

THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 23163.04 ▲ 5.44 0.02% NASDAQ 6605.07 ▼ 0.3% STOXX 600 389.11 ▼ 0.6% 10-YR. TREAS. ▲ 5/32, yield 2.323% OIL \$51.29 ▼ \$0.75 GOLD \$1,286.90 ▲ \$7.00 EURO \$1.1853 YEN 112.54

What's News

Business & Finance

Senate Republicans adopted a budget for the next fiscal year, clearing a critical hurdle in the GOP push to overhaul the tax code. A1

◆ Trading volume has fallen this year even as stock indexes set records amid low volatility and the rise of passive investing. A1

◆ Wal-Mart is near a deal to add Lord & Taylor to its website, part of a broader effort to build an online mall to compete with Amazon. B1

◆ Lyft said it raised \$1 billion in a funding round led by Alphabet's CapitalG unit as it eyes expansion. B1

◆ Maverick is offering 0% performance fees to some investors as the hedge fund posts losses. B1

◆ Italy's Ferrero agreed to buy Ferrara Candy and is weighing a bid for Nestle's U.S. candy business. B1

◆ Unilever and Nestle reported weak sales, ratcheting up pressure from investors for turnarounds. B3

◆ The Dow closed up 5.44 points at a record 23163.04 after plunging earlier in the session. B11

◆ Verizon boosted its sales and subscriber rolls, helped by the carrier's return to unlimited data plans. B4

◆ Chevron said it was suspending drilling in Iraqi Kurdistan. B6

◆ Travelers' earnings slid as results were battered by a severe hurricane season. B10

◆ Blackstone's earnings climbed, boosted by strong markets and new capital. B10

World-Wide

◆ Tillerson described his efforts to bridge differences with Trump, while rejecting rumors of his departure. The secretary of state also warned China about trade imbalances and a territorial dispute. A1

◆ Kelly defended Trump's condolence call to an Army widow and chastised a lawmaker for commenting on the conversation. A4

◆ The deaths of four U.S. soldiers in Niger have prompted an FBI probe and criticism from lawmakers. A4

◆ Bush rejected Trump's trade and immigration stances and denounced bigotry in an atypical speech by the ex-president. A4

◆ Trump will back a bipartisan health-care bill only if it includes a series of conservative measures, the White House said. A4

◆ Spain's prime minister is poised to take unprecedented steps to rein in Catalonia over the region's push for independence. A6

◆ German intelligence warned that children radicalized by Islamic State could carry out terrorist attacks in Germany. A6

◆ The FBI is probing a Chinese business owner with ties to a North Korean trade network. A8

◆ Venezuela banned opposition governors from taking office, replacing them with ruling-party substitutes. A7

◆ Czech voters are expected this week to elect a populist billionaire as the next prime minister. A6

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'Brokenhearted' Kelly Defends President, Blasts Congresswoman



CALL OUT: White House Chief of Staff John Kelly on Thursday defended President Donald Trump's phone call to an Army widow, and said he was 'stunned' and 'brokenhearted' that Rep. Frederica Wilson, a Florida Democrat, said Mr. Trump had been insensitive in his conversation. Referring to a past speech by the congresswoman, he said she followed 'the long tradition of empty barrels making the most noise.' A4

Senate Passes Budget Plan

The vote along party lines clears hurdle in Republican push to overhaul the tax code

WASHINGTON—Senate Republicans adopted a budget for the next fiscal year, clearing a critical hurdle in the GOP push to overhaul the tax code.

The Senate's late Thursday passage of the budget blueprint, in a 51-49 vote primarily along party lines, helps unlock

a procedure that Republicans plan to use to rewrite the tax code with just GOP votes. It also allows the tax bill to

By Natalie Andrews, Kristina Peterson and Richard Rubin

lower projected revenue by up to \$1.5 trillion over a decade. Sen. Rand Paul of Kentucky was the lone Republican to vote against the budget.

"Passing this budget is crit-

ical to getting tax reform done, so we can strengthen our economy after years of stagnation under the previous administration," Senate Majority Leader Mitch McConnell (R., Ky.) said on the Senate floor Thursday.

Budget resolutions are non-binding and don't require the president's signature. They generally reflect the parties' priorities and are separate from the spending bills that actually fund the government.

"The only thing about this

that matters is preparation for tax reform," said Sen. Bob Corker (R., Tenn.), a member of the Senate Budget Committee.

The bill's passage capped a series of amendment votes Democrats used to drive home their argument that the GOP tax rewrite would benefit the country's wealthiest citizens at the expense of the middle class.

"Looking at the GOP tax plan, the American people have to wonder: is now the

Please see BUDGET page A4

Trading Sinks, Stoking Fears

As stocks keep rising, low volume in U.S. and Europe suggests investors are skeptical

By RIVA GOLD

Stock indexes continue to hit records, yet the investors pushing them there are trading less and less.

The number of stocks and exchange-traded products changing hands in the U.S. and Europe has fallen steadily in recent months as ultralow volatility, a lack of market-moving news and the rising popularity of passive investment funds have kept a lid on trading volume.

The muted trading volume could signal that investors are holding back amid skepticism that stocks have further to climb—or that they are so confident they feel no need to sell.

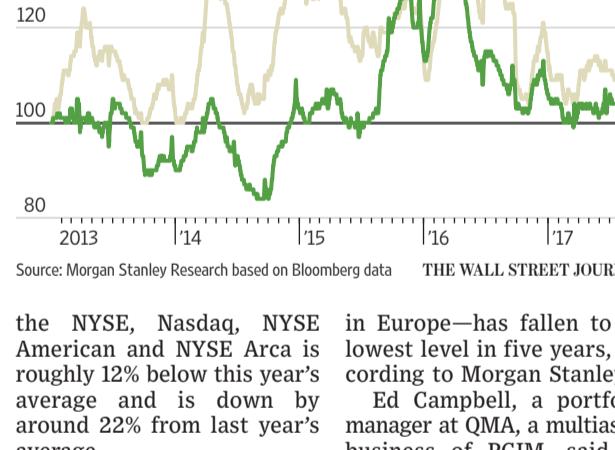
Either way, the decline in equity volumes is another piece of bad news for banks already beset by a steep drop in fixed-income trading revenues.

This month, the average daily trading volume across

Dial Down the Volumes

Three-month average daily trading volumes based to January 2013

160



Source: Morgan Stanley Research based on Bloomberg data THE WALL STREET JOURNAL.

the NYSE, Nasdaq, NYSE American and NYSE Arca is roughly 12% below this year's average and is down by around 22% from last year's average.

Average daily volume for U.S. exchange-traded funds is down 8.5% from a year ago, according to research and advisory firm XTF. Trading volume on the MSCI Europe index—which tracks stocks across 15 developed countries

in Europe—has fallen to its lowest level in five years, according to Morgan Stanley.

Ed Campbell, a portfolio manager at QMA, a multiasset business of PGIM, said he spent most of the summer holding a bit more cash than usual, ready to buy stocks on an anticipated dip in the market that never materialized.

"Things looked overextended and due for a pause...but summer came and

went and that never really happened," he said. In September, QMA decided to give in to the onslaught of upbeat economic data and slowly add more positions in banks and small-cap stocks instead of embarking on a bigger buying spree.

The collapse in trading volumes is closely tied to the recent fall in volatility. Measures of daily stock-price movements have plumbed multiyear lows. When markets aren't moving, there are typically fewer investors scrambling to protect their portfolios against further losses or seizing an opportunity to buy assets that look cheap.

"Volumes and volatility go hand in hand," said Phil Orlando, chief equity strategist at Federated Investors.

With U.S. indexes rising modestly for eight consecutive quarters, "there's no need to make radical adjustments in your portfolio, so as a re-

Please see STOCKS page A2

◆ Hedge fund offers 0% performance fees..... B1

◆ Blue-chip stocks edge higher to another record..... B11

Tillerson Balances Trump's Goals and His Own

BY MICHAEL C. BENDER AND FELICIA SCHWARTZ

WASHINGTON—Secretary of State Rex Tillerson described how he seeks to manage an often-fraught relationship with President Donald Trump, saying he tries to deliver short-term victories to an impatient commander-in-chief while focusing on a longer horizon himself.

In an interview with The Wall Street Journal Thursday, Mr. Tillerson acknowledged the contrasting styles of the two men and described his effort to bridge the gaps, while rejecting swirling rumors of his impending departure. "I see those differences in how we think," Mr. Tillerson said in his State Department office. "Most of the things he would do would be done on very short time frames. Everything I spent my life doing was done on 10- to 20-year time frames, so I am quite comfortable thinking in those terms."

His solution: "Delivering the incremental wins," he said. "Incremental progress is taking you toward the ultimate objective, which is, as I say is eight, 10 years down the road."

Mr. Tillerson said one of his top long-term priorities is shifting the balance of the trade and national-security relationship

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◆ China's economy backs into the future..... A8

◆ James Mackintosh: Lessons for those prone to froth..... B1

INSIDE



THE NBA'S CONSTANT GARDENER

SPORTS, A12



THE MODEL FOR LUXURY LIVING

MANSION, M1

Three Cheers for Xi Jinping! Wait, Make That a Billion



Xi Jinping

As their leader speaks, Chinese 'applaud' on smartphones; 1,489 claps in 19 seconds

By ALYSSA ABKOWITZ

BEIJING—Give it up for President Xi Jinping!

It's so easy to do. Just vigorously tap on your smartphone screen to "clap" for him.

That's the latest way Chinese are showing support for their leader, affectionately nicknamed "Xi Dada," and at the same time participating in the emergence of Mr. Xi as the kind of preeminent leader China hasn't seen in more than a generation. The Chinese state

under Mr. Xi is exerting ever greater control over the economy and the country's populace, and its leading technology companies appear willing to go along, if only as a cost of doing business.

As the Communist Party's congress opened Wednesday, videogame company Tencent Holdings Ltd. released a free game in which users try to outdo one another with hearty virtual applause for Mr. Xi. By

Please see CLAP page A9

A \$20 Billion Startup Fueled By Silicon Valley Pixie Dust

WeWork sells investors on communal offices; critics call it a real-estate play

By ELIOT BROWN

When Adam Neumann pitches potential investors on his startup, WeWork Cos., he likes to rev them up with a jaunt through his company's shared office spaces.

Before arriving, the 38-year-old chief executive typically sends staffers a directive: "Activate the space." WeWork's employees swarm a lounge to host an impromptu party with pizza, ice cream or margaritas.

When Mr. Neumann and his guests walk in, he often remarks how the office always seems filled with life, according to several former employees.

Fueled by showmanship, an expansive vision and the occasional shot of tequila, Mr. Neumann has propelled the New York-based

office-space provider into being one of the world's richest startups. With a valuation of more than \$20 billion, or about 20 times annualized revenue, it is the fourth most valuable U.S. startup after Uber Technologies Inc., Airbnb Inc. and rocket company Space Exploration Technologies Corp., known as Space X. WeWork's valuation has galloped higher in each of the past five years.

