grounds and panoramic views spanning from the San Francisco skyline to the Golden Gate Bridge to Mount Tamalpais. \$7,200,000.

Bill Bullock and Lydia Sarkissian.

Golden Gate Sotheby's International Realty  
+1 415.517.7720 | globalestates.com



## LAGUNA BEACH, CALIFORNIA

Spectacular home on iconic Laguna surf beach with endless Pacific views. Spacious, with custom craftsmanship, designed for luxury living and entertaining with 4 bedrooms, 5 baths. Desirable Laguna Village area. \$13,500,000. John Stanaland.

John Stanaland  
HOM Sotheby's International Realty  
+1 949.689.9047 | homgroup.com



## LOS ALTOS HILLS, CALIFORNIA

The 20,000 sq. ft. home on 8+ acres is designed for entertaining on a corporate or personal level. Indoor swimming pool, massage room, theatre, vineyard and wine room.

Freestanding office building for business needs. Easy access to airports make the home a perfect West Coast hub. \$68,000,000. Michael Dreyfus.

Golden Gate Sotheby's International Realty  
+1 650.485.3476 | ggsoir.com



## SAN DIEGO, CALIFORNIA

Mid-century style Sim Bruce Richards designed oceanfront compound with pool. Impressive layers of wood, brick, stained glass, stone masonry and floor to ceiling windows frame the waterfront deck. \$17,950,000-\$19,950,000. Eric Iantorno, Kathy Herington and Clinton Selfridge.

Pacific Sotheby's International Realty  
+1 858.256.7005 | PacificSothebysRealty.com



## SAN DIEGO, CALIFORNIA

Sophisticated and inspiring, this Venetian style new construction embodies the finest attributes of waterfront living along with views from La Jolla to Dana Point. \$8,950,000.

Clinton Selfridge and Eric Iantorno.

Pacific Sotheby's International Realty  
+1 858.256.7005 | PacificSothebysRealty.com



## SAN DIEGO, CALIFORNIA

Private, Cape Cod Style Bokal and Sneed designed home with panoramic ocean views. Generous outdoor living spaces including a pool, spa and garden. Breathtaking details throughout and walking distance to town. \$7,450,000.

Eric Iantorno and Clinton Selfridge.

Pacific Sotheby's International Realty  
+1 858.256.7005 | PacificSothebysRealty.com

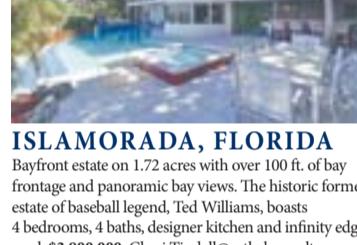


## SAN DIEGO, CALIFORNIA

Built by the Helms Family early in the 20th Century, this seaside American Lodge in La Jolla emanates a life well lived and much enjoyed. This home offers a unique, warm and comforting lifestyle, with 180-degree coastline views \$3,250,000-\$3,650,000.

Brett Dickinson.

Pacific Sotheby's International Realty  
+1 858.822.9699 | PacificSothebysRealty.com



## ISLAMORADA, FLORIDA

Bayfront estate on 1.72 acres with over 100 ft. of bay frontage and panoramic bay views. The historic former estate of baseball legend, Ted Williams, boasts 4 bedrooms, 4 baths, designer kitchen and infinity edge pool. \$3,800,000. Cheri.Tindall@sothebysrealty.com

Ocean Sotheby's International Realty  
+1 305.712.8888 | OceanSIR.com



## KEY LARGO, FLORIDA

Exceptional Ocean Reef family compound with 6 bedrooms, 7.5 baths and adjacent guest house with additional 2 bedrooms, kitchennette and living room. Magnificent courtyard pool, unobstructed views of Angelfish Creek & Card Sound Bay, and 70 ft. dockage. \$8,500,000. Helena.Morton@sothebysrealty.com

Russell Post Sotheby's International Realty  
+1 305.367.2027 | RussellPostSIR.com



## KEY LARGO, FLORIDA

Situated on two lots with 151 ft. of bayfront and spectacular bay views. Main home offers open floor plan, 3 bedrooms, 3 baths, sparkling swimming pool, summer kitchen with cabana bar, separate guest house, two docks and two boat lifts. \$2,499,000. Donna.Webb@sothebysrealty.com

Ocean Sotheby's International Realty  
+1 305.712.8888 | OceanSIR.com



## PALM BEACH, FLORIDA

Trophy Ranch 3,640± acres. Full amenity hunting ranch, farm, corporate retreat or development opportunity. 5 bedroom lodge with swimming pool. Private lake, dock and landing strip for the ultimate in convenience. Outbuildings. Price upon request. Wally Turner.

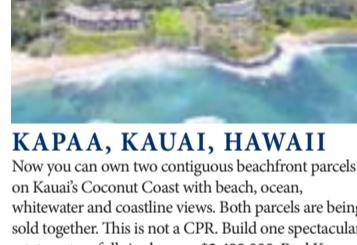
Sotheby's International Realty  
Palm Beach Brokerage  
+1 561.301.2060 | sothebyshomes.com/palmbeach



## PUMPKIN KEY, FLORIDA

Florida Keys private island just 3 minutes by boat to shore accommodations in Ocean Reef. Self sufficient with water/electric in place from shore to 12 large bay front lots. Currently, featuring 1 main home, 2 caretaker's cottages and 20-slip marina. \$95,000,000 Russell.Post@sothebysrealty.com

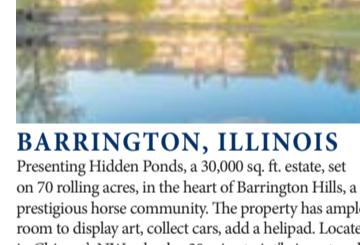
Russell Post Sotheby's International Realty  
+1 305.367.2027 | RussellPostSIR.com



## KAPAA, KAUAI, HAWAII

Now you can own two contiguous beachfront parcels on Kauai's Coconut Coast with beach, ocean, whitewater and coastline views. Both parcels are being sold together. This is not a CPR. Build one spectacular estate or two full size homes. \$2,400,000. Paul Kyro. Paul@oceanfrontsir.com

Oceanfront Sotheby's International Realty  
+1808.651.3287 | oceanfrontsir.com



## BARRINGTON, ILLINOIS

Presenting Hidden Ponds, a 30,000 sq. ft. estate, set on 70 rolling acres, in the heart of Barrington Hills, a prestigious horse community. The property has ample room to display art, collect cars, add a helipad. Located in Chicago's NW suburbs, 30 mins to int'l airport and major thoroughfares. \$14,888,000. Connie Antoniou.

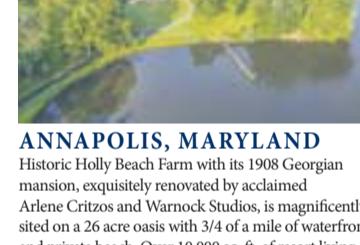
Jameson Sotheby's International Realty  
+1 847.508.7775 | jamesonsir.com



## CHICAGO, ILLINOIS

Extraordinary brand new condo boasts breathtaking, panoramic lake and city views, an incredible 72 ft. wall of windows and dramatic 13+ ft. ceilings. Over 4,300 sq. ft. of perfection, thoughtfully designed with the finest materials available. \$4,450,000. Nancy Tassone.

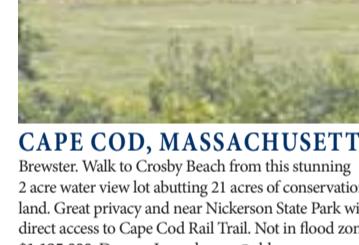
Jameson Sotheby's International Realty  
+1 312.215.9701 | jamesonsir.com



## ANNAPOLIS, MARYLAND

Historic Holly Beach Farm with its 1908 Georgian mansion, exquisitely renovated by acclaimed Arlene Critzos and Warnock Studios, is magnificently sited on a 26 acre oasis with 3/4 of a mile of waterfront and private beach. Over 10,000 sq. ft. of resort living. \$10,000,000. Marc Fleisher.

TTR Sotheby's International Realty  
+1 301.967.3344 / 202.438.4880 | ttrsir.com



## CAPE COD, MASSACHUSETTS

Brewster. Walk to Crosby Beach from this stunning 2 acre water view lot abutting 21 acres of conservation land. Great privacy and near Nickerson State Park with direct access to Cape Cod Rail Trail. Not in flood zone. \$1,195,000. Daneen Law. daneen@oldcape.com

oldCape Sotheby's International Realty  
+1 208.237.0977 | oldcape.com



## JAMAICA PLAIN, MASSACHUSETTS

Unique opportunity to build or renovate your family estate on 3.6 private acres. Extraordinary land that rarely comes to market. \$3,900,000. Michael L. Carucci.

Oceanfront Sotheby's International Realty  
+1808.651.3287 | oceanfrontsir.com



## NEWTON, MASSACHUSETTS

Majestic home with 5 bedrooms, 7 full and 2 half baths, and a spectacular open floor plan. Luxurious amenities including an elevator, an in-home theater, and a wine cellar. Gracefully landscaped grounds. \$6,900,000. Michael L. Carucci.

Gibson Sotheby's International Realty  
+1 617.901.7600 | GibsonSothebysRealty.com



## HAMILTON, MONTANA

17 acre estate, 10 bedroom home, multiple private guest quarters. Unique features including grotto style pool, underground shooting range and 4 stall horse barn. Exclusive/private Stock Farm amenities include Tom Fazio golf course. \$27,500,000. Dawn Maddux.

Glacier Sotheby's International Realty  
+1 406.550.4131 | glaciersir.com



## MISSOULA, MONTANA

Iconic 5 bedroom, 6 bath historic Victorian era home. Complete era specific remodel, sitting on 3 full city lots. Separate guest home, seasonal creek and beautifully landscaped. \$2,275,000. Dawn Maddux.

Glacier Sotheby's International Realty  
+1 406.550.4131 | glaciersir.com



## NEW YORK, NEW YORK

This 5 bedroom and 4.5 bath residence has been recently renovated and planned to perfection, making it ideal for luxurious entertaining as well as comfortable practical living. \$7,430,000. Emmanuelle Ritchie. emmanuelle.ritchie@sothebyshomes.com

Sotheby's International Realty  
East Side Manhattan Brokerage  
+1 212.606.7655 | sothebyshomes.com/00111555



## NEW YORK, NEW YORK

Move-in ready 4 bedroom, 3.5 bath duplex with approx 2,967 sq. ft. interior and approx 301 sq. ft. private outdoor terrace on the Upper West Side. \$5,700,000. Colin Montgomery and Kevin B. Brown.

Sotheby's International Realty  
East Side Manhattan Brokerage  
+1 212.606.7620 / 212.606.7748  
sothebyshomes.com/00111609



## NEW YORK, NEW YORK

A spacious, grandly-scaled, light-filled 3 bedroom, 3 full, 1 half bath corner residence in a convenient Sutton Place location. \$3,395,000. Jeremy V. Stein.

Sotheby's International Realty  
Downtown Manhattan Brokerage  
+1 212.431.2427 | sothebyshomes.com/0139707



## NEW YORK, NEW YORK

The Woolworth Tower Residences offers a club-like intimacy while surrounded by restaurants, hotels and shopping. This 3 bedroom offers over 14 ft. ceilings and 3,282 sq

## HIGH-RISE LIVING & DESIGN



F.S. LINCOLN; MILSTEIN DIVISION OF UNITED STATES HISTORY, LOCAL HISTORY & GENEALOGY, THE NEW YORK PUBLIC LIBRARY, ASTOR, LENOX AND TILDEN FOUNDATION (HISTORICAL); DOROTHY HONG FOR THE WALL STREET JOURNAL (3)

**THE COMPANY YOU KEEP** Once the Irving Trust Company bank, One Wall Street is being converted into 566 luxury condominiums. According to developer Harry Macklowe, prices for the units will average between \$2,500 and \$3,000 a foot. The largest unit will be nearly 13,000 feet, which would translate to a purchase price of \$39 million—but it could be even pricier since it is the penthouse.

**FOR HOT NEWS AND GOSSIP,  
IT'S WHO'S ON THE INSIDE THAT COUNTS!**

**PageSix  
TV™**



**WATCH WEEKDAYS**

**CHECK YOUR LOCAL LISTINGS**

[PageSixTV.com](http://PageSixTV.com)

## BUSINESS CLASS

*Continued from page M1*  
the romance of landmark New York office buildings. He is one of a small collection of developers who are betting they can dazzle well-heeled buyers by serving them opulent residences with a slice of New York history.

Of particular interest are the nation's first skyscrapers. From 1900 to 1930, the golden era of skyscraper construction, developers were fiercely competing to build taller and taller buildings: The Chrysler Building,

the Empire State Building and the Woolworth Building all became permanent markers on the Manhattan skyline.

Alchemy Properties' conversion of the Woolworth Building is nearing completion: Its penthouse is seeking \$110 million.

Some conversions have already been successful. When Walker Tower, a conversion of an Art Deco, 1920s-era office building formerly occupied by Verizon, first launched sales in 2012, it set record prices, and all 50 of

its units sold in about 14 months, according to the developer. A conversion of a former office tower at 212 Fifth Avenue has also attracted many well-heeled buyers, including real-estate developer Charles Kushner and Texas billionaire Ed Bass, according to people with knowledge of the deals.

Another ambitious conversion under way is at the Crown Building. Just south of Central Park and near the Plaza Hotel, the Warren & Wetmore-designed building, built in 1921, is widely recog-



**LIVING AT THE OFFICE** A group led by Russian real-estate billionaire Vladislav Doronin bought the top 20 floors of the Crown Building, shown below in photos from 1932, left, and 1928, right, for nearly \$500 million last year. Plans are to create 20 residential units, some with terraces and pools.



FROM TOP: DOROTHY HONG FOR THE WALL STREET JOURNAL; MCNY/GOTTSCHO-SCHLEISNER/GETTY IMAGES (HISTORICAL EXTERIOR); BYRON COMPANY (NEW YORK, N.Y.) / MUSEUM OF THE CITY OF NEW YORK 93.11.16848 (INTERIOR HISTORICAL)

## HIGH-RISE LIVING & DESIGN



**THE EXECUTIVE SUITE** This building was built for the Irish Emigrant Society, a bank for Irish immigrants, and was owned by the city until 2013. Residential units start at around \$2 million, and sales launched last spring.

floors of One Wall Street pose the greatest challenge for conversion because their footprint is deep, making it difficult to configure all the apartments with windows without leaving a huge vacant space in the core of the building. Mr. Macklowe says he and architect Robert A.M. Stern solved the problem by placing amenity spaces around the core of the building's lower floors.

Mr. Macklowe says prices for the units will average between \$2,500 and \$3,000 a foot. The largest unit will be nearly 13,000 feet, which would pencil out to upward of \$39 million—but it could be even pricier since it is the penthouse, he says.

In the case of the Crown Building, Mr. Doronin plans for just 20 residential units, some with expansive terraces and private outdoor pools to capitalize on the setbacks, his spokesperson confirmed. The five-level penthouse will encompass nearly 13,700 square feet, with a master suite spanning an entire floor and two large private pools, according to a preliminary offering plan submitted to the New York State Attorney General's office.

Mr. Singer says the conversion of the Beaux-Arts Emigrant building, designed by Raymond F. Almirall, was made easier by the 17-story building's H-shaped structure, which allows better access to sunlight with triple exposures in some apartments. Until recently, the building, which was constructed between 1909 and 1912, housed various city agencies. It was built for the Irish Emigrant Society, a bank for Irish immigrants,

and was owned by the city until 2013.

The units start at around \$2 million, according to a spokesperson for the Chetrit Group. Sales launched last spring; the company declined to disclose how many units have sold. Homes feature calico hickory hardwood floors, curved and bay windows, and open kitchens. Residents will also have access to a gym and a rooftop park with a lawn and trellis seating. The project is currently in the construction phase and is slated for completion in 2018.

Real-estate veterans warn only a few office buildings are worth the conversion effort. "It's very hard to retrofit buildings," says

Donna Olshan, a luxury real-estate agent. "With few exceptions, and unless it's a very special building, new product is always better."

Mr. Macklowe said he was unimpressed by one such plan by the Chetrit Group to convert the Sony Building at 550 Madison Avenue, with its recognizable Chippendale top, into luxury condominiums in 2015. Mr. Macklowe competed with Chetrit to buy the building, but lost out in the final bidding.

The company has since abandoned the plans and sold the 1980s-era building to a Saudi conglomerate for approximately \$1.4 billion last year, records show. The Chetrit Group declined to comment.

"I was totally committed to that as an office building," Mr. Macklowe says. "When I saw the plans for the condominium, I thought that it was a very bad use of space. Some buildings just can't change their suit of clothes."

FROM TOP: DOROTHY HONG FOR THE WALL STREET JOURNAL (2); BILL BARVIN/MULSTEIN DIVISION, THE NEW YORK PUBLIC LIBRARY (PHOTO COMPOSITE)

nizable for its pyramid-shaped copper roof, elaborate setbacks and French Renaissance-style detailing. Last year, a group led by Russian real-estate billionaire Vladislav Doronin bought the top 20 floors of the building for close to \$500 million with a view toward turning them into homes, Mr. Doronin's spokesperson confirmed. Meanwhile, the Chetrit Group, a developer, is converting the former New York headquarters of the Emigrant Industrial Savings Bank.

The trend is a reflection in part of dwindling opportunities for developers to acquire vacant land in desir-

able Manhattan locations and the fluctuating economics of the commercial and residential real-estate sectors.

Over the past several years, as housing prices have risen, developers have found that they can make more money by selling units as residences than by leasing them to commercial tenants. In 2014, the year Mr. Macklowe's company purchased One Wall Street for \$585 million, the median condo price in New York was \$940,000 for instance, up nearly 10% in a year, according to data from brokerage Douglas Elliman.

While the prices at the

very top of the luxury market have softened over the past few months, the balance of the market remains strong. In the third quarter, Manhattan sales were up by 23%, for apartments priced between \$1 million and \$4 million, according to a Wall Street Journal analysis.

In many cases, office towers from the early 1900s lend themselves well to residential conversion. Since many were created before the advent of air conditioning, they were built on narrower footprints to allow for light and air. Modern-day office buildings are often so deep that large amounts of unused floor area are left in

the center of the building once units have been configured around the periphery. Modern office buildings also have more space designated for elevator bays, which eats into residential floor plans and can result in off-kilter apartment layouts.

Buildings from the 1920s also boast more architectural detailing and traditional windows. "It was before the advent of glass curtain wall towers, so the quality of the architecture is outstanding," said Jeremy Singer of Woods Bagot, the architecture firm heading the conversion of the Emigrant building.

Developers can still run into problems. The lower

### The Crown Building will have a five-level penthouse that's nearly 13,700 square feet.



## Micro Trends, Macro Context. In Minutes.



### THE DAILY SHOT

## Speed-read the markets

Every morning, get a complete look at the trends moving global markets with The Daily Shot. Exclusive to members, WSJ's latest newsletter delivers a sophisticated, impartial view of the markets in 30-plus charts, from credit to currencies to commodities. It's the essential insight you need to start your day.

[Sign up at WSJ.com/dailyshot](http://WSJ.com/dailyshot)

**THE WALL STREET JOURNAL.**  
Read ambitiously

## HIGH-RISE LIVING & DESIGN

# A MILE-HIGH BUILDING BOOM

Continued from page M1

town, a new 372-unit luxury apartment building, real-state agent Justin De La O counts about half a dozen cranes within a few blocks' radius that mark where similar properties are rising.