Mr. Neumann has dazzled tech investors by portraying WeWork as a Silicon Valley-style company that provides a "physical social network" for millennials. Top investors include SoftBank Group Corp. and its tech-focused Vision Fund, which added \$4.4 bil-

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◆ Lyft bulks up with \$1 billion in funding..... B1

U.S. NEWS

GOP Split on Next Federal Reserve Chief

BY KATE DAVIDSON

After criticizing the Federal Reserve for the past eight years, Republicans have a chance to change the course of the central bank when President Donald Trump nominates someone to take the helm in early 2018. But they are divided over which direction monetary policy should take.

GOP efforts to subject the Fed to more scrutiny and limit its discretion gained traction in the wake of the financial crisis, and Republicans hammered Fed officials over why they continued to keep interest rates so low, saying the policy hurt savers and distorted markets.

Now, with the prospect of a Republican-led tax cut and faster economic growth on the horizon, some in the party are wary of a choice that could disrupt markets or cut off growth by lifting rates higher to keep inflation under control.

"I'm not sure there's a clear way that Republicans think about the Fed," said Tony Fratto, who worked on economic issues in the George W. Bush administration. "When you ask, 'What would you want from a new Fed chair?' I think it's a little bit all over the place."

The split is reflected in the slate of candidates Mr. Trump

has homed in on as he nears a decision.

On one side are two vocal Fed critics, Stanford University economist John Taylor and former Fed governor Kevin Warsh who have chastised the central bank for its easy-money policies and called for changes to the way officials make and communicate decisions—views that align closely with the Fed's conservative GOP critics.

On the other side, two Fed policy makers, Chairwoman Janet Yellen and governor Jerome Powell, a Republican, have favored a gradual approach to reversing the Fed's crisis-era stimulus programs—policies that most Democrats and moderate Republicans have supported.

The president and Ms. Yellen met Thursday about the job for a half hour, according to the White House.

Also in the mix is Gary Cohn, Mr. Trump's top economic adviser, who has given few public clues about his stances on monetary policy.

Asked whether he had a preferred candidate among the five finalists, Mr. Trump said at a news conference Tuesday, "I have a great respect for all of them."

The president is expected to announce a final decision by Nov. 3.



President Trump and Chairwoman Janet Yellen met Thursday at the White House to discuss the job.

AGENCE FRANCE PRESSE/GETTY IMAGE

Meanwhile, he will receive advice on the choice from different Republican camps.

Treasury Secretary Steven Mnuchin is strongly backing Mr. Powell, according to several people familiar with the matter, who noted the two have developed a good working relationship over the past seven months working closely together on financial regulation

issues.

Mr. Powell "represents this technical vision of what a monetary policy should be no matter who's in power," said Peter Conti-Brown, an assistant professor at the University of Pennsylvania's Wharton School.

The Treasury Department declined to comment.

Conservative Fed critics have an important White House

ally in Vice President Mike Pence.

Mr. Pence, who sat in on Mr. Taylor's interview with the president last week, sponsored a bill when he was in Congress that would have eliminated the Fed's so-called dual mandate, forcing it to focus only on achieving low, stable inflation rather than on also fostering maximum employment.

Mr. Pence is also close to Rep. Jeb Hensarling (R., Texas), chairman of the House Financial Services Committee, who pushed legislation to require the Fed to adopt a mathematical formula for guiding interest rates—something akin to the Stanford economist's Taylor rule.

A spokeswoman for Mr. Pence declined to comment on whether he has a preferred candidate.

Mr. Warsh, who served as a Fed governor from 2006 to 2011 and worked as an adviser to President George W. Bush, has been favored by mainstream Republicans who see him as a shrewd political operator who might not raise rates too quickly if Mr. Trump's policies spur faster growth.

Though no one in Mr. Trump's orbit is pushing for Ms. Yellen, the president last month sought input from across the aisle. During a Sept. 13 dinner at the White House, Mr. Trump asked Senate Democratic Leader Chuck Schumer his opinion of Ms. Yellen, according to people familiar with the matter. Mr. Schumer told the president he thought Ms. Yellen deserved to be renominated, the people said.

The White House had no comment on Mr. Trump's conversation with Mr. Schumer.

Earthquake Drill in Seattle



SURVIVAL LESSONS: Fourth-graders at Genesee Hill Elementary School practiced the drop, cover and hold-on skills during Thursday's international Great ShakeOut drill, which also included tsunami alerts in coastal areas and testing of emergency radio broadcasts.

STOCKS

Continued from Page One
sult you're just sort of riding on what you have," he said.

The S&P 500 hasn't had a daily drop of 1% or more in two months, while the CBOE Volatility Index, known as Wall Street's fear gauge, earlier this month fell to its lowest reading in over 20 years.

Volatility is so low now that the S&P 500 is on pace this month for its tightest monthly trading range since January 2007, according to FactSet data.

The sort of major events that tend to drive big trading volumes, including elections, government-policy changes and central-bank shifts, have been few and far between this year.

There have been elections in Europe, but the results of those have largely eased fears of political instability in the region. Meanwhile, economic data across emerging and developed markets have been remarkably resilient, while investors say the Federal Reserve has telegraphed its intentions to markets fairly consistently.

"The major views in our equity portfolios haven't changed much because the macro environment hasn't changed significantly," said David Lafferty, chief market strategist at Natixis Global Asset Management.

The muted trading could suggest a lack of investor confidence among those with cash to invest, as solid quarterly earnings and a growing



BRENDAN McDERMID/REUTERS

Volatility is so low now that the S&P 500 is on pace this month for its tightest monthly trading range since January 2007.

All Quiet

This year's stock market has been one of the calmest on record.



Sources: FactSet

THE WALL STREET JOURNAL

The decline in equity volumes is bad news for banks beset by lower trading revenues.

earnings, compared with 16.9 at the start of the year.

Given the lack of optimism, "it's a rally that hasn't felt like a rally," said Antoine LeSne, head of SPDR ETF Strategy and research at State Street Global Advisors.

The rise of passive investing—relative to money pouring into active managers and hedge funds—may also be weighing on trading volume.

"There's still a very strong trend of people doing indexing, and when you invest in index funds you don't need to trade as often because they're

not as volatile," said Randy Frederick, vice president of trading & derivatives at the Schwab Center for Financial Research.

BlackRock Inc. and Vanguard Group, which have the largest stable of ETFs by assets, now manage about \$10.7 trillion combined.

"Many people are already in the market, and if things they own are going up and making money, there's no reason to sell," Mr. Frederick said. "And if you were sitting on cash, coming in now is pretty late to the game."

The decline in trading volume isn't good news for banks that generate fees when investors trade.

Last Thursday, J.P. Morgan Chase & Co. reported a 4% fall in revenue from equity trading in the third quarter. Goldman Sachs Group Inc.'s equity-trading revenue fell 7% over that period, the company said Tuesday.

For many, though, the glacial activity in equity markets may still be an encouraging sign.

"We are seeing strong drivers for growth and that is driving investor confidence in Europe, and driving more into long-term positions rather than short-term trades," said Ankit Gheedia, equity strategist at BNP Paribas.

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U.S. NEWS

Few Use U.S. Hospital Ship in Puerto Rico

Navy sent vessel to help after hurricane, but bureaucracy has slowed relief effort

BY DANIELA HERNANDEZ

SAN JUAN, Puerto Rico—After Hurricane Maria ravaged this island, leaving most hospitals here without reliable power, the U.S. Navy sent a massive floating hospital to help fill gaps in the fragile health-care system.

Hardly anyone has used it.

The USNS Comfort, a 70,000-metric-ton ship staffed with roughly 800 medical and support personnel and 250 beds, has treated only about 150 people since it arrived on Oct. 3, said a U.S. Navy spokesman aboard the vessel. It costs about \$180,000 daily to operate the ship, according to the Navy.

Comfort service members said they initially feared demand would exceed their capabilities. Now they are frustrated they aren't doing more, said Capt. Kevin Robinson, mission commander. He said he reminds his staff "there is no doubt that some of those patients [they've treated] wouldn't be alive today if we weren't available."

Hurricane Maria, a Category 4 storm, slammed into the U.S. Commonwealth of 3.4 million people on Sept. 20 with sustained winds of 155 miles an hour, killing nearly 50 residents and leaving 250,000 without homes. Critical lifelines—telecommuni-

cation links, power, and roads—were lost or severely compromised, shutting down hospitals and access to affected communities.

Government officials say Puerto Rican hospitals are aware the Comfort is ready to take in critical patients. But Dr. Felix Valle-Avilés is an example, few know about it. Dr. Valle-Avilés, who works at a community health center and a walk-in clinic in Arecibo on the island's northwest, said he hadn't received information about the ship or how it can be used.

Patients who show up at the Comfort aren't turned away. But the normal path is through San Juan's Centro Medico hospital, where doctors evaluate requests for transfer from other hospitals, contact a medical-operation center which in turn dials the ship. Patients are flown to the vessel via helicopter from other hospitals.

To slice through some bureaucracy, officials recently changed the protocol to allow regional hospitals to contact the operation center directly, said U.S. Army Col. Jose Garcia, who oversees medical coordination for the U.S. Department of Defense's relief efforts. Patient numbers have gradually climbed in recent days.

The DoD also stationed personnel outside of hospitals around the island with satellite phones to relay information about hospitals' power, water and patient count, in case there was need to evacuate or transfer patients, a U.S. official said. Four U.S. Army crews were re-



USNS Comfort, a 70,000-metric-ton ship (above, in San Juan), has treated only about 150 people since it arrived in Puerto Rico on Oct. 3.

cently certified to land on the ship during daytime, increasing the ability to transfer patients, a Navy spokesman said.

Still, U.S. emergency officials say the ship has been a valuable backup for the island's nearly 70 hospitals, about a third of which are reliant on generators that offer spotty

power. The ship houses surgeons, pediatricians, an obstetrician, X-ray machines, a pharmacy and even a dental suite.

In hard-hit Humacao, in the east of the island where Hurricane Maria made landfall, Ryder Memorial Hospital closed after one of its generators failed, according to Jaime Plá-Cortes, the executive president of the Puerto Rico Hospital Association. The Oct. 4 power failure prompted the evacuation of 29 patients by helicopter to San Juan, where five were transferred to the Comfort, according to federal health and defense officials. Two days later, the Comfort took in four patients after generators failed at Hospital Menonita in Caguas, south of the capital.

As it has moved along Puerto Rico's north coast, the ship has also supplied hospitals with more than 10 tons of food and water, plus 29,100 liters of oxygen. The island's oxygen-producing plants were badly damaged in the storm, leaving many patients scrambling.

—Melanie Evans contributed to this article.

he said were "in many ways worse than anything people have ever seen."

"Did we do a great job?" Mr. Trump asked the governor.

"You responded immediately, sir," Mr. Rosselló replied. He said he spoke "essentially every day" with top administration officials.

Mr. Trump favorably contrasted the relief efforts underway in Texas and Louisiana, which were hit in August by Hurricane Harvey, to the administration's aid to Puerto Rico.

The efforts in Texas and Louisiana have been a "well-oiled machine," he said, whereas he said Puerto Rico's already slipshod transportation and power infrastructure has made the job

more difficult.

"Puerto Rico's a different kind of situation because it requires infrastructure," Mr. Trump said. "The roads were in really horrific shape because of the storm, and sometimes because of before the storm." He also blamed "corruption on the island." Mr. Rosselló said, "If there is a public official that is purposely mishandling the food that should be going to the people of Puerto Rico, there is going to be some hell to pay."

The Trump administration has faced criticism for its efforts from lawmakers in both parties, who have said the White House was too slow to respond.

—Rebecca Ballhaus

WASHINGTON—President Donald Trump gave his administration's relief efforts in Puerto Rico a perfect grade, and blamed corruption and infrastructure deficiencies as obstacles to recovery, in a meeting on Thursday with the U.S. territory's governor at the White House.

"I give ourselves a 10," Mr. Trump said, speaking alongside Gov. Ricardo Rosselló. He acknowledged the devastation the island suffered this summer from two hurricanes, which

was conducted 30 years ago to establish the current passing score of 144—the second-highest in the nation. But it said other states didn't appear to have used such an analysis in setting lower benchmarks.

Most states share a common multiple-choice section of the bar exam developed by a national organization, but each has the power to set its own cut, or passing score. Only Delaware has a higher threshold than California. The test also includes an essay section.

New York, which admits the most lawyers into the profession each year, uses a cut score of 133; 16 other states set it at 135. Many states have been moving toward a uniform exam that helps test takers transfer law licenses between states, but California has re-

sisted such a move.

The court said the score could be revisited, and encouraged the State Bar of California to keep studying the issue.

Bar-exam-passage rates for lawyers have plummeted in California in recent years, in parallel with similar drops in other states, causing alarm at a time when the cost of law school can easily leave graduates with six-figure debt loads. Some states are beginning to see rebounds in passage rates.

Just over 56% of first-time test takers who took the July 2016 exam in California passed, compared with highs in the 60% and 70% range in the recent past. When repeat test-takers are included, 43% passed the July 2016 test, and 35% in February. Results for the most recent July exam are

expected next month.

The majority of deans from the state's 21 nationally accredited law schools have banded together to argue that the stringent standard disproportionately affects minority students and doesn't correlate with better lawyers.

California allows graduates of unaccredited schools to sit for the exam, which some say contributes to lower pass rates.

"I'm deeply disappointed the court didn't take this opportunity to make a shift toward what virtually every other state in the country does," said Jennifer Mnookin, dean of University of California, Los Angeles School of Law. UCLA graduates do better than the average on the bar exam, with 82% of first-time test takers passing in July 2016.

BY SARA RANDAZZO

California's highest court ended months of debate over whether the state makes it too difficult to become a lawyer, opting to keep the status quo on how the bar-entrance exam is scored for the foreseeable future.

The California Supreme Court said in a letter Wednesday that it was "not persuaded" by recommendations that the passing score of the exam be lowered. The decision was denounced by deans of California law schools, who said many competent graduates would continue to suffer the consequences of not being able to become certified to practice in the state.

The court acknowledged that no standard-setting study

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U.S. NEWS

Kelly Defends Trump's Condolence Calls

By REBECCA BALLHAUS
AND ELI STOKOLS

WASHINGTON—White House Chief of Staff John Kelly defended President Donald Trump's comments to an Army widow, saying the president expressed his condolences to the families of fallen soldiers the "best way he could."

Mr. Kelly, a retired four-star general whose son was killed by a land mine in Afghanistan in 2010, said at a White House briefing Thursday that he was "stunned" and "broken-hearted" by Rep. Frederica Wilson's decision to publicly comment on Mr. Trump's phone call to the widow of U.S. Army Sgt. La David Johnson, who died in a deadly am-

bush in Niger.

"It stuns me that a member of Congress would have listened in on that conversation," Mr. Kelly said. "I thought at least that was sacred."

Earlier this week, Ms. Wilson, a Florida Democrat, called the president insensitive for telling Sgt. Johnson's widow, Myeshia Johnson, that her husband "knew what he signed up for...but when it happens it hurts anyways." Her account was backed up by Sgt. Johnson's mother, who said she felt "disrespected" by the president's words.

Ms. Wilson's office didn't immediately return a request to comment. Ms. Wilson has said she was in a car with Ms. Johnson on the way to receive

her husband's remains when Mr. Trump called. She has stood by her account of the conversation.

Mr. Trump on Wednesday denied the congresswoman's characterization of his call to Ms. Johnson. "I didn't say what that congresswoman said, didn't say it at all," Mr. Trump said.

In his comments Thursday, Mr. Kelly confirmed some of the words Ms. Wilson said she heard in the president's call. "There's no perfect way to make that phone call," he said.

Mr. Kelly likened Ms. Wilson to "empty barrels making the most noise," recounting a 2015 dedication of an FBI field office in Miami where the congresswoman touted her own

efforts securing funding for the building, rather than praising the office's namesakes: Two agents killed during a shootout.

"We were stunned, even for someone that is that empty a barrel," he said.

Mr. Kelly's second appearance at a White House briefing as chief of staff came as the administration sought to quell the controversy over the president's conversation with Ms. Johnson as well as over his previous remarks about calls to families.

Mr. Trump said earlier this week that he planned to call the families of the four Americans killed in combat in Niger and incorrectly said that most presidents hadn't made any

calls to families. In defending that statement, Mr. Trump said that Mr. Kelly was among the parents that former President Barack Obama didn't call.

Several families of deceased soldiers have disputed Mr. Trump's assertion that he has called every family of a U.S. soldier who was killed during his presidency. And on Wednesday, the White House said it had sent a check for \$25,000 to the father of an Army sergeant, after the Washington Post reported that the president in June had promised to send the check but never followed through. The White House called the report "disgusting."

On Thursday, Mr. Kelly confirmed that Mr. Obama didn't

call his family after the death of his son, Marine 2nd Lt. Robert Kelly. "That was not a criticism," he said. "That was just to simply say I don't believe President Obama called. That's not a negative thing."

Mr. Kelly said presidents can elect to call or send letters to the families of fallen soldiers. He said he initially advised Mr. Trump not to make calls to the family members of the four Green Berets killed in Niger, but said the president "very bravely" did so anyway.

Mr. Kelly said that the comment Mr. Trump ultimately made to Ms. Johnson was based largely on Mr. Kelly's recounting of what a general said to him after his son was killed.

Soldiers' Deaths In Niger Fuel FBI Probe, Criticism

The Federal Bureau of Investigation has joined the probe into how a group of militants thought to be Islamists killed four American soldiers in Niger two weeks ago, a move that comes as U.S. officials face growing criticism

By Ben Kesling in Washington and Julian E. Barnes in Stuttgart, Germany

over their struggle to answer questions about the incident.

U.S. military officials said Thursday that they are still trying to piece together a timeline of what happened, while lawmakers impatient for information criticized the Pentagon and White House for a lack of transparency.

The FBI's involvement comes amid an absence of details on the ambush, which has become the center of a political firestorm over how President Donald Trump has interacted with relatives of the dead soldiers.

The involvement of the FBI in the probe of a military oper-

ation gone awry isn't unprecedented, said FBI officials. The FBI has the authority to take over the investigation but has yet to do so, they said.

FBI investigators are helping gather and evaluate evidence about the militants considered responsible for the ambush and how members of the group learned of the joint U.S.-Nigerien patrol.

Questions about the operation, and the mission of the Green Berets in Niger, have been mounting in recent days. The questions center on whether the U.S. force had adequate resources and whether its mission was well-defined.

The U.S. troops in question depended on the French military for air support, and used aircraft flown by contractors to evacuate the injured, Pentagon officials said. The U.S. force also relied on intelligence from a demoralized Nigerien military in communities where villagers feared that providing the government with information could lead to a death sentence from militants, a Nigerien official said.

Committee Chairman John McCain (R., Ariz.) said he hadn't been properly informed by the Pentagon about the mission in Niger, that he has expressed his anger to Defense Secretary Jim Mattis and threatened to use legislative measures to force compliance with demands for information.

"We can hold up nominees," Mr. McCain said. Hours later, Mr. Mattis's spokeswoman Dana White said the Pentagon was being trans-

parent with Congress and that a military general traveled to Capitol Hill on Thursday to brief lawmakers.

In Niger, the small U.S. force has been working to improve the ability of Nigerien counterparts to battle jihadist groups in southwest Niger.

The joint U.S.-Nigerien patrol on Oct. 4 was picking up supplies in a village in the area and

STAFF SGT. AARON J. JENNE/U.S. AIR FORCE/ASSOCIATED PRESS

An Army team transferred the remains of Staff Sgt. Dustin Wright, who was killed in Niger, at Dover Air Force Base, Del., on Oct. 5.

"These four soldiers being killed and most people not knowing what they were up to is a game changer," said Sen. Lindsey Graham (R., S.C.), a member of the Senate Armed Services Committee. "I'm concerned that we're not regularly briefed about operations."

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members decided to engage with local leaders while there, officials said. Among questions U.S. investigators are asking is whether villagers purposely sought to delay the troops' departure, two officials said.

—Nancy A. Youssef and Del Quentin Wilber in Washington and Joe Parkinson in Abuja, Nigeria, contributed to this article.

WASHINGTON WIRE

SOCIAL MEDIA

Bill Raises Disclosure For Political Ads

Two senior Senate Democrats introduced new campaign-finance legislation that would force greater disclosure about the political advertising that runs online, responding to concerns about alleged Russian meddling in the 2016 election.

Sens. Amy Klobuchar of Minnesota and Mark Warner of Virginia on Thursday unveiled the Honest Ads Act, a bill that mandates large digital platforms keep a public repository of paid-political advertising that appears on their sites.

"The companies we're talking about here are really iconic American companies—they're some of the greatest stories in 21st-century success," Mr. Warner said. "But these companies in many ways rely upon the trust of all of us who use these platforms."

A Facebook spokesman said this week: "We are open to working with lawmakers and reviewing any reasonable legislative proposals."

—Byron Tau

FOREIGN RELATIONS

Ex-CIA Chief Rates Likelihood of War

John Brennan, a former director of the Central Intelligence Agency, estimated this week that the U.S. has at least a 20% likelihood of becoming engaged in military conflict with North Korea amid President Donald Trump's discord with North Korean dictator Kim Jong Un.

"I think the prospects for military conflict in the Korean Peninsula are greater than they have been in several decades," said Mr. Brennan, who headed the agency during Democrat Barack Obama's administration. "I don't think it's likely or probable, but if it's one in four, or one in five, chance, that's too high."