Median rents in Denver grew to \$1,184 in 2015, up from \$777 in 2005—a 52% increase, according to data from rental website Apartment List, compared with 32% nationally. Construction of new units boomed during the same decade, but remained slower than the pace of new job creation, with 1.7 new jobs created for every new residential building permit. From 2010 to 2015, the ratio was particularly off-balance, with 2.9 jobs added for every building permit, according to census data analyzed by Apartment List.

Now, some local real-estate experts say the balance is shifting, with the supply of new housing matching or even exceeding demand. The result: Rental-price growth already shows signs of softening, with median rents down 0.4% over the past month, to \$1,340, according to Apartment List's October report. (The company says this may be due in part to a seasonal dip.)

"They have totally overbuilt the luxury apartment buildings," says Christina Freyer Walker, the president of Colorado & Co. Real Estate. That's good news for renters, as some buildings begin to offer incentives such as \$500 signing bonuses, elaborate furnishing packages, gift cards and breaks on rent to attract tenants.

Tori Larson is the asset manager for the developer behind Decatur Point, a 203-unit rental building with an outdoor pool that opened in November 2016 and is now 88% rented. She says the building has tried a range of promotions to attract renters.

One recent deal was aimed at pet owners; it included a gift card for 10 visits to a doggy day care and six months of monthly on-site pet grooming. Another promotion featured a \$500 Visa gift card, which she said was popular. "It's a constant battle trying to figure out what's going to work and what's going to attract people," she says. Studios in the building start at \$1,485 a month; two-bedroom, two-bathroom units go up to \$2,700.

Leeann Nicolo moved to Denver from New York in June. She looked at about 15 different places before choosing her 950-square-foot unit at the Alexan Uptown. At the time she signed her lease, she says the building was offering one-month free rent and waiving the building's standard pet fee for a few months. The signing package for her \$1,950-a-month, one-bedroom apartment also included several gift options. She chose one that came with a \$300 Southwest Airlines gift card, a free membership to the Denver Zoo and a subscription service that delivers free snacks from around the world once a month.

"In New York you have to argue for everything and you're lucky if you even get an apartment," says Ms. Nicolo, 27, who works in cybersecurity. The building's more recent promotion included waived signing fees and discounts on certain units.

The rental-building boom was partly fueled by a slowdown in the building of for-sale luxury condos. Some developers say that under local construction-defect laws, condos are more vulnerable to lawsuits than rental buildings, making rentals seem like a safer bet. Others say that market conditions have been more favorable for rentals.

The low inventory of homes for sale has kept the sales market competitive. Denver homes and condos sell in under 30 days on average after listing, on par with hot markets like the San Francisco Bay Area, says Pam O'Connor, the CEO of Leading Real Estate Companies of the World.

David Zucker, the CEO of Zocalo Community Development, says the past year has given him pause about the high end of the rental market, though Denver's growing global recognition makes him optimistic about the city overall. The company's newest luxury rental building, Coda, in Cherry Creek, is about 70% rented a year after opening, which he says is slightly slower than expected but not surprising, considering the competition.

The building has free gigabyte



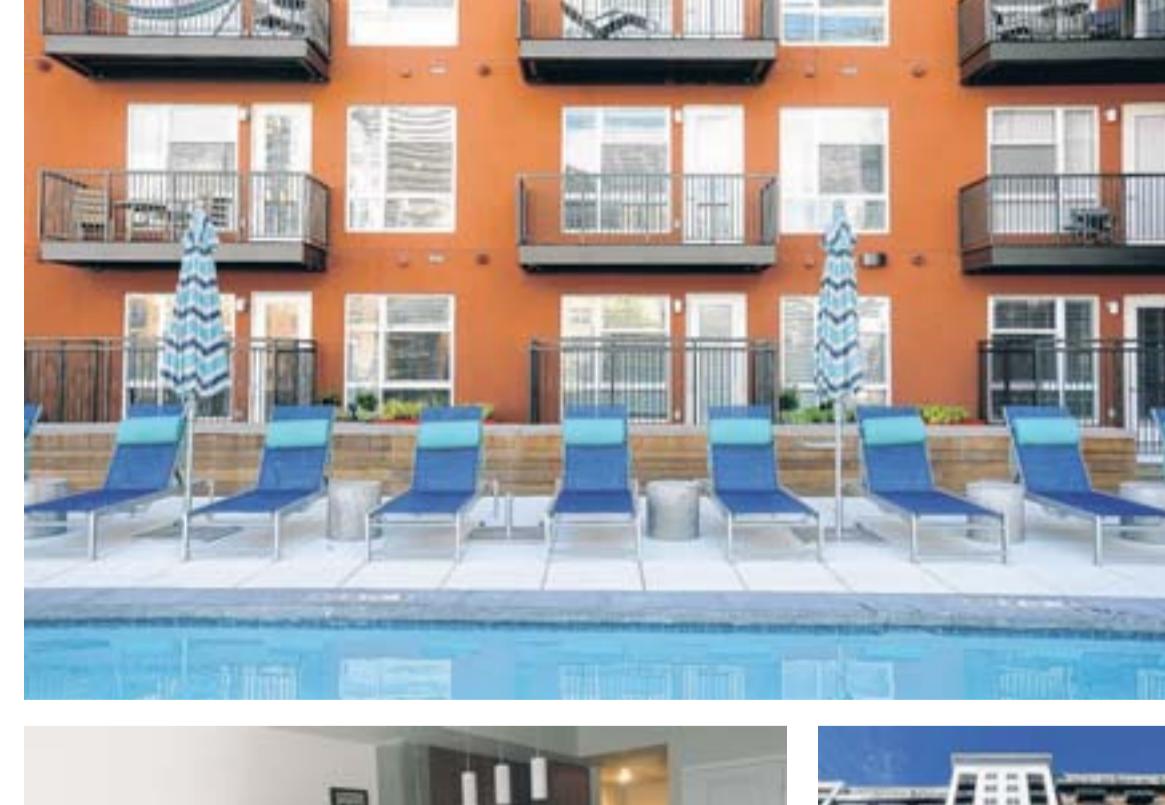
ON TRACK Denver's train station, Union Station, with a building under construction in the background.



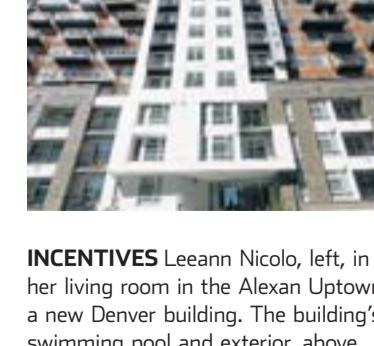
POINT BREAK Tara Nelson, above, in the clubroom at Decatur Point, where she rents a studio apartment for \$1,700 a month. Resident Jordan Malcolm plays with her dog, below left; an aerial shot of the courtyard, below right.



JIMENA PECK FOR THE WALL STREET JOURNAL (3)



CARMEL ZUCKER FOR THE WALL STREET JOURNAL (3)



INCENTIVES Leeann Nicolo, left, in her living room in the Alexan Uptown, a new Denver building. The building's swimming pool and exterior, above. When she signed her lease, she got a \$300 gift card and other perks.

high-speed internet for all residents, in addition to concierge service and a new ground-floor restaurant, Hedge Row, owned by Elon Musk's brother Kimbal Musk. For future development, he says, he's focusing on mixed-use buildings.

Some buildings are trying to stand out with increasingly luxurious amenities. At the Battery on Blake, a luxury apartment building across the street from Coors Field, there's a sports lounge with an indoor bowling alley and billiards. Many buildings also include dog spas (where renters can wash their pets) as well as rooftop dog parks or dog runs. And then there are the types of amenities that are unique to Denver's outdoorsy lifestyle, like ski-storage rooms, or kayaks that residents can borrow to use on nearby rivers.

The Confluence, a 35-story building under construction at the convergence of Cherry Creek and the South Platte River, has units that range from 658-square-foot studios to 2,500-square-foot penthouses. Amenities include bikes that residents can borrow to ride around town, as well as valet parking. A heated outdoor infinity pool, open year-round, has a cantilevered glass wall as well as several resort-style cabanas, each with its own fire pit. The gym has sliding glass doors that open to an outdoor yoga lawn.

One-bedrooms at the Confluence start around \$2,400 a month and the largest penthouses could rent for more than \$16,000 a month; prices are still being determined. With hand-scraped wood floors and 10- to 12-foot ceilings, the units are some of the priciest per square foot in Denver. Developers say there's already a waitlist for penthouses, although they're still under construction. They aren't offering big promotions yet, though some non-penthouse units come with a \$500 to \$1,000 "construction" rebate while the building is still being completed.

Tara Nelson, a 32-year-old registered dietitian, moved to Denver from Barnstable, Mass., in May. She looked at seven or eight different luxury buildings before settling on Decatur Point in Jefferson Park. She liked the building's gym, which has Peloton bikes with live video spin classes, and free yoga classes twice a week. Her 630-square-foot studio apartment has a patio where she can watch the sunset in the evenings.

Her rent is \$1,700 a month, but with the building's one-month free move-in incentive, which she spread out over the first year, she pays \$1,595; she says her application fee was also waived.

Developers and real-estate agents say the next boom will likely happen in the suburbs. Adrienne Hill, a senior vice president with Simpson Property Group, has developed buildings like Sky House, a new 25-story, 354-unit downtown luxury apartment building in the Financial District with a rooftop pool and a gym that has a virtual training center. The building opened in October 2016 and is 64% occupied, which Ms. Hill says is in line with their expectations.