—Erica Orden

BUDGET

Continued from Page One
time to tilt the scales even further in favor of big corporations and the very rich?" Senate Minority Leader Chuck Schumer (D., N.Y.) said on the Senate floor Thursday.

The Republicans released a framework last month that sketched out a range of tax changes—including lower taxes on corporate profits, incentives for businesses, fewer and lower individual income tax brackets and the end of estate taxes—with the goal of simplifying the code and boosting the economy.

The House passed its own budget earlier this year. White House aides and some Senate Republicans have been urging the House to simply take up the Senate budget and pass it. An amendment passed late Thursday allows the House to take up the Senate-passed bill version and likely avoids the need for a conference.

After the Senate passed its budget, House Speaker Paul Ryan (R., Wis.) released a statement saying the bill keeps Republicans "on track to enacting historic tax reform," indicating the House would take up the measure.

The Republicans have yet to release tax legislation. Sen. Orrin Hatch (R., Utah), chairman of the Finance Committee, said he hoped to release his tax plan by early November.

"Deficits matter, and the taxes that we address ought to be about growing the economy that actually create more revenues toward reducing the deficit," said Sen. Jerry Moran (R., Kan.).

The Democrats criticized the plan as a giveaway to the rich because a number of proposed changes, including lower business tax rates and a repeal of the estate tax, would benefit the top sliver of wealthy households. Before the budget passed, Senate Democrats proposed several amendments, most of which failed.

Sens. Maria Cantwell of



The budget blueprint was passed in the Senate late Thursday.

Washington and Chris Van Hollen of Maryland forced a vote on whether to bar a tax rewrite from ending or limiting the federal deduction for state and local taxes. House Republicans are considering abolishing the popular deduction but may preserve part of it. The Senate blocked the amendment Thursday on a procedural motion in a party-line vote.

An amendment by New Mexico Sens. Tom Udall and Martin Heinrich passed to provide resources in rural communities to offset property-tax revenue lost due to the presence of tax-exempt federal lands.

The Senate rejected, by a

Prospects Cloudy For New Health Bill

BY STEPHANIE ARMOUR AND KRISTINA PETERSON

WASHINGTON—President Donald Trump will support a bipartisan bill on health care only if it includes a series of conservative measures that Republicans sought in their failed effort to repeal the Affordable Care Act, a White House spokesman said on Thursday, as two senators officially unveiled the legislation without many of those demands.

Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.) released their bipartisan bill with the backing of 22 additional senators, evenly split between the two parties. Acknowledging the challenge of advancing legislation currently opposed by Mr. Trump, both senators said they were open to working with the president to

strengthen it.

But the White House made clear Thursday that Mr. Trump was seeking more than minor tweaks to the legislation, which would shore up the ACA's individual insurance markets by extending for two years federal payments known as cost-sharing reductions that help insurers offset subsidies they provide to some low-income consumers, while giving states greater say in how the law is implemented.

In order for Mr. Trump to support such legislation, it must provide relief from the ACA's requirement that most people have health coverage or pay a penalty, the spokesman said. It should also roll back or end the requirement that certain employers provide health coverage, the White House official said.

Obama Hits Campaign Trail

BY JOSHUA JAMERSON AND KATE KING

Former President Barack Obama returned to the political stage Thursday to stump for Democrats running in the nation's two governor's races this year, telling voters to renounce "the politics of fear."

In remarks in support of Democratic gubernatorial candidates Phil Murphy in New Jersey and Ralph Northam in Virginia, Mr. Obama didn't name or directly criticize President Donald Trump, who has worked to dismantle major parts of Mr. Obama's legacy.

Mr. Obama urged voters to elect "people who make you proud" at a time when the nation's political environment is "so nasty."

"Folks don't feel good right now about what they see," Mr. Obama said, speaking in Rich-

mond, Va. "Instead of our politics reflecting our values, we've got politics infecting our communities."

Public polls show Mr. Murphy, a former executive, with a double-digit lead over Republican Lt. Gov. Kim Guadagno.

Ms. Guadagno's spokesman, Ricky Diaz, painted the Obama visit as a sign of weakness.

"It's a bad sign for Phil Murphy that he has to bring in President Obama to campaign for him because it shows he's having a problem energizing his supporters," said Mr. Diaz.

In Virginia, Mr. Northam, the lieutenant governor, faces Republican Ed Gillespie.

Dave Abrams, campaign spokesman for Mr. Gillespie, said: "It's no surprise President Obama would level Lt. Gov. Northam's attacks against Ed at a Northam campaign event."

U.S. NEWS

Teen Immigrant Seeking Abortion Faces Legal Limbo

BY BRENT KENDALL
AND LAURA MECKLER

WASHINGTON—A lawsuit at the intersection of two emotional issues—illegal immigration and abortion—is speeding through the courts, as judges consider whether an undocumented teen in U.S. custody may terminate her pregnancy over the wishes of the Trump administration.

The 17-year-old girl has been held by immigration authorities in a government-funded detention shelter in Texas since September, when she crossed the southern border illegally. She is now about 15 weeks pregnant and seeks an abortion, and the Department of Health and Human Services is preventing her from leaving the facility to obtain the procedure, according to court documents.

In a rare move Thursday, a federal appeals court in Washington, D.C., hastily scheduled an oral argument for Friday morning after U.S. District Judge Tanya Chutkan sharply criticized the administration's position and ordered it to release the teen to travel to the nearest abortion clinic this week. The government appealed the decision immediately.

The appeals court put Judge Chutkan's order on hold temporarily so it could consider the case, which raises questions about whether undocumented immigrants in custody have the same constitutional right to an abortion that is accorded to U.S. citizens.

The GOP administration of President Donald Trump has filed court papers arguing the government has an interest in promoting childbirth and protecting fetal life. It says it shouldn't have to facilitate the abortion, particularly for someone who has no right to

be in the U.S.

The American Civil Liberties Union, representing the teen, alleges the administration is holding the girl "hostage" to prevent her from obtaining the procedure.

Under the Democratic administration of Mr. Trump's predecessor, pregnant girls in these detention shelters who sought abortions were routinely allowed to obtain them, though taxpayer dollars weren't used unless the pregnancy was the result of rape or incest, or unless the life of the mother was in danger.

That policy has changed under Mr. Trump's administration. In March, the acting director of the refugee agency emailed staff to direct federally funded shelters to refrain from "any action that facilitates" abortion access without the "direction and approval" of the agency's director. That included appointments with medical providers, counseling and abortion appointments themselves.

In addition, the director of the Office of Refugee Resettlement, Scott Lloyd, has repeatedly phoned undocumented girls who seek abortions to try to talk them out of it, a department spokesman said.

The teen has authorization from a Texas judge to obtain the abortion without parental approval. Her lawyers said the government wouldn't have to pay for the procedure or to transport her to the clinic.

Justice Department lawyers said the administration is placing no undue burden on the 17-year-old because she has no right to be in the U.S. and the government isn't holding her in the country against her will.

They said the teen could end her custody by voluntarily leaving the U.S. or finding a suitable guardian who could care for her temporarily.



A search-and-rescue crew on Tuesday inspected the heavy damage from a wildfire in the Coffey Park neighborhood of Santa Rosa, Calif.

California Debates Fire-Risk Maps

BY CHRIS KIRKHAM
AND JIM CARLTON

SANTA ROSA, Calif.—Coffey Park, a neighborhood that is now an ashen expanse of melted automobiles and charred foundations, has come to symbolize the destructive power of the fires ravaging Northern California.

And yet the neighborhood wasn't designated at the highest risk for wildfires, pointing to the challenges in predicting fire behavior and the limitations of California's system for pinpointing wildfire danger in dense, urbanized areas.

"We just learned a wildfire can plow through a city," said Lynda Hopkins, a supervisor for Sonoma County, which includes Santa Rosa, a city of 175,000 about 60 miles north of San Francisco.

Crews continued to battle 13 large wildfires Thursday that have charred more than

200,000 acres, state officials said, and the death toll climbed to 43. Cooler temperatures and more humidity this week were helping those on the fire line.

California has the most extensive statewide system in the U.S. for mapping wildfire risk. The program looks at past wildfires, weather patterns, terrain and the presence of fire-prone vegetation. In the highest-risk areas, the state lays out requirements for any new construction: fire-resistant building codes, wider roads for emergency access, and mandatory disclosures of fire risk in real-estate deals.

Researchers who have studied the state's system, administered by the California Department of Forestry and Fire Protection, known as Cal Fire, say the maps don't reflect the risks posed by specific types of development in the path of wildfires, such as older homes

with flammable shingles.

Dave Sapsis, a research scientist with Cal Fire's mapping program, acknowledged the maps have some limitations. He said it is difficult to collect extremely localized data on a statewide scale for risk models often used for years.

Neighborhoods constantly grow and change, he said, and it is challenging to collect exact data on the quality of construction for every home.

Mr. Sapsis said the state is updating its maps to include much more localized data on wind patterns, and he said information from the most recent fires will help the state improve its modeling of how wildfires affect urban areas.

"This is a bit of a wake-up call," said Max Moritz, a wildfire researcher with the University of California Cooperative Extension. "What we had here is something that very rarely happens, but it's hap-

pening more often."

A 2012 study by researchers from the University of Wisconsin and elsewhere found that many structures burned in California wildfires since 2001 weren't in areas determined to be most susceptible, based on the state's wildfire-risk maps.

California's wildfire-mapping systems require new construction, including rebuilding, at a higher standard for the highest-risk wildfire zones.

But there is uncertainty on what the requirements will be for Coffey Park because it isn't designated as one of the riskiest areas by either the state or local government.

Many homes in the subdivision were built in the 1980s, before tougher building codes, and experts said the outdated construction standards likely meant the neighborhood was more prone to ignite.

—Alejandro Lazo contributed to this article.

Bush Slams Policies Trump Backs on Immigration, Trade

BY ELI STOKOLS

Former President George W. Bush rejected the trade and immigration stances that President Donald Trump has made a centerpiece of his administration, and said the U.S. should continue defending free markets and democracy globally.

In a speech Thursday in New York, the 43rd president, who has largely avoided the political fray since leaving office, also denounced bigotry and bullying, saying civil discourse was needed. Mr. Bush didn't mention his fellow Republican by name.

"We see a fading confidence in the value of free markets and international trade, forgetting that conflict, instability and poverty follow in the wake of protectionism," Mr. Bush said. "We've seen the return of isolationist sentiments, forgetting that American security is directly threatened by the chaos and despair of distant places."

On immigration policy, he said: "We've seen nationalism distorted into nativism, forgotten the dynamism that immigration has always brought to America."

Mr. Bush's rejection of bigotry came after Mr. Trump blamed "both sides" for violence in Charlottesville, Va., involving white supremacists and counterprotesters. Mr. Trump also regularly uses name-calling to belittle rivals or cajole lawmakers.