With the urban market nearly saturated, the company is looking to suburban areas like Littleton, about 20 miles south of Denver, for new development. "There's a lot of opportunity in the suburbs and a lot of pent-up demand," she says.

# BROWN HARRIS STEVENS

Established 1873

## EAST SIDE



▲ **SOPHISTICATED DUPLEX ON RIVER** Beekman Place. 4BRs, 5.5 baths, Lib, FDR, EIK, 2 staff rms. River views. Separate 5 room staff suite. \$10M. WEB# 17520089.  
Leslie R. Coleman 212-906-9387  
Mary K. Rutherford 212-906-9211

**PARK AVE-17RM MASTERPIECE** Park Ave/E. 73rd. Co-Excl. Renovated 11th floor residence w/ 39 windows and four exposures. 12' ceilings, floor-to-ceiling windows. \$39.5M. WEB# 16805056.  
John Burger 212-906-9274

**40' WIDE MANSION W/ GARAGE** East 74th & Madison. Rarely available 40' wide, approx 12,425SF mansion w/ private garage, elevator & large South garden. \$35M. WEB# 17518128.  
David E. Kormeier 212-588-5642  
Scott Harris 212-317-3674

**THE JAMES P. WARBURG MANSION** East 70s/Madison. 37' wide, approx. 12,439SF, superb TH block, delivered vacant, South-facing garden. \$32.5M. WEB# 17437670.

Paula Del Nunzio 212-906-9207  
Mary K. Rutherford 212-906-9211  
Leslie R. Coleman 212-906-9387  
**MINT TOWNHOUSE OFF PARK AVE** Park-Lex/E. 60s. Triple mint 20' renovated five-story 8,400SF home. 7BR & 6.5 baths. Garden & 2 terraces. \$19.95M. WEB# 14575707.  
John Burger 212-906-9274  
Lauren Elizabeth Bankart 212-588-5698

## WEST SIDE

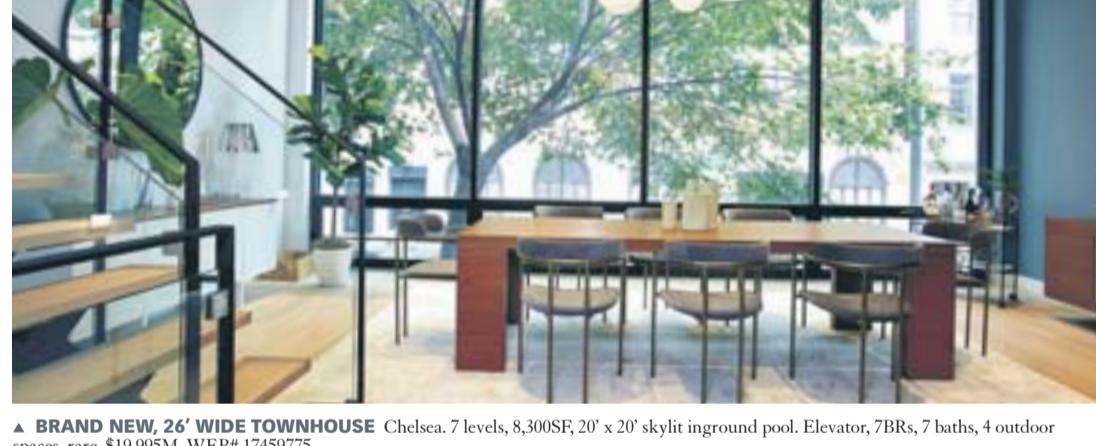


▲ **STUNNING 4BR PH CONDO** Upper West Side. Fabulous 4BR, 4 bath w/ 2 terraces & gorgeous planted private roof deck. FS w/ gym, playroom & garage. \$6.5M. WEB# 17359847.  
Lisa K. Lippman 212-588-5606  
Gerard S. Moore 212-588-5608

**FANTASTIC OPPORTUNITY** Upper West Side. Co-Excl. Combine apartments 4B and 4C at 75 CPW. These homes span 65' along Central Park, expansive views. \$9.75M. WEB# 16316956.  
Gregory M. Roache 212-588-5602

**MIXED USE TH ON VIBRANT BLOCK** Columbus/Amsterdam. 4-story Queen Anne house with 3,250SF commercial plus 2 floor thru appts. Expansion possible. \$5.595M. WEB# 17217457.  
Wolf Jakubowski 212-588-5630

## DOWNTOWN



▲ **BRAND NEW, 26' WIDE TOWNHOUSE** Chelsea. 7 levels, 8,300SF, 20' x 20' skylit inground pool. Elevator, 7BRs, 7 baths, 4 outdoor spaces, rare. \$19.995M. WEB# 17459775.  
Rachel A. Glazer 212-317-3661  
Douglas Bellitto 212-906-0542

**GREENE STREET LOFT** Soho. Impeccably designed 2,216SF loft in the coveted Soho Cast Iron Historic District. \$5.995M.  
WEB# 17504376.  
Judith M. Gillis 212-452-4490  
Liz Dworkin 212-906-0509

**BRIGHT & SPACIOUS LOFT** 652 Broadway. All four exposures with over-sized windows in approximately 3,560SF (per floor plan draftsman). \$5.25M. WEB# 17329233.  
Susan B. Rubin 212-906-9323

## BROOKLYN



▲ **OASIS IN THE SKY** Greenwood. Rare Condo PH blending the outdoors w/ indoors. 1,100SF 2BR + 600SF private deck w/ iconic city views. \$1.195M. WEB# 17469103.  
Alexis Kravitz 718-399-4152

**THE PERFECT HOUSE** Park Slope. 6,200SF restored & upgraded single-family home. Prewar details, 5-stories, 117' long lot. \$9.25M. WEB# 16254860.  
Terry Naini 212-452-6267

**CHARMING BROOKLYN TOWNHOUSE** Gowanus. Charming 15' x 28', 6 room, 2 bath single-family townhouse w/ beautiful 540SF garden/separate 141SF studio. \$1.375M. WEB# 17101752.  
Tate Kelly 212-452-6235

**TOWNHOUSE 2BR, LG PRIVATE DECK** Brooklyn Heights. Mint condition floor-thru in prime location. 2BR, 1 bath TH, laundry, WBFP, chef's kitchen, South-facing deck. \$1.375M. WEB# 17364939.

Jill Seligson Braver 718-858-5905  
Rhea L. Cohen 718-858-5908



Ann Folliess Jeffery



Bryant Montalvo



Caroline E.Y. Guthrie



Cynthia Acevedo



Daniella G. Schlisser



David Carter



Fritz Kallop



Gerard S. Moore



Ileen G. Schoenfeld



Joanne Greene



Laura E. Moss



Lee Solomon



Leonel Piraino



Leslie J.W. Singer



Margaret H. Bay



Mary A. Vetrini



Nada Rizk



Phyllis D. Norton-Towers



Stacey Lynn Curry

▲ **TREE-TOP HIDEAWAY** Brooklyn Heights. Beautiful loft-like 1BR, fully renovated with private roof deck. W/D in unit. Multiple skylights. \$899K. WEB# 17468671.  
Jill Seligson Braver 718-858-5905  
Natalie Rabaa 718-613-2782

**ONE BEDROOM WITH TERRACE** Fort Greene. 1BR Condo with terrace. Fully renovated, W/D in unit and central AC. Parking available for purchase. \$799K. WEB# 16588551.  
Natalie Rabaa 718-613-2782

**ESTATE SALE** Cobble Hill. Spacious, sunlit Co-op with large terrace. 1BR, 1.5 bath. Lovely neighborhood. \$699K. WEB# 17224663.  
Sal "Cappi" Capozucca 718-399-4103  
Victoria Capozucca 718-399-4164

▲ **PALM BEACH** Palm Beach. Situated only 3 blocks from famous Worth Avenue, this 2 unit main with guest cottage makes for the perfect Palm Beach vacation or income property. \$2.249M. MLS# 2000114069.  
Nick Kassatly 561-324-1594  
Jutta Kassatly 561-805-5094

**335 COCONUT ROW** Palm Beach. Located in the heart of Palm Beach, this 2-unit main with guest cottage is a unique opportunity. \$2.249M. MLS# 2000114069.  
Nick Kassatly 561-324-1594  
Jutta Kassatly 561-805-5094

As we continue to swing for the fences, we know that any advancement can have a life-changing impact.

# Whatever it takes.

Stand up for the 16 million people living with cancer in the U.S. and Canada. Visit [StandUpToCancer.org/MLB](http://StandUpToCancer.org/MLB)

**S<sup>↑</sup>T<sub>2</sub>C<sup>®</sup>**  
STAND UP TO CANCER



Stand Up To Cancer is a division of the Entertainment Industry Foundation (EIF), a 501(c)(3) organization.

Major League Baseball trademarks and copyrights are used with permission of Major League Baseball Properties, Inc. Visit [MLB.com](http://MLB.com)

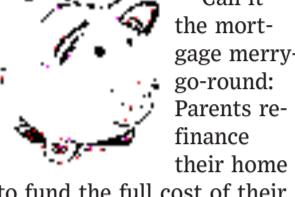


## MANSION

JUMBO JUNGLE | LEIGH KAMPING-CARDER

# TAG-TEAM MORTGAGE FINANCING

Parents refinance their homes and give money to a child who is buying a house; the child refinances to pay back parents



Call it the mortgage merry-go-round: Parents refinance their home

Seattle, said Nela Richardson, Redfin's chief economist.

Redfin agent Cody Coffman recently worked with a 20-something Olympic athlete who paid \$2.8 million for his first home, a newly built five-bedroom house in Los Angeles's Venice neighborhood that was listed for \$2.758 million. His parents took out a home-equity line of credit, or Heloc, to give him the full purchase price, allowing him to beat out four other offers.