"Bullying and prejudice in our public life sets a national tone, provides permission for

Traditionally, ex-presidents haven't criticized their successors or policies.

cruelty and bigotry, and compromises the moral education of children," he said.

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

Mr. Trump has criticized trade deals as bad for U.S. workers, breaking with the traditional Republican stance on the issue.

He pulled the U.S. out of the Trans-Pacific Partnership with Asian countries and is

pushing Canada and Mexico to renegotiate the North American Free Trade Agreement on better terms for the U.S. The Trump administration has stepped up enforcement of illegal immigration, increasing deportations and pushing for funding for an expanded border wall.

On U.S. involvement overseas, Mr. Trump has questioned the scope of America's commitments, most notably pressuring European allies to contribute more to the North Atlantic Treaty Organization.

Mr. Trump has also repeatedly criticized Mr. Bush for the U.S.-led invasion of Iraq in 2003, a decision Mr. Trump came to oppose.

Traditionally, ex-presidents haven't criticized their successors or their policies, making Mr. Bush's critique of a fellow Republican president unusual.

Mr. Bush stayed quiet throughout the eight years of the Obama presidency. Barack Obama, since leaving office, has occasionally addressed Trump policy decisions, including criticizing his move to end protections for immigrants brought to the U.S. illegally as children.

COLOSSAL CONSTANTINE AN ARTISTIC TRIUMPH



Monumental size. Legendary subject. Artistic tour de force.

Colossal in both size and artistry, this original oil on canvas entitled *The Triumph of Constantine* captures one of the most significant moments in ancient history. It is also the only known painterly evidence of one of the most famous panoramas of the 19th century. Composed by Josef Bühlmann and Alexander von Wagner, it represents a stunning reduction of the duo's famed work commissioned by the Munich Panorama Company in 1885.

Canvas: 57'h x 103'w; Frame: 65'h x 111'w. #30-5528

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SETH WENIG/ASSOCIATED PRESS

Former President Bush appeared at George W. Bush Institute event in New York on Thursday.

WORLD NEWS

Government Foes Kept From Office In Venezuela

BY ANATOLY KURMANAEV
AND MARÍA RAMÍREZ

CARACAS—Venezuela's government on Thursday banned opposition governors from taking office in five states, replacing them with ruling-party substitutes, after the opposition released evidence it said proves electoral fraud in a crucial industrial state.

The government's move effectively deprives the opposition of most of its remaining elected offices in the country.

Copies of 11 voting-machine receipts from Bolívar state uploaded to the opposition alliance's website don't match the results released by Venezuela's pro-government National Electoral Council following Sunday's gubernatorial vote, according to calculations by Eugenio Martínez, an election analyst at Catholic University in Caracas. The contrasting data, provided by opposition poll observers and undisputed

by the government, were also reviewed by The Wall Street Journal.

The official results gave the ruling-party candidate Justo Noguera, an active major general, 2,000 more votes than shown in the receipts, the data show. The tally showed Gen. Noguera with 1,500 votes more than prominent opposition candidate Andrés Velásquez, a former union leader and two-time presidential candidate.

The slim victory clinched the government's hold of Venezuela's industrial hub and extended the opposition rout.

"We caught them with their hands in the cookie jar," Mr. Velásquez said in a message on his Twitter account Wednesday.

The head of the National Electoral Council, Tibisay Lucena, called Sunday's elections "impeccable" on Wednesday. Venezuelan President Nicolás Maduro said Thursday that Venezuela "has the most perfect electoral system in the world."



A woman held a banner on Wednesday in support of an opposition candidate who officials say lost his re-election bid in Bolívar state. WILLIAM URDANETA/REUTERS

The electoral council and the Information Ministry didn't respond to requests for comment Thursday.

The electoral council determined the ruling party won 18 of the 23 states. Most polls predicted an opposition landslide, in some places by a 2-to-1 margin, which government foes hoped would pave their path to the presidential palace next year.

The opposition alliance has

called the vote a fraud and refused to accept the results or swear in its few winning candidates in front of a pro-government assembly. The government responded Thursday by replacing the opposition governors-elect with ruling-party members.

The opposition alliance accuses the government of hundreds of irregularities, ranging from last-minute poll changes to voter harassment.

Until now, however, the opposition has stopped short of accusing the government of tampering with the ballot boxes, saying it lacked proof.

The Bolívar poll receipts provide the opposition with the first evidence of what appears to be results manipulation, said Félix Seijas Jr., director at Caracas-based pollster Delphos.

The opposition's fraud claims are unlikely to lead to a serious official investigation,

Mr. Seijas said. But they could lead to further sanctions against Mr. Maduro's embattled government, he said.

"If the evidence is well documented and presented, it could become a major force in raising international pressure against the government," he said.

The U.S. said Sunday's vote was "neither free nor fair" and pledged further economic and diplomatic actions against the government.

A Symbol of Kurdish Nationalism Rises in Raqqa

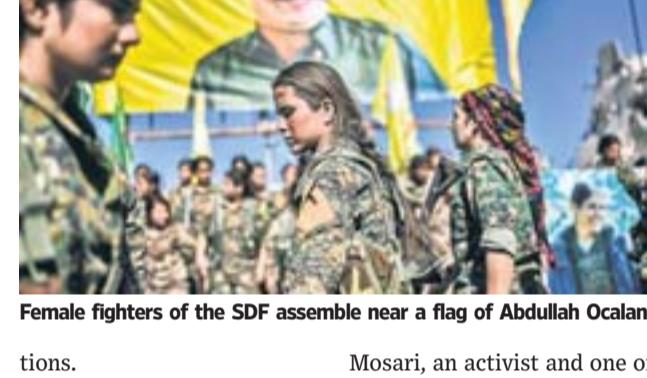
BY RAJA ABDULRAHIM

various Kurdish militias that make up the bulk of the fighters in the SDF.

There were no flags in sight representing the Arab groups that are part of the SDF and also took part in capturing the city.

The four-month campaign to reclaim what was once Islamic State's de facto capital, backed by U.S. airstrikes and American special forces on the ground, was hailed as a victory in driving the extremists from a city that became synonymous with their reign of terror.

But for residents of the predominantly Arab city, this display of Kurdish nationalism has subdued their celebra-



Female fighters of the SDF assemble near a flag of Abdullah Ocalan. BULENT KILIC/AGENCE FRANCE PRESSE/GETTY IMAGES

tions.

"The photo clearly represents who controls Raqqa now," said Mohamad al-

Mosari, an activist and one of the founding members of Raqqa is Being Slaughtered Silently, the first anti-Islamic

Turkey have designated the PKK as a terrorist organization.

Kurdish commanders defended the move and said it wasn't meant to be divisive.

"Ocalan represents an idea. We look at him as a philosopher who spreads democracy," Mirvan Rojava, a military commander of the YPG, said of the Marxist leader.

"The issue is not connected with his political party or his military followers."

—Nour Alakraa and Nazih Osseiran contributed to this article.

◆ Chevron suspends operations in Iraqi Kurdistan..... B6

Quebec Ban on Full-Face Veils Spurs Muslim Furor in Canada

BY PAUL VIEIRA

OTTAWA—Quebec's passage of a law banning the wearing of full-face veils is sparking anger among Muslims in Canada, who claim the measure represents "ugly identity politics" from a government seeking re-election in a year.

The government of the French-speaking province of Quebec on Wednesday used its majority in the legislature to pass a bill that prohibits public-sector employees and recipients of public services from wearing face coverings. The ban, which the provincial government has called a first in North America, in theory prohibits niqab-wearing women from taking public transit, or from signing out books from a library.

Legal experts said on Thursday that they expect the Quebec law to be challenged.

"It's just a question of when, to be honest," said Dia Dabby, a Quebec lawyer with expertise in religious freedom.

Quebec's move follows measures implemented in France, Belgium, and several African countries. France, for instance, argued full-face veils pose a security risk as they conceal a person's identity. Further, it argued successfully before the

European Court of Human Rights that showing one's face in public was one of the minimum requirements of participating in society.

Quebec Premier Philippe Couillard played on this theme when defending the legislation to reporters in Quebec City on Wednesday.

"We are just saying that for reasons linked to communication, identification and safety, public services should be

The province's move follows similar measures in France, Belgium and Africa.

given and received with an open face," Mr. Couillard said. "We are in a free and democratic society. You speak to me, I should see your face, and you should see mine. It's as simple as that."

The bill does offer the possibility of religious accommodation, but details as to how that will work remain unclear. The government wants the law fully implemented by next summer.

Benjamin Berger, a constitutional law professor at To-

ronto's York University, said the law as written is "extremely vulnerable" because, in his opinion, it likely violates freedom-of-religion provisions in Canada's constitution, as well as human-rights legislation in Quebec.

The National Council of Canadian Muslims said the new law "boils down to ugly identity politics."

The council's executive director, Ihsaan Gardee, said Quebec's Liberal government—which faces re-election next year—"is advancing a dangerous political agenda on the backs of minorities, while pandering to bigoted populism instead of practicing principled governance."

Opposition parties in Quebec voted against the bill because they believed the legislation didn't go far enough in ensuring so-called religious neutrality, a stance that means the state shouldn't promote religion of any kind. Polling organization Angus Reid Institute said this month its research indicates more than 60% of Quebec residents "strongly support" the proposed law.

Quebec has been a draw for immigrants from French-speaking countries in North Africa where Islam is practiced. Overall, 3.2% of Quebec's population is Muslim.

Australia Immigration Bill Expires

BY ROB TAYLOR

CANBERRA, Australia—Australia will keep trying to raise hurdles for immigrants after proposed changes, including a more difficult English test and acceptance of "Australian values," were blocked.

Prime Minister Malcolm Turnbull proposed a new citizenship bill in April, declaring would-be immigrants would have to prove their commitment to the nation with a new citizenship test and a more stringent English language assessment.

The bill wasn't passed after a deadline for a Senate vote on

the legislation expired. "We believe very strongly that the proposals we've put forward is sensible," said Immigration Minister Peter Dutton on Thursday. He vowed to try again to garner support for the bills.

Mr. Dutton's changes had been criticized by the main Labor opposition bloc, as well as the influential Greens party and centrist NXT bloc. Their combined numbers were enough to block the bill in the upper house, where Mr. Turnbull's government can't pass legislation without support.

The changes would have increased the waiting period for permanent residents wanting to

become Australian citizens to four years from one. The bill also would have imposed a test of "Australian values," including questions on whether it was acceptable to strike one's spouse.

Muslim community leaders said the questions were clearly aimed at them.

Australia's postwar immigration is generally seen as a success, with surveys showing broad acceptance of policies that have created a country in which a quarter of the population was born overseas.

But anti-Muslim sentiment has grown as the economy slowed and global worries about terrorism increased.