"Educating him on how to talk to his parents was probably the most difficult part," Mr. Coffman said, since it wasn't every day their son asked for \$2 million. The athlete worked with a loan officer who vetted him before the purchase and also handled his parent's line of credit.

This move will not work for everyone. Parents must have enough equity in their homes to make a refinance worth it, and the same goes for the child's new home. Both parties must be willing to take on the added hassle and cost of two loans. And mixing family and money is often fraught.

Here are a few more things to keep in mind:

- **Loan options.** Parents have several options for using the equity in their homes, including a cash-out



CHRIS GASH

refinance, which allows borrowers to refinance an existing mortgage plus an additional amount and take the difference out in cash; a home-equity loan, which is a loan against the value of a home, including a second mortgage; or a Heloc, which works like a credit card, allowing homeowners to qualify ahead of time and withdraw funds when the child is ready to close.

• **Finance fail.** The biggest risk is that children won't qualify for a loan—or as big a loan as expected—especially if they pay above the asking price or the market cools. To

help avoid this outcome, let the lender know your plans ahead of time, Mr. Divband said. It may be more convenient to use one loan officer for both transactions.

Note that some lenders want buyers to live in a home for three to six months before refinancing. An alternative is a delayed-financing mortgage, which allows a buyer to purchase the home in cash and refinance the day after closing for up to 80% of the value of the home, said Peter Lucia, a production manager at Brecksville, Ohio-based CrossCountry Mortgage.

• **Think like a lender.** Parents should do the same kind of due diligence as a lender, including vetting children's finances. Tim Manni, a mortgage expert with NerdWallet, a San Francisco-based personal-finance company, recommends working with a lawyer to draw up a family loan agreement setting out repayment terms and other stipulations. Buyers may also want to get a home inspection.

• **Consider the costs.** A purchase mortgage or a refinance would typically cost about 2% of the loan value, Mr. Lucia said. Most closing

costs would apply to two loans instead of one. Luckily, prepayment penalties are rare on primary-residence loans, though they might apply on investment properties, Mr. Lucia said.

• **Tax tips.** Gifts of more than \$14,000 per person per year are subject to federal gift taxes for the giver, which could apply to both parents and children. Interest on the first \$1 million of a purchase mortgage is tax deductible, versus only the first \$100,000 on a home-equity loan or line of credit. Both parties should consult a tax professional.

# march for babies®

**march of dimes®**

A FIGHTING CHANCE FOR EVERY BABY™



## KAYA SURVIVED!

She was born 4 months early and spent more than 5 months in the hospital.



Sign up at [marchforbabies.org](http://marchforbabies.org)



Women's and Children's Services Amazing Together

ADVERTISEMENT

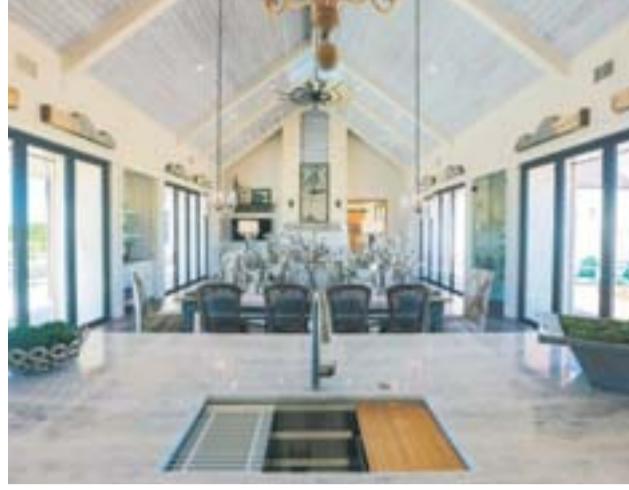


KIAWAH ISLAND, SOUTH CAROLINA

**With 5,621 square feet**, 5 bedrooms, 4 baths and 2 half baths, the home at 103 Goldeneye Drive is just a stroll away from Kiawah's 10-mile beach. Located on a quiet lane shaded by palmetto and oak trees, it offers floods of natural light and design details like varied ceiling heights, curved walls, and a stone outdoor fireplace. A Kiawah Island Club Membership may be available.

**\$3,600,000** [kiawahisland.com/real-estate](http://kiawahisland.com/real-estate)

**Kiawah Island Real Estate**  
phone: 866.312.1780 info@kiawahisland.com



AUSTIN, TEXAS

**Your Lakeside Farmhouse Awaits.** This spacious one-story is situated on a 1+ acre lot in a private, gated community on the Lake Travis shoreline. Boasting 3 bedrooms plus casita, 4.5 bathrooms, exquisite pool/spa, outdoor kitchen & high-tech conveniences, this home blends the comfort of the Texas Hill Country with the sophistication of a custom home.

**\$1,690,000** [PeninsulaLakeTravis.com](http://PeninsulaLakeTravis.com)

**The Peninsula at Rough Hollow**  
**Loren Dickey**  
phone: 512.456.3756 info@PeninsulaLakeTravis.com



GUILFORD, CONNECTICUT

**Luxury Residences, CT** "Project of the Year" by HBRA. 16+ acres, 1884 Mill has 2-BR loft units with garages. New construction of (3) 4-story buildings with 2-BR ranch units, underground parking, views of L.I. Sound, River, Marsh. Walk to the Historic Town Green, Shops, Restaurants, Train Station, Yacht Club and Beach. Proposed Pool/Clubhouse/Fitness Ctr.

**Priced from \$719,000** [www.66highst.com](http://www.66highst.com)

**Horton Group**  
**Kenny Horton**  
phone: 1.203.499.8994



MUTTONTOWN, NEW YORK

**So close... yet so far** - Way down a private road, 23 miles from Manhattan, minutes from major highways and railroad, find 8.88 acres divisible into two majestic parcels. On 2 1/2 acres sits a beautiful 5,500 sq. ft. brick colonial with five bedrooms en-suite, gourmet kitchen, library, dining room, living room, pool, tennis court and guest house. Sell or build the remaining acreage, ride horses or grow grapes...it's your world.

**Offered at \$3.3 million**

**Steve Edwards**  
phone: 516.640.6745



BOCA/DELRAY BEACH, FLORIDA

**Ultimate luxury at Seven Bridges** – brand new estate homes in a highly amenitized non-golf community in Boca Raton / Delray Beach area. Generous features include impact glass, granite or quartz countertops, gourmet kitchens and stunning 30,000 sq. ft. club. Low HOA fees, close to world-class shopping, great schools. Experience Seven Bridges today!

**From the \$800's - \$2 million** [glhomes.com/seven-bridges](http://glhomes.com/seven-bridges)



BONITA SPRINGS, FLORIDA

**13 New Models Now Open!** – There is a new standard of living on Florida's beautiful Gulf Coast. Valencia Bonita offers an exciting vacation-inspired lifestyle that rivals the finest resorts. Featuring a 45,000 sq. ft. Clubhouse with world-class amenities and elegant single-family and villa home designs for every taste. Call or visit today!

**From the \$300's - \$600's** [glhomes.com/Valencia-bonita](http://glhomes.com/Valencia-bonita)



HARTLAND, WISCONSIN

**Pine Lake:** Elegant 4,500-sq.ft. New England shingle-style home. A unique home with lake views from every main room, including a turret topped by a crow's nest. Nestled on 6 acres, featuring 230' of prime lake frontage.

**\$2,850,000** <http://www.patbolger.com>

**Pat Bolger Realty Group**  
phone: 262.313.8797 pat@pbrrealty.com



DOWNTOWN ST. PETERSBURG FLORIDA

**Live a fabulous Urban Lifestyle** in vibrant downtown St. Petersburg. 3 blocks from the water, artfully designed townhomes now under construction on a private, gated lane. Totaling 2,335 sq. ft., 3 bedrooms, 3 1/2 baths, 2 car garage, private elevator, and amazing rooftop terrace. Low HOA fees. Walking distance to world-class restaurants, museums, shopping, parks, marina, and Tampa Bay.

**From the \$800's to \$900's** [www.RegentLane.com](http://www.RegentLane.com)



PARK CITY/HEBER VALLEY, UTAH

**Red Ledges' 2180 E Flat Top Mountain Dr** offers Wasatch Mountain views from a huge heated deck, 5 en-suite BRs and the fun of a home theater, game room and sports bar. As the most successful private community in the Park City area, Red Ledges has great access to world class mountain, valley, water and trail activities 45 minutes from a major hub airport.

**Exceptionally priced at \$2,895,000**

**Red Ledges Realty**  
**Chris Maddox**  
phone: 877.733.5334 email: info@RedLedges.com



NEWPORT BEACH, CALIFORNIA

**Vue Newport** is collection of 27 Waterfront Villa-style homes featuring 2 - 3 bedrooms, 3 baths and up to 3,050 square feet. Most residences offer stunning harbor views while presenting a carefully curated collection of contemporary finishes. Additional Vue luxuries include boutique retail, gourmet restaurants, creative office space, onsite fitness center and boat slips up to 75 feet available for lease.

**From the \$2,350,000s** [VueNewport.com](http://VueNewport.com)

**Vue Newport**  
Presented by Coldwell Banker  
phone: 949.467.3418



NAPLES, FLORIDA

**New Luxury Single-Family, Villa and Coach Homes at The Isles of Collier Preserve!** Over half the 2,400 acres are dedicated to lakes, nature preserves and natural habitat. The Isles Club is now open and features a clubhouse, fitness center, resort-style pool, lap pool, yoga lawn, tennis and pickleball courts, kayak launch and 8 miles of scenic kayak, hiking and biking trails! 5 Mins. from Downtown Naples and the Gulf beaches.

**From the mid \$300s to over \$1 million** [MintoUSA.com](http://MintoUSA.com)

**Minto Communities**  
phone: 888.483.8708



NOVA SCOTIA, CANADA

**Coastal Living.** Traditional architecture, southwest exposure & more than 500 ft of ruggedly beautiful oceanfront. Refined yet casual; spacious, but intimate enough for two. Cascading decks, hot tub, garage with guest loft. Sweeping views, spectacular sunsets, coastal trails and a splendid rocky shoreline. ±1hour from international airport. 45 min to Halifax.

**\$1 million USD.** <https://player.vimeo.com/video/235952848>

**Land & Sea Real Estate**  
**Sheila Sinnott**  
phone: 902.541.0060 email: sinnott@novascotia.com

To Advertise Call: 800-366-3975



## GLOBAL LUXURY™

WHERE EXCELLENCE LIVES



**WOLFEBRO, NEW HAMPSHIRE**  
Amazing Lakehome set on 7+ acres with 600 ft. of frontage, 8 bedrooms, walls of glass, 2-story great room, chef's kitchen, home theater, 36x50 barn, docks, and boat house. \$11,900,000

Susan Bradley, Sales Associate  
C. 603.493.2873 | O. 603.581.2810



**GREENWICH, CONNECTICUT**  
Incredible Mid-Country new construction home with modern guest house. Amazing design, lofty ceilings, stunning kitchens/baths, Geothermal heat/AC. Pool, tennis and pond. \$7,950,000  
Rene Gallagher, Graham & Brooke Podewils Gallagher, Assoc. Broker/Sales Assoc.  
RG. 203.921.6800 | GG. 203.550.0024



**WESTON, MASSACHUSETTS**  
Custom 10,000+ sq. ft. home set on 6.71 acres with 2 master suites, soaring ceilings, stone fireplaces, chef's kitchen, inlaid hardwoods, billiard room, and 4-car garage. \$5,395,000  
Diana Chaplin, Sales Associate  
C. 781.354.9010



**WESTWOOD, MASSACHUSETTS**  
Sophisticated, furnished home offering 10 ft. ceilings, walnut/marble floors, smart technology, cook's kitchen, 2-story great room, en suite bedrooms, and indoor pool. \$4,280,000  
Elena Price, Broker Associate  
C. 508.577.9128



**GREENWICH, CONNECTICUT**  
Round Hill area cul-de-sac. Beautiful Colonial 6-bedroom home. Re-imagined and rebuilt w/spacious rooms, 10' ceilings, music system, Peacock kitchen, enchanting front porch. \$4,250,000  
Tamar Lurie & Laurie Smith, Sales Associates  
C. 203.536.6953



**BROOKLINE, MASSACHUSETTS**  
Unique contemporary residence with spectacular water views of Reservoir Park, 3+ bedrooms, study, office, soundproof floors, custom Poggenpohl kitchen, and 5-car garage. \$4,280,000

Deborah M. Gordon & Kami D. Gray, Sales Associates  
D. 617.974.0404 | K. 617.838.9996



**NEWBURYPORT, MASSACHUSETTS**  
Grand Georgian Mansion on 3 acres of gardens, reimagined carriage house housing a music performance space State-of-the-art systems, 8 bedrooms, 3,000 bottle wine cellar. \$4,100,000

Anne Neal, Sales Associate  
C. 978.239.5582



**BEDFORD, NEW YORK**  
Artfully renovated 6-bedroom year-round home featuring serene water views, pool, Har-Tru court and 4.45 acres; minutes to historic village, shops, schools. \$3,795,000

Candice Stafford & Diane Tyran, Real Estate Salesperson/Assoc. Real Estate Broker  
C. 914.649.3773 | O. 914.234.3647



**CATAUMET, MASSACHUSETTS**  
Nordic-inspired waterfront home with single-story floor plan, skylights, soaring ceilings, Kalwall windows, 5 bedrooms, deck, private boathouse, dock, and beach access. \$3,700,000

Joe Sullivan & Tony Escobedo, Sales Associates  
J. 617.733.6138 | T. 508.308.8222



**GREENWICH, CONNECTICUT**  
On .72 acres. Sunny 5-bedroom Colonial featuring 10' ceilings, library, family room, playroom, Viking kitchen, terrace, 1st fl. master suite. \$3,575,000

Tamar Lurie & Laurie Smith, Sales Associates  
C. 203.536.6953



**RYE, NEW YORK**  
Close to beach; walking distance to Milton School, a newly crafted Colonial w/5,000 square feet, 5 spacious bedrooms, a sun-drenched office, bluestone terrace and large level yard. \$3,495,000

Susan O'Brien, Real Estate Salesperson  
C. 914.420.5461 | O. 914.967.0059



**HO-HO-KUS, NEW JERSEY**  
A grand entrance, distinctive details, superb banquet size formal areas and amazing outdoor space with pool, waterfall, spa, kitchentette and cabana create your perfect oasis. \$3,488,888

Joshua M. Baris, Sales Associate  
C. 201.741.4999 | O. 201.461.5000



**PURCHASE, NEW YORK**  
European inspired, architecturally detailed custom stone and brick masterpiece set on a private signature Jack Nicklaus golf course, located in exclusive Purchase Estates. \$3,150,000

Debra Stratton-Padawer, Real Estate Salesperson  
C. 914.419.0101 | O. 914.967.0059



**SADDLE RIVER, NEW JERSEY**  
This luxurious gated estate on over five acres offers nearly 18,000 square-feet of magnificent living space. Grounds offer pool, carriage house and renovated guesthouse. \$2,998,000

Joshua M. Baris, Sales Associate  
C. 201.741.4999 | O. 201.461.5000



**NEWTON, MASSACHUSETTS**  
New classic brick front Colonial with 11 rooms, custom details, top-of-the-line kitchen/family room, 3 fireplaces, 5 bedrooms, 3-car garage, patio, and recreation rooms. \$2,998,000

Jeff Groper, Sales Associate  
C. 617.240.8000



**CONCORD, MASSACHUSETTS**  
New, energy-efficient, 5 bedroom home in tranquil setting with granite kitchen, spa-like master, elegant rooms plus media, game and exercise rooms. Near Estabrook Woods and Town. \$2,998,000

Brigitte Senker & Peggy Dowcett, Broker Assoc./Sales Assoc.  
B. 508.935.7496 | P. 978.302.3988



**NEWTON, MASSACHUSETTS**  
New 8,500 sq. ft. residence with exquisite details, 15 rooms, 6 bedrooms, state-of-the-art kitchen, 7 baths, 4 fireplaces, 3rd level, media room, patio, and 3-car garage. \$2,988,000

Rachel Goldman & Alison Blank, Broker Assoc./Sales Assoc.  
R. 617.302.8292 | A. 617.851.2734



**WESTPORT, CONNECTICUT**  
New 2016 home w/ upscale amenities, 15 rooms, 9,500 sf, chef's kitchen. Finished upper/lower levels for media/gym/office. Near Town on 1.43 acres w/ pool and tc site in place. \$2,995,000

Darlene Letersky, Associate Broker  
C. 203.227.8787



**MANCHESTER BY THE SEA, MASSACHUSETTS**  
Stately Smith's Point estate with 5 bedrooms, 5 baths, tall ceilings, exquisite detail, fireplaces, built-ins, spacious rooms, tennis, pool, gardens, plus 5-bay garage. \$2,995,000

Lynda Surdam, Sales Associate  
C. 978.764.7474



**NORWALK, CONNECTICUT**  
Jaw-dropping inside and out! Hi end design, exceptional custom finishes, media/sound, chef kitchen, elevator, pool/spa. Gated enclave near priv. golf club; 60+ mins NYC. \$2,950,000

Karen K. Scott, KMS Partners, Sales Associate  
C. 203.613.9200



**FRANKLIN LAKES, NEW JERSEY**  
This 10,000 square-foot estate is perfectly suited for the finest entertaining, with gourmet chef's kitchen, luxurious and spacious master suite, outdoor kitchen and pool. \$2,888,888

Joshua M. Baris, Sales Associate  
C. 201.741.4999 | O. 201.461.5000



**WESTFIELD, NEW JERSEY**  
The harmonious balance of classic design and modern amenities of this majestic custom-built Colonial is complimented by its lush grounds overlooking Echo Lake Country Club. \$2,750,000

Kimberley Haley, Sales Associate  
C. 908.377.7174 | O. 908.233.5555



**RYE, NEW YORK**  
5 bedroom 4,500 sq. ft. Colonial home w/abundant natural light, custom millwork, spacious kitchen, and luxurious master. Close to schools and Nature Center. \$2,499,000

Kate Emanuel, Real Estate Salesperson  
C. 914.316.5008 | O. 914.967.0059



**WENHAM, MASSACHUSETTS**  
Handsome, c.1910 shingle-style residence set on 10+ acre gentleman's farm with period details, marble and fir floors, country kitchen, 5 bedrooms, paddocks, and 2 barns. \$2,450,000

Peter Dorsey, Sales Associate  
C. 978.340.0661



**DOVER, MASSACHUSETTS**  
Custom 10-room home with Spanish influences, 4+ bedrooms, updated kitchen and baths, herringbone parquet floors, imported marble and chandeliers, pool and 3-car garage. \$2,350,000

Valerie Hill, Sales Associate  
C. 508.813.4159



**BRICK, NEW JERSEY**  
Treat yourself to luxurious resort-style living in this magnificent custom waterfront home with stunning river views, infinity pool with spa, 135 ft private pier and more! \$2,299,000

Adele Ball, Sales Associate  
C. 908.618.5614 | O. 732.449.2777



**RIDGEFIELD, CONNECTICUT**  
A 6,700 soft stone and cedar home. Ceilings 9', floors Brazilian cherry and 5 masonry fireplaces. Professional landscape w/lighted basketball/paddle court, bocci court and Tiki bar. \$2,250,000