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AUTISM SPEAKS

WORLD NEWS

China Economy Backs Into Future

Data show state sector leads expansion, even as president lauds higher-quality growth

BY LINGLING WEI

BEIJING—President Xi Jinping lauded China's transition to high-quality growth as he opened a major leadership meeting this week. For now, though, smokestack industries are carrying the economy.

It grew at a 6.8% pace in the third quarter, much above forecasts at the beginning of the year that warned of a slowdown.

Nothing less than a stellar report would be expected when Communist Party leaders are gathered in Beijing to anoint Mr. Xi for a second term. But the disconnect between the president's words and Thursday's data from the



QILAI SHEN/BLOOMBERG NEWS

Smoke billows from the chimneys of a factory in Dalian.

National Bureau of Statistics was striking, illustrating that for all the talk of a bigger role for markets, the state sector's role has grown under Mr. Xi.

While recovering global demand has lifted China's exports, a main reason for the strong numbers was that coal

miners and metal makers cranked up production as prices rose—driven higher by government-mandated capacity cuts that had forced out many private companies.

Other old-economy players, such as real-estate developers, kept appetite for cement, steel

and other construction materials strong, defying government efforts to cool the housing market.

In fact, despite much-touted efforts to relieve long-term ills such as high debt, overbuilding and overproduction, many manufacturers say their overall capacity is rising, not falling, and Chinese banks are lending more, not less.

That and growing global demand give Beijing some economic breathing room—in the short term.

"Financial stresses that continue to build up in the background can be kept at bay for at least a little longer," said Eswar Prasad, a China scholar at Cornell University and the International Monetary Fund's former top official in China.

In a survey by data provider China Beige Book, hundreds of coal, steel, aluminum and copper companies reported that the third quarter

was the sixth in a row in which overall capacity rose.

Sunstone Development Co., which makes carbon blocks used in aluminum production and employs nearly 2,000 workers across China, has increased its capacity by a third as prices for its products have gone up significantly—partly because tougher environmental rules forced many smelters to shut down.

"Our products are in short supply," said Lang Guanghui, Sunstone's chairman.

Because tackling inefficiencies could slow growth in the short term, it collides with party pledges to improve life for ordinary Chinese and turn China into a rich country. Mr. Xi's speech emphasized goals such as a "moderately prosperous society" by 2020—that are likely to limit Beijing's flexibility in managing the economy.

—Lin Zhu

contributed to this article.

FBI Turns Attention To Chinese Business Owner

The Federal Bureau of Investigation is looking into a Chinese business owner who was linked to a ship found smuggling North Korean rocket-propelled grenades last year, and who has ties to a North Korean trade and financing network, according to people familiar with the matter.

By Ian Talley
in Washington,
Jeremy Page in Beijing
and Nicole Hong
in New York

The FBI probe of the man, named Sun Sidong, is a window into wide-ranging U.S. efforts to trace and cut off business networks that direct goods and currency toward the regime of Kim Jong Un, which faces escalating international sanctions.

The Trump administration has launched a broader campaign to crack down on North Korea's financial networks, though it isn't clear whether this investigation is directly associated with that effort. The FBI operates independently from the White House.

The FBI has been looking into Mr. Sun's U.S. connections to potentially illegal transactions with North Korea, according to one person familiar with the investigation. Another person said the FBI has inquired about a personal U.S. real-estate deal involving Mr. Sun, and a third person said Mr. Sun was on the FBI's radar.

Neither Mr. Sun nor his businesses have been sanctioned by the U.S.

One of Mr. Sun's companies and a company owned by his sister, Sun Sihong, have each been listed as owners of a cargo ship, the Jie Shun, that

The man's ties to a North Korean trade network are under investigation.

the United Nations said was seized by Egypt off its coast last year and found to be hiding 30,000 rocket-propelled grenades under piles of iron ore.

At the time of the seizure, the ship was owned by Ms. Sun's Hong Kong-based company, Vast Win Shipping, and it had been previously owned by Mr. Sun's Hong Kong-based company, Jie Shun Shipping Co., according to the Equasis shipping database and Hong Kong corporate records.

Mr. Sun last week declined to comment. In an interview with The Wall Street Journal in June, he denied doing any trade with North Korea or having any knowledge of the Jie Shun. Ms. Sun declined to comment.

The U.N. this month banned the Jie Shun and three other ships from entering member-country ports for what it said were illegal North Korean shipments.

A spokeswoman for the FBI's field office in New York declined to comment. The U.S. Treasury, which is responsible for sanctioning illicit networks, also declined to comment.

Mr. Sun is also the owner of Dandong Dongyuan Industrial Co., according to Chinese corporate records. That company has been one of the largest exporters of so-called dual-use equipment from China to North Korea, according to Washington-based nonpartisan research group C4ADS, which analyzes global conflict and security issues. Dual-use items are normally used for civilian purposes but can also have potential military applications.

Dandong Dongyuan Industrial reported in Chinese corporate filings from 2010 on that it was exporting to North Korea, but it removed the reference in November 2016.

The Commerce Ministry in Beijing and the local government in Dandong didn't respond to requests to comment on whether they had taken action against Mr. Sun or any of his companies.

—Xiao Xiao and Kersten Zhang in Beijing contributed to this article.

TRADE

Continued from Page One
with China, even as he adopted Mr. Trump's stern tone on Asia's economic power.

On Thursday, Mr. Tillerson warned China that the U.S. has an arsenal of economic weapons to force Beijing to address trade imbalances and a continuing territorial dispute in the South China Sea.

"We can do this one of two ways," Mr. Tillerson said during the interview, seeming at times to speak directly to his Chinese counterparts. "We can do it cooperatively and collaboratively, or we can do it by taking actions and letting you react to that."

Tools he might apply include tariffs, World Trade Organization actions, quotas and other mechanisms, he said.

The president and Mr. Tillerson are scheduled in November to visit Asia for a 10-day trip through five countries, including China, where the two former businessmen—both first-time public office holders—will push these issues.

Mr. Tillerson said the race to stem North Korea's nuclear program, as well as trade issues with Japan and South Korea, will also dominate the trip.

In a response to Mr. Tillerson's recent tough talk, the Chinese Embassy in Washington on Wednesday released a statement. "Through dialogue and cooperation with the countries in the region, the situation in the South China Sea is generally stable. Countries outside the region should fully respect these efforts to safeguard regional peace and stability," it said.

The track record demonstrates that China and the U.S. are better together. We hope the U.S. side can work in the



Secretary of State Rex Tillerson answering questions at the Center for Strategic and International Studies on Wednesday in Washington.

same direction with China to ensure the healthy and sound development of the China-U.S. relationship," it continued.

Mr. Tillerson's comments follow a rocky summer in his relationship with Mr. Trump. Signs of tension have continued to overshadow the insistence from both men that all is well.

"If I were a world leader—doesn't matter who—I wouldn't talk to Tillerson," said Larry Wilkerson, who was chief of staff to former Secretary of State Colin Powell, citing the public divide between the two men. "The president must feel that this person can do the work for him...this is not the case here. It's becoming antagonistic."

During a meeting at the Pentagon one weekend in July, Mr.

Tillerson rolled his eyes as he reluctantly acquiesced to the president's criticism of the Iran nuclear pact. "It's your deal," Mr. Tillerson said in his Texas drawl as he peered in the direction of other cabinet officials, instead of Mr. Trump.

After that meeting, Mr. Tillerson referred to the president as a "moron," according to people familiar with the conversations. Mr. Tillerson's spokeswoman has denied he made the remark.

Mr. Trump has also disparaged his top diplomat, complaining that Mr. Tillerson doesn't understand his "Make America Great" philosophy and has few original thoughts. "Totally establishment in his thinking," he has told aides.

Asked Thursday if he be-

lieved Mr. Trump should be re-elected, Mr. Tillerson paused for a beat, then said, "Well, of course."

"I mean, I don't think about it, quite frankly, right now," he said. "We've got these things we're dealing with, but yeah."

Early on in the administration, Messrs. Trump and Tillerson seemed to have an easy rapport.

When they first arrived in their new jobs and their wives had yet to join them in Washington, they often ate dinner together, joined by a combination of Defense Secretary Jim Mattis; John Kelly, now the White House chief of staff; and General Joseph Dunford, the chairman of the Joint Chiefs of Staff.

While those dinners have largely stopped, Mr. Tillerson

and the president continue to meet, as they did in the Oval Office on Thursday, in what was at least their second meeting this week. In what a State Department spokeswoman described as a "positive," they had lunch earlier this month after reports of name-calling between them.

Mr. Tillerson's openness to speaking to reporters comes after he was prompted to hold a news conference to address rumors that he was on the verge of quitting and had made derogatory remarks about the president. On Thursday, Mr. Tillerson expressed confusion about rumors of his departure. "Who in the world is telling you that stuff?" he said.

He said he would remain in the job "as long as the president thinks I'm useful."

WORLD WATCH

RUSSIA

Putin Threatens U.S. Over Media Scrutiny

President Vladimir Putin weighed in on the U.S. government's scrutiny of Russian-funded news outlets RT and Sputnik, promising a "mirrored response" against U.S. media if those agencies are sanctioned.

"As soon as we see concrete steps restricting the activities of our media, a mirrored response will immediately follow," the Russian president said in Sochi, Russia news agencies reported.

Russian officials in recent weeks have threatened retaliatory measures against U.S. news organizations operating in Russia, after the Russian government-funded channel RT said it had been asked by the Justice Department to register under the Foreign Agents Registration Act, a tool used to regulate foreign-government lobbying and advocacy in the U.S.

Mr. Putin said Russian media have "much less power" than their U.S. and British counterparts, Interfax reported.

—Nathan Hodge

THE PHILIPPINES

Military Likely Killed Senior ISIS Leader

A senior Islamic State lieutenant who helped finance its operations in Southeast Asia was likely killed by Philippine forces, the military said, days af-



ALL SMILES: U.K. Prime Minister Theresa May, center, with French President Emmanuel Macron and German Chancellor Angela Merkel in Brussels on Thursday, pledged to treat European Union residents well once Britain leaves the bloc.

ter the deaths of two others who led the bloody occupation of a Philippine city.

Forces in Marawi killed 20 militants in recent days, the military said, including Mahmud Ahmad, a Malaysian who recruited foreign fighters and channeled hundreds of thousands of dollars into the months-long battle. The death, if confirmed, would follow the killing of Isnilon Hapilon, Islamic State's appointed emir in Southeast Asia.

—Ben Otto

AFGHANISTAN

Taliban Attack Kills Dozens at Army Base

At least 43 Afghan soldiers were killed in a Taliban attack on

an army base in southern Afghanistan, officials said, as the resurgent militant group stepped up its assaults on the country's beleaguered security forces.

Taliban fighters drove their explosives-packed Humvees to the entrance of the base and triggered their cargo before gunmen overran the installation, said Dawlat Waziri, a spokesman for the Afghan Defense Ministry.

A Taliban spokesman, Qari Yousaf Ahmadi, said the base, and the weapons and equipment housed there, were under Taliban control.

Mr. Waziri denied the claim, saying government officials were at the base assessing the damage.

—Habib Khan Totakil

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IN DEPTH

OFFICE

Continued from Page One
lion in August.

Others in the real-estate industry and some Silicon Valley investors say the company's well-crafted image belies the mundane nature of its business. WeWork takes on long-term leases for raw office space and builds out the interior with flexible spaces and modern design that it then subleases for terms as short as a month.

IWG PLC, an office-leasing company with a business model similar to WeWork's, manages five times the square footage and has about one-eighth the market value.

Boston Properties Inc., the country's largest publicly traded office landlord, owns five times the square footage that WeWork manages and has a market capitalization of \$19 billion.

SCOTT LEGATO/GETTY IMAGES



WeWork's founders, Miguel McKelvey, left, and Adam Neumann, spoke at an event in Detroit in May. The company rents shared workspace.

'Dressed It Up'

WeWork's strategy carries the costs and risks associated with traditional real estate. Its client list is heavily weighted toward startups that may or may not be around for long. WeWork is on the hook for long-term leases, and it doesn't own its own buildings. Vacancy rates have risen recently, and the company is increasing incentives to draw tenants.

"If you had positioned this as a real-estate company, it wouldn't be worth this," said Barry Sternlicht, who runs Starwood Capital Group LLC, with more than \$50 billion of real-estate assets under management. Mr. Neumann "dressed it up and made it into a community, and that turned it into a tech play."

Venture capitalists and mutual funds have poured billions into companies claiming they can upend traditional industries whether through the use of technology or their unique appeal to millennials. Startups in the business of selling meal kits, mattresses and razors have received tech-like valuations based on the idea their rapid growth can continue for years.

Mr. Neumann in public remarks often compares WeWork to ride-hailing company Uber and home-rental service Airbnb, whose valuations soared on the premise they were technology platforms, not taxi or hotel companies.

Some of the air is now coming out of that balloon. Shares in Blue Apron Holdings Inc., the meal-kit maker, are now trading at half the price of its IPO. Juicero Inc., the seller of a cold-press juicing system, announced in September it was halting operations after having raised \$100 million in venture capital.

At WeWork offices, options include a single desk in an open space, dedicated offices with doors, and full floors for more established companies, including Amazon.com Inc. and International Business Machines Corp. Common spaces have couches, foosball tables and beer kegs for meetings and socializing, and events take place frequently.

The model has proved popular, with 150,000 individuals renting space in more than 170 locations globally.

Mr. Neumann, who declined to comment for this article, has said WeWork is neither a real-estate company nor a tech company. The "We Generation," as

he calls it, craves sharing and collaboration rather than isolated offices. "They're coming to us for energy, for culture," he said at an event this summer.

He talks of "space as a service," a play on the concept of software as a service, in which a provider makes software available to users as they need it over the internet. He calls the company a "platform"—like a computer operating system—from which it can sell other services such as insurance or software.

Mr. Neumann told WeWork's PR representatives to push back against characterizations in the media of WeWork as a real-estate company and instead describe WeWork as a lifestyle or community-focused company, according to people familiar with the instructions.

"We frankly are our own category," said Artie Minson, WeWork's president and chief financial officer in an interview.

"We use real estate and services

Bruce Dunlevie, a partner at Benchmark Capital Partners who sits on WeWork's board, said charismatic, creative and motivated entrepreneurs are valued differently by investors "based on their ability to figure out how to skate to where the puck is going to be," he said. "Adam has many of those qualities—he's just a very charismatic, compelling person."

From WeWork's tiny early days, Mr. Neumann talked about how he was building a \$100 billion business, two friends said. He has said the company will have one million individual tenants—which he calls members—in the near-term, and has signaled the company will eventually list shares, without specifying a timeline.

WeWork's investors said the company's nearly \$1 billion in annualized revenue, based on October's projected revenue, shows how both startups and established companies are embracing co-working.

Similar investor hopes surrounded IWG, the flexible workspace provider, which was called Regus when it went public in 2000. Demand plummeted in the dot-com bust, leaving it with high fixed lease costs and sinking rents from subtenants. Its U.S. business sought bankruptcy protection. IWG is valued at around \$5,600 for each desk, compared with WeWork's \$135,000 per desk.

"WeWork is nothing but Regus with a paint job—it's newer, cooler," said Frank Cottle, chairman of Alliance Business Centers, a large network of serviced offices. WeWork's valuation, he said, "makes no sense."

Mr. Minson said WeWork's valuation is based on its growth potential, unlike IWG's.

Mark Dixon, IWG's chief executive, said he learned a tough lesson about doubling in size every year. "If you expand too rapidly at any one point in the market, that can catch you," he said.

SoftBank, the Japanese tech company led by billionaire Masayoshi Son, invested more money than any other into WeWork with its August infusion. Some executives at its \$93 billion Vision Fund argued against the deal, saying the price was already too high for what they viewed as a real-estate company, according to people fa-

miliar with the matter.

Mr. Son said he would urge his friends' companies and those backed by SoftBank to lease space with WeWork to help with its rapid expansion, according to the people. SoftBank declined to comment.

A decade ago, Mr. Neumann was a small-time entrepreneur in his 20s living with his sister, a model, in her Tribeca apartment. Mr. Neumann, who was raised on a kibbutz in Israel, was struggling with his first startup idea—women's shoes with collapsible heels—which failed to take off. His next venture was baby clothes with knee pads called Krawlers.

Ranee Kamens, Krawlers's initial designer, said he was "very, very, very focused" on making money and seemed to relish the social whirl. "It was always a party in his house, a lot of good-looking people" she said. "He enjoyed being part of that scene."

Krawlers struggled, and Mr. Neumann merged his company with high-end baby clothes company Egg by Susan Lazar. In 2008, he and two friends persuaded a landlord to start a shared office space in Brooklyn as a side project, thinking they could sublease it for a profit. Demand proved surprisingly strong.

Mr. Neumann has told friends and associates he sold more than \$100 million of WeWork's shares, said four people who spoke with him about it, an unusually large amount to sell before an IPO, according to transactions made public in other startups' listings.

A WeWork spokeswoman declined to confirm or deny the share sales but said Mr. Neumann is still the company's largest shareholder.

The CEO makes his penchant for tequila well-known, and landlords and others who have visited the office say they have been treated to healthy pours, often the pricey Don Julio 1942.

On a Monday morning in Philadelphia a few years ago, he coaxed Jared Kushner, the real-estate developer who is now se-

Mr. Neumann and Miguel McKelvey—an architect raised on a commune in Oregon—struck out on their own and formed WeWork in 2010. They started pitching Manhattan landlords on shared office and residential space. Mr. McKelvey is now WeWork's chief culture officer.

Joel Schreiber, a Manhattan-based real-estate investor, said he was captivated by Mr. Neumann and his vision early on. After a three-hour conversation in 2010, the entrepreneurs offered him a 33% stake in WeWork for \$15 million. "I didn't negotiate—I said yes," Mr. Schreiber said. "I loved Adam's energy."

Mr. Eisenberg, a partner at venture firm Benchmark Capital at the time, said he pitched the company to his partners. They saw WeWork as a way to tap into the trend of college-educated millennials moving to major urban centers. They were wary of real estate, but the partners decided, "Let's give him some money and he'll figure it out," said Mr. Dunlevie, the Benchmark partner in charge of the deal. Benchmark led a \$17 million funding round in 2012.

Bigger investors began piling in, including Goldman Sachs Group Inc., J.P. Morgan Chase & Co.'s asset management arm, investment bank Jefferies and mutual funds T. Rowe Price Group and Fidelity Investments.

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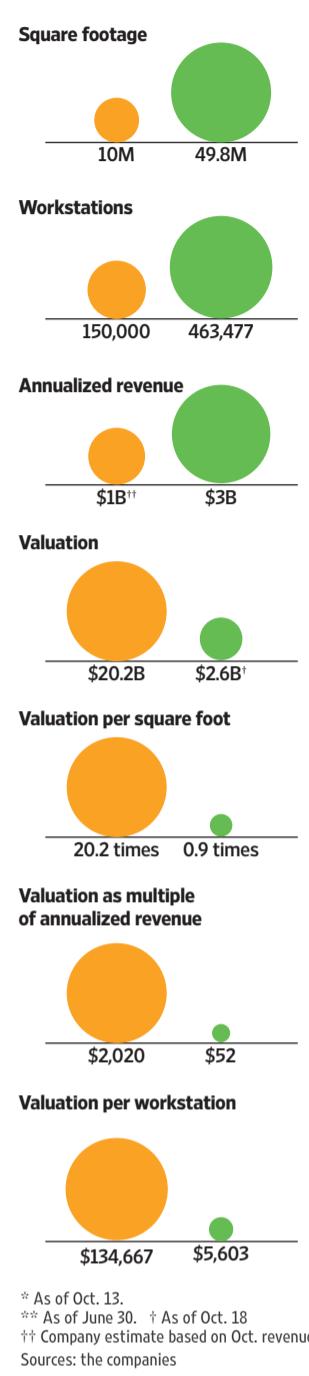
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Office Space

WeWork's model is similar to office-leasing company IWG, which manages five times the square footage but has a much lower valuation.



* As of Oct. 13.

** As of June 30. † As of Oct. 18.

†† Company estimate based on Oct. revenue

Sources: the companies

THE WALL STREET JOURNAL.

The CEO calls the concept a 'physical social network' for millennials.

to empower our community."

He said the company's valuation made sense because investors are looking to WeWork's plans for growth and millions of members in the future.

At 6 feet 5 inches with a mop of dark hair, Mr. Neumann stands out in a crowd of suit-clad commercial landlords in New York. He carries himself like a tech founder, sporting fashionable sneakers, T-shirts and multiple days of stubble. He tells his young workforce they are making the world a better place by creating more communal workplaces.

Colleagues say he holds late-night meetings that can start at 11 p.m. and run for hours. Multiple people who traveled overseas with him say he insisted they stay up the whole night working. "I don't think he ever sleeps," said Michael Eisenberg, an early WeWork investor and an adviser to Mr. Neumann who currently is a partner at venture-capital fund Aleph.

The model has proved popular, with 150,000 individuals renting space in more than 170 locations globally.

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Big Leagues

WeWork ranks among the most highly valued U.S. startups.

Uber \$68B

Airbnb \$31B

SpaceX \$21B

WeWork \$20B

Palantir \$20B

Pinterest \$12.3B

Lyft \$11B

Dropbox \$10B

Stripe \$9.2B

Outcome Health \$5.5B

Sources: Companies; Dow Jones VentureSource

THE WALL STREET JOURNAL.

makeup of the game.

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Ranee Kamens, Krawlers's initial designer, said he was "very, very, very focused" on making money and seemed to relish the social whirl. "It was always a party in his house, a lot of good-looking people" she said. "He enjoyed being part of that scene."