Jack Baldassari, Sales Associate  
C. 203.788.4040



**MADISON, CONNECTICUT**  
Salt meadow marsh vistas with abundant wildlife. Steps to Li. Sound, dock, 3,836sf, 2002 home is of fine craftsmanship. Meets FEMA and CAM guidelines. One of a kind jewel. \$2,100,000

Meig Walz Newcomb & Lorey Walz, Sales Associates  
C. 203.996.7209



**NEEDHAM, MASSACHUSETTS**  
Luxurious residence set on resort-like grounds offering 2-story living room with fireplace, designer kitchen, oversized bedrooms, private master, sunroom, pool, and patio. \$2,050,000

Lisa Bell & Lynn Petriini, Sales Associates  
LB. 508.479.3344 | LP. 781.223.4145



**WESTPORT ISLAND, MAINE**  
Stunning, 16 acre Post and Beam residence with 800 ft. of water frontage, cathedral great room, stone fireplace, 3 bedrooms, gourmet kitchen, deck, guest house, barn and dock. \$1,995,000

Teresa Marie Mills, Sales Associate  
C. 207.831.6715 | O. 207.725.8522



**FRAMINGHAM, MASSACHUSETTS**  
Custom home at the Trails at Wayside offering extensive moldings, huge windows, soaring ceilings, 4 fireplaces, gourmet kitchen, 2 master suites, gym, and conservatory. \$1,950,000

Lee-Ann Yolin, Sales Associate  
C. 508.981.1093



**OLD FIELD, NEW YORK**  
Old world craftsmanship takes center stage in this grand estate with stone fireplaces, tin ceiling, floating staircase, superb wood work and built-ins, and private beach access. \$1,895,000

Dawn Viola, Real Estate Salesperson  
C. 631.774.4369 | O. 631.863.9800



**WILTON, CONNECTICUT**  
Six acres, gardens, Gunite pool. Elegant 1929 home with period details, 4 fl., 6 bedrooms, 5.2 baths. Fresh paint and updated chef's kitchen. 1 mile top schools/NYC train. \$1,725,000

Frank Altese, Sales Associate  
C. 917.402.3956



**DUNSTABLE, MASSACHUSETTS**  
Magnificent 6,000+ sq. ft. estate set on 15+ acres offering smart technology, hardwoods, crown molding, chef's kitchen, 6 bedrooms, pool, koi pond, and multipurpose barn. \$1,699,000

Travers Peterson, Sales Associate  
C. 978.996.3604



**NIANTIC, CONNECTICUT**  
Exquisite custom-crafted waterfront residence with gorgeous panoramic views. Beautiful appointments, private office, pool, beach and deep water dock. Au pair possible. \$1,699,000

Nancy Mesham, Sales Associate  
C. 860.227.9071

## HIGH-RISE LIVING &amp; DESIGN

## RELATIVE VALUES

## DIVE IN: PENTHOUSES WITH PLUNGE POOLS

Three luxury condominiums in Las Vegas, New York and Palm Beach, Fla., let you go for a swim long after summer's end

**\$15 million**

Las Vegas

Six bedrooms, six full bathrooms, two half-baths

A roughly 20-by-10-foot plunge pool is on one of seven terraces in this triplex condominium. The 15,395-square-foot penthouse comes with a library, an elevator and a home theater. An eight-car garage and a two-bedroom staff apartment are on the ground level.

Agent: Kamran Zand, Luxury Estates International

**\$3.7 million**

Palm Beach, Fla.

Three bedrooms, 3½ bathrooms

The rooftop plunge pool in this 2,823-square-foot penthouse under construction hugs a 42-inch-tall railing parapet overlooking the ocean, and has 16 hydrotherapy jets. The condo features an elevator to the roof. The 30-unit, seven-story building, developed by DDG, also has gated beach access and electric-vehicle charging. Sales: Douglas Elliman Development Marketing

**\$22.5 million**

Manhattan

Four bedrooms, 4½ bathrooms

Stretching a full block, this 7,061-square-foot Tribeca penthouse has a full-floor master bedroom and a great room with 21-foot ceilings. The 32-foot-long heated resistance pool is on the 2,399-square-foot private roof deck.

Agents: Tal and Oren Alexander, Alexander team, Douglas Elliman

—Leigh Kamping-Carder

ADVERTISEMENT

## Distinctive Properties &amp; Estates

To advertise: 800-366-3975 or WSJ.com/classifieds

## MULTI STATE OFFERINGS

## LandVest®

LUXURY PROPERTIES | TIMBERLAND | CONSULTING



## Meredith Farm

188.72± Acres, Topsfield, MA | \$8,100,000

Lanse Robb

617-357-8996 • lrobb@landvest.com

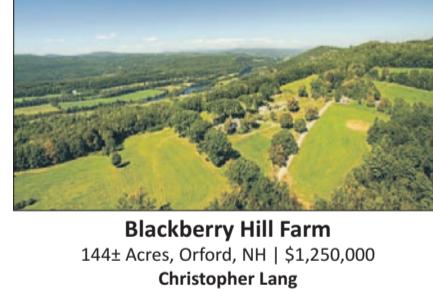


## Winter House

7.9± Acres, Cuttyhunk Island, Gosnold, MA | \$2,950,000

Slater Anderson

617-357-8990 • slanderson@landvest.com



## Stone Cottage

45.5± Acres, Barnard, VT | \$1,375,000

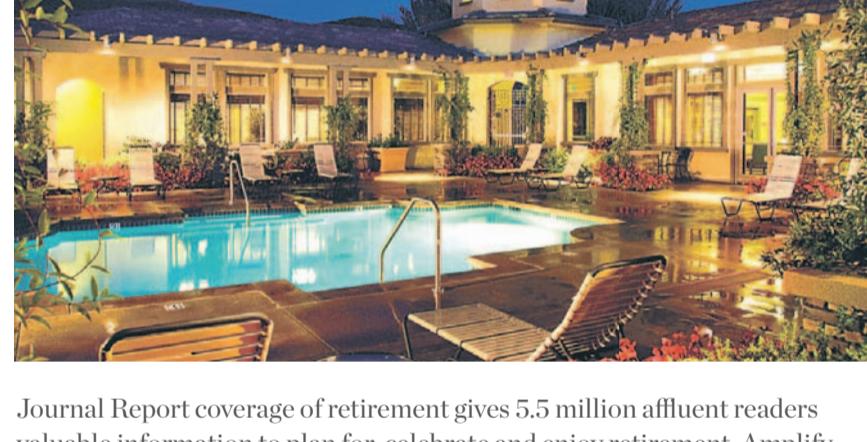
Story Jenkins

802-238-1332 • sjenkins@landvest.com

## Sound Advice, Exceptional Results

www.landvest.com

## Planning &amp; Living The New Retirement



Journal Report coverage of retirement gives 5.5 million affluent readers valuable information to plan for, celebrate and enjoy retirement. Amplify your message alongside relevant WSJ content focused on living the most fulfilling retirement possible, from tips on building and maintaining investments to an in-depth look at exemplary real estate choices for retirement.

Issue: November 13 | Close: November 3 | Section: Encore

For advertising opportunities, please contact:

Deborah Falcone at deborah.falcone@wsj.com / 212-597-5790

Joseph Mack at joseph.mack@wsj.com / 323-591-6516

## CALIFORNIA

## CALIFORNIA

## MARYLAND

## The GRUBB Co.

## The GRUBB Co.

## AUCTION To Settle Estate

## 7,000 sq.ft. Home on 5 Acres

## NEW

## Never Occupied!

## Starting Bid \$500,00

## Org. List \$1.8 Million

## SALE ON SITE

## Sat. Oct 28th at 11 AM

## 206 Mt Zion Marlboro Rd.

## Lothian, Md. 20711

## For Information, terms, &amp; photos see:

## ExpressAuction.com

## or Call Andy

## 410-458-8214

THE WALL STREET JOURNAL.

classified.wsj.com

Photo Credit: John Bare Photography

Source: Fall Ipsos 2016 Affluent Study

© 2017 Dow Jones &amp; Company, Inc. All Rights Reserved. 3DJ6032

**The GRUBB Co.**  
REALTORS®  
  
25 Glen Alpine Road  
PIEDMONT, CALIFORNIA  
Shown by Appointment. Experience an award-winning masterpiece of architecture, ambience and landscape design. Attention to detail and quality of craftsmanship are evident at every turn. One of Piedmont's most extraordinary estates.  
Offered at \$6,850,000  
25GlenAlpine.com  
Mindy Scott  
510.339.0400/217  
scott@grubbc.com

**The GRUBB Co.**  
REALTORS®  
  
360 Mountain Avenue  
PIEDMONT, CALIFORNIA  
Open Sunday 2-4:30. Spacious 1914 traditional in the center of town. Gracious formal rooms, spacious private back garden. Cozy den with fireplace and the award winning deck off the kitchen. Close to top-rated K-12 schools and transportation.  
360MountainAvenue.com  
Offered at \$4,195,000  
Anian Pettit Tunney  
510.339.0400/217  
tunney@grubbc.com

**AUCTION To Settle Estate**  
**7,000 sq.ft. Home on 5 Acres**  
**NEW**  
Never Occupied!  
**Starting Bid \$500,00**  
Org. List \$1.8 Million  
**SALE ON SITE**  
**Sat. Oct 28th at 11 AM**  
**206 Mt Zion Marlboro Rd.**  
**Lothian, Md. 20711**  
For Information, terms, & photos see:  
**ExpressAuction.com**  
or Call Andy  
**410-458-8214**

ADVERTISEMENT

**Distinctive Properties & Estates**

To advertise: 800-366-3975 or WSJ.com/classifieds

**Hammond Residential®**

Real Estate

**FINE PROPERTIES****BROOKLINE, MASSACHUSETTS**

Chestnut Hill. Handsome 11 room residence. 5 bedrooms. 3.5 bathrooms. Au pair or in-law in lower level. ...\$1,999,000

**BOSTON, MASSACHUSETTS**

South End. Direct elevator access. 3 bedrooms. 2.5 bathrooms. 2,170 sq. ft. 2 parking spaces in the Art Block. ...\$2,475,000

**BROOKLINE, MASSACHUSETTS**

Chestnut Hill. Distinctive 8 bedroom Manor. 6 full and 2 half bathrooms. Over 8,900 sq. ft. On 1.5 acres. ...\$4,599,000

**BROOKLINE, MASSACHUSETTS**

Prominent 18 room residence. Over 8,900 sq. ft. At the end of a cul-de-sac. On a 33,000 sq. ft. level lot. ...\$3,495,000

**NEWTON, MASSACHUSETTS**

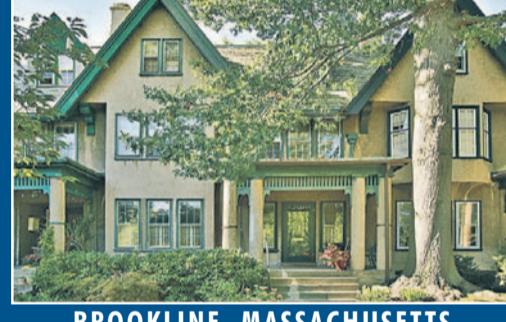
Chestnut Hill. Gracious, charming residence. 7 bedrooms. 5.5 bathrooms. Over half acre lot. ...\$3,485,000

**BROOKLINE, MASSACHUSETTS**

Chestnut Hill. Outstanding renovation. 12 rooms. 5 bedrooms. 6.5 bathrooms. Over 5,000 sq. ft. ...\$3,975,000

**NEWTON, MASSACHUSETTS**

West Newton. Landmark 24 room Queen Anne-style residence. 8 bedrooms. 5 full and 2 half bathrooms. ...\$3,750,000

**BROOKLINE, MASSACHUSETTS**

Overlooking Griggs Park. Grand 10 room residence. 4 bedrooms. 3.5 bathrooms. Over 3,680 sq. ft. ...\$2,200,000

**NEWTON, MASSACHUSETTS**

Gut-renovated 10 room residence. 5 bedrooms. 3.5 bathrooms. Phenomenal craftsmanship. Spacious deck. ...\$2,245,000

826 BOYLSTON STREET • CHESTNUT HILL, MA 02467 • 617.731.4644

1631 BEACON STREET • WABAN, MA 02468 • 617.332.8700

[www.HammondRE.com](http://www.HammondRE.com)

©2017 Hammond Residential Real Estate. All Rights Reserved. Hammond Residential Real Estate supports the principles of the Fair Housing Act and the Equal Opportunity Act. Operated by a subsidiary of NRT LLC.

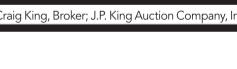


NORTH CAROLINA

**ABSOLUTE AUCTION****TUESDAY, OCTOBER 24TH • 5:00 PM (ET)****SPECTACULAR RAVEN CLIFF MANOR AT EXCLUSIVE CLIFFS AT WALNUT COVE ASHEVILLE AREA (ARDEN), NC**

- Beautiful mountain home with 4 bd, 4 full baths, 3 half baths
- Floor to ceiling windows throughout offering magnificent views of the surrounding beauty
- Located in the exclusive Cliffs at Walnut Cove community, with world-class golf course, spas, food, and more
- Just minutes from the excitement and beauty of downtown Asheville dining, shopping, and entertainment
- Located in the heart of the breathtaking Blue Ridge Mountains, this home has something for everyone

Visit our website for video, photos and auction details  
[www.auctiondetails.net](http://www.auctiondetails.net) | 888-660-6448



Jerry Craig King, Broker; J.P. King Auction Company, Inc.; Jerry Craig King, #8052; J.P. King Auction Company, Inc., #4740

FLORIDA



**Miami Beach**  
6420 Allison Road | \$8,499,000  
Waterfront Estate on Gated Miami Beach Island | 7BR/6.5BA | 30,000 Sq. Ft. Lot | 135 FT WF, No Bridge to Bay | 1-Block from the Beach & Golf | Largest Lot on West Side of the Island.  
Nancy Batchelor 305.903.2850  
Simone Weissman 305.439.5525  
EW Realty International  
"Call us for more info about Miami Real Estate Opportunities"

NORTH CAROLINA



**Beautiful 2.5 Acre Topsail Waterfront Getaway!**  
Actual Property View

Private saltwater shoreline estate and huge intra-coastal waterway views by the best beach in North Carolina! 250 ft on beautiful New Topsail Creek! Must Go! \$40,000  
Call 910-864-1212

**ENVIOUS**

THE DEFINITIVE CHOICE FOR FINE LIVING

**DISCOVER THE WATER'S NEW EDGE**

**LUXURY WATERFRONT LIVING BEGINS THIS FALL**

**CONDOMINIUM RESIDENCES**

**Culture. Style. Entertainment. All in one phenomenal location.**

**THE WHARF | WASHINGTON, DC**

**vio**

**VIODC.COM**

**Sales by PN Hoffman Realty**

EQUAL HOUSING OPPORTUNITY

## MANSION

HOUSE CALL | MERCEDES RUEHL

# The Costume Ball That Led to Hollywood

The Oscar-winning actress was inspired by a collection of old clothes; today, an East Hampton farmhouse

Right after I was born, my parents and my brother and I lived in a studio apartment in Queens, N.Y. We lasted two weeks there before my parents moved us into a two-bedroom apartment near my grandparents in the Bronx. Two years later we moved to Indiana. By then my father was an F.B.I. agent.

My father, Vincent, had earned his undergraduate degree on the G.I. Bill from Fordham University. He came from a couple of generations of cops and wanted to do them one better.

In Indiana, we lived in West Lafayette until I was 5. Then we moved to an apartment in a rural area of Scranton, Pa. Our back was a hill with a windowless, white-brick building at the top. It was a theater, and I'd go up there and make up passionate little operas.

A year later we moved to Hackensack, N.J., for a year. At 8, we were in Silver Spring, Md. By then, my mother, Mercedes, who was known as "Mickie," had enough. In Silver Spring my father agreed to stay put until my brother, Peter, and I got through high school.

At first we lived in a three-bedroom, redbrick, two-story duplex. My brother and I had our own rooms. I inherited my parents' newlywed set of bedroom furniture. I had a double bed and a pretty little dresser with a mirror.

Most important was a chest of clothing my mother and aunt had given me. It was filled with discarded hats, shoes and scarves. Mom had West Point graduates in her family and had gone to dances there as a young woman, so I inherited ball gowns, too.

Whenever my friend Judy came over, we dressed up in finery and got a story going. Outside, we

were serf girls in the field invited to a ball by twin princes. Back in the room, we used the platform in my closet as seats in the coach sent to take us to the castle. Then we'd change into gowns and traipse downstairs to the imaginary ball, where my mother served us lemonade and Oreos.

When I was 14, we moved to an apartment across the street. The new building had a beautiful woodland view, air conditioning, a swimming pool and a long balcony.

My father was regimented. He got up each day at 6:30 a.m. and went for a run. Then he'd shower, shave and dress. It was a ritual that my brother and I found fascinating. We'd watch as he combed his curly hair, and put on a beautiful crisp shirt, tie and slacks. He even had suspenders for his socks. Then he'd put on his jacket. He always smelled so nice. He usually came home at 6:45 p.m.

My mother was more affectionate with us than my father. She was the source of much of what was lovely and cultural in our lives. She had studied art at Hunter College in New York.

In high school, I was sort of



REBECCA MCALPIN FOR THE WALL STREET JOURNAL; MERCEDES RUEHL (INSET)

**AT PLAY** Mercedes Ruehl, above, at the Second Stage Theater in Manhattan, and, left with her father, Vincent, and brother, Pete, at the Franciscan Monastery in Washington, D.C.

popular. I acted in plays. Since it was an all-girls school, I often played men.

When I graduated, I enrolled in the College of New Rochelle in New York and majored in English literature.

After graduation in 1969, I moved to New York. Suddenly I was on my own. The \$500 my grandfather gave me as starter money went fast. I waited tables.

I also studied acting with Uta Hagen. First came regional theater. Then I studied in New York with Tad Danielewski, a brilliant teacher and director.

I was 29 and my parents were worried. Then playwright and di-

rector Albert Innaurato called. He had seen me perform and was directing "Coming of Age in SoHo" at the Public Theater. The main character needed a girlfriend. I got the role, and larger roles in the theater and on TV and in the movies followed.

Today, I have an apartment in Midtown Manhattan on the Hudson River. I also have a house in East Hampton, N.Y. For 24 years I lived on a windswept bulkhead overlooking Gardiners Bay. But storms in recent years took a toll.

Last fall, I sold the house and moved inland to an old shingle farmhouse. It has a barn-size great room and three bedrooms. I also have gardens and a free-form pool.

It's magical, but it isn't the bay. I'm adjusting.

I still have my father's blue, round cufflinks. They're the color of the morning sky on a perfect day. I also have my mother's handmade coral-pink lace nightgown and little jacket that goes over it. They were made by my great aunt. I don't know how it's possible, but it still smells like my mom.

*—As told to Marc Myers*

*Mercedes Ruehl, 69, won a Tony for her performance in Broadway's "Lost in Yonkers" in 1991, and an Oscar for her role in "The Fisher King" in 1992. She is appearing in the off-Broadway production of "Torch Song," opening on Oct. 19.*

FOR COMPARISON PURPOSES,  
THERE'S NO COMPARISON.



Luxury homes that aren't everything to everyone. But everything to a select few.  
Browse our collection at [berkshirehathawayhs.com](http://berkshirehathawayhs.com)

BERKSHIRE HATHAWAY  
HomeServices

LUXURY  
COLLECTION