Krawlers struggled, and Mr. Neumann merged his company with high-end baby clothes company Egg by Susan Lazar. In 2008, he and two friends persuaded a landlord to start a shared office space in Brooklyn as a side project, thinking they could sublease it for a profit. Demand proved surprisingly strong.

Mr. Neumann has told friends and associates he sold more than \$100 million of WeWork's shares, said four people who spoke with him about it, an unusually large amount to sell before an IPO, according to transactions made public in other startups' listings.

A WeWork spokeswoman declined to confirm or deny the share sales but said Mr. Neumann is still the company's largest shareholder.

The CEO makes his penchant for tequila well-known, and landlords and others who have visited the office say they have been treated to healthy pours, often the pricey Don Julio 1942.

On a Monday morning in Philadelphia a few years ago, he coaxed Jared Kushner, the real-estate developer who is now se-

Mr. Neumann and Miguel McKelvey—an architect raised on a commune in Oregon—struck out on their own and formed WeWork in 2010. They started pitching Manhattan landlords on shared office and residential space. Mr. McKelvey is now WeWork's chief culture officer.

Joel Schreiber, a Manhattan-based real-estate investor, said he was captivated by Mr. Neumann and his vision early on. After a three-hour conversation in 2010, the entrepreneurs offered him a 33% stake in WeWork for \$15 million. "I didn't negotiate—I said yes," Mr. Schreiber said. "I loved Adam's energy."

Mr. Eisenberg, a partner at venture firm Benchmark Capital at the time, said he pitched the company to his partners. They saw WeWork as a way to tap into the trend of college-educated millennials moving to major urban centers. They were wary of real estate, but the partners decided, "Let's give him some money and he'll figure it out," said Mr. Dunlevie, the Benchmark partner in charge of the deal. Benchmark led a \$17 million funding round in 2012.

Bigger investors began piling in, including Goldman Sachs Group Inc., J.P. Morgan Chase & Co.'s asset management arm, investment bank Jefferies and mutual funds T. Rowe Price Group and Fidelity Investments.

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makeup of the game.

Mr. Minson said WeWork's valuation is based on its growth potential, unlike IWG's.

Mark Dixon, IWG's chief executive, said he learned a tough lesson about doubling in size every year. "If you expand too rapidly at any one point in the market, that can catch you," he said.

SoftBank, the Japanese tech company led by billionaire Masayoshi Son, invested more money than any other into WeWork with its August infusion. Some executives at its \$93 billion Vision Fund argued against the deal, saying the price was already too high for what they viewed as a real-estate company, according to people fa-

miliar with the matter.

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GREATER NEW YORK

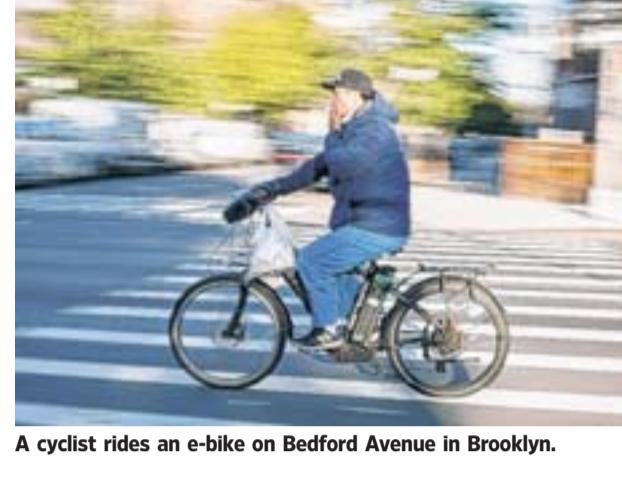
Officials Crack Down on Use of E-Bikes for Deliveries

Mayor says motorized bicycles are dangerous; restaurants say people want their orders fast

BY ZOLAN KANNO-YOUNGS

New York City business owners permitting employees to ride electric-motorized bicycles will be hit with fines starting next year in what Mayor Bill de Blasio said is an effort to reduce a public safety hazard.

Riding the "e-bikes," which are powered by an electric motor and don't require pedaling, already is illegal under city law. Currently, riders caught on the bikes are issued a civil summons, have their bikes



A cyclist rides an e-bike on Bedford Avenue in Brooklyn.

The mayor said the new policies won't apply to the independent contractors riding the bikes but riders will still face the \$500 direct fine.

Stores that sell the e-bikes and people who keep them on private property will still be permitted to do so.

Mr. de Blasio said the new policy would hold the owners accountable instead of just disciplining the bike riders, who are often delivering for restaurants. But the new policies worry some business owners who say e-bikes are needed to survive in a city with as much congestion as New York and customers who expect quick deliveries.

"A business buys one and hires someone to drive it and gives them a delivery to make,

right there it's an obvious violation of the law," Mr. de Blasio said during a press briefing on Thursday. "They are profiting by violating the law."

Police have heightened their focus on e-bike riders as the vehicles have gained popularity. So far in 2017, the NYPD has confiscated 923 of the bicycles, compared with 341 seized during the same period last year, officials said. Nearly 1,800 summonses have been issued to e-bike riders this year.

Jay Cai, the owner of Banhigos restaurant in Brooklyn, has his deliveryman ride an e-bike and said the new policies are "crazy." He said e-bikes are valuable because of the heavy traffic in New York and lack of parking spots. He said on average he gets 25 delivery

orders an hour for a profit of \$30,000 a month. Without an e-bike, he said that would drop by 50%.

Customers would be upset if they had to wait longer for deliveries, and "they're not going to order again," Mr. Cai said. "We're not going to survive."

Mr. de Blasio said the crackdown was inspired by residents who complained that the bikes were a hazard.

"I've seen these bikes going the wrong way, I've seen how fast they can go, I've seen how reckless they can be," he said.

The mayor said consumers will learn to be patient.

"If it takes a couple more minutes for your delivery to get there, you're going to live," Mr. de Blasio said. "You want people to be safe."

Employment Growth

Total private jobs in New York City, change from a year earlier



Note: Not seasonally adjusted
Source: New York State Dept. of Labor

THE WALL STREET JOURNAL.

Mixed News Seen In City's Job Data

BY MELANIE GRAYCE WEST

New York City's private-sector employment is up over the past year, despite a recent slump in the growth rate.

The city's private-sector employment is up 1.3% from September of last year, with 48,100 jobs added, according to figures released Thursday by the New York State Department of Labor. Statewide, more than 84,000 jobs have been added over the last year, labor analysts said.

The leisure and hospitality sector as well as education and health services both grew by at least 4% over the year.

The overall growth during the past year comes despite the slight, steady losses in the city's month-to-month private sector jobs since the beginning of the summer. In June, there were 3,894,700 jobs, compared with 3,844,200 in September. Figures aren't seasonally adjusted.

Overall, data from the state show the biggest drops in the past year were in trade, transportation and utilities, and wholesale trade.

There was also a slight drop in the number of manufacturing jobs in the past year. To stem steady losses in that sector, the city is investing hundreds of millions with hopes to create some 20,000 industrial and manufacturing jobs.

Statewide, the unemployment rate increased from 4.8% in August to 4.9% in September. In New York City, the unemployment rate rose from 4.9% to 5.1%.

Cape May Offers Model for Flood Protection

BY KATE KING

CAPE MAY, N.J.—Decades before superstorm Sandy wrought destruction along New Jersey's 127-mile coastline, residents of the storm-battered South Cape May abandoned their oceanfront homes to the tides.

South Cape May, a beach village on New Jersey's southern tip that at one point had a trolley, four-story building shaped like an elephant and Victorian homes, no longer exists. In its place is a 456-acre nature preserve and state park. Known as Lower Cape May Meadows, the area serves as a crucial stopover for migrating birds and helps protect inland neighborhoods from dangerous storm surges.

Since the nature preserve was completed in 2007, homeowners in nearby Cape May Point have submitted fewer flood insurance claims, according to a 2014 study by the Nature Conservancy, which owns the preserve. Cape May Point is a small residential community located just west of the popular seaside resort of Cape May.

"The roads don't flood at all now," said Nancy Kirtland, 71, who has lived in the borough for 22 years. "Even superstorm Sandy resulted in very little damage."

Environmental experts say the project offers a model for how communities can retreat from vulnerable oceanfront while helping protect inland areas from the effects of expected rising sea levels. The project has earmarked \$375 million in mostly federal funds to buy out and demolish homes in flood-prone areas, but so far has focused these efforts on tidal communities rather than coastal towns.

Bob Martin, commissioner of the New Jersey Department of Environmental Protection, said Lower Cape May Meadows showed state officials that wetlands provide "significant protections" to coastal communities by absorbing floodwater. Still, the state doesn't plan on abandoning popular tourist shore towns that are susceptible to storm damage, he said.

"I see no retreat at all," Mr. Martin said. "We are protecting the coastline and we continue to build there. I think what we're looking to do is, how do we adapt better for the storms."

This year's unusually active hurricane system has caused extensive flooding damage across the southern U.S. and Caribbean on a scale reminis-



The nature preserve has helped protect Cape May Point from flooding and provided a vantage point for bird watchers, below.



Project Provided Relief From Storm

Beginning in 2004, the Army Corps and the Nature Conservancy designed and built 2 miles of dunes, replenished the beach in front of Lower Cape May Meadows with more than 1 million cubic yards of sand and restored freshwater wetlands.

Since the \$15 million project was completed a decade ago, the Army Corps and New Jersey have spent about \$30 million fortifying the dunes and beach.

Today, levees within the preserve allow officials to drain the

wetlands ahead of storms or heavy rain. They help prevent flooding to nearby homes and businesses, according to Adrianna Zito-Livingston, Cape May Preserves coordinator for the Nature Conservancy.

Cape May Point was spared the worst of superstorm Sandy's impact in 2012, but the borough did experience a more than 3-foot-high storm surge similar to that seen during a 1992 winter storm. The National Flood Insurance Program received 46 claims from Cape May Point homeowners in 1992. In 2012, by contrast, homeowners submitted 13 claims.

—Kate King

\$375M

Money earmarked to buy and raze homes in flood-prone areas

to boost buyouts in areas that suffer repeated flood damage. Properties that suffer repetitive flood losses account for fewer than 2% of properties with flood insurance. But those

policyholders have amounted to 30% of all claims paid out in the federal flood insurance program's history, according to government estimates.

Buyout programs can be a tough sell. Some local leaders in New Jersey have resisted, fearing that the demolitions will erode the local tax base. Just north of Cape May in the barrier island city of Wildwood, Mayor Ernie Troiano Jr. said people who live on the water know that flooding is a risk and pay flood insurance premiums accordingly.

"I don't need my town turned into empty lots," Mr. Troiano said. "I'm personally not a fan of buyouts."

Since 2013, New Jersey has purchased about 600 homes for \$126 million. After buyouts,

the properties are demolished and the land is turned over to municipalities for use as open space.

Patricia Doerr, director of the Nature Conservancy's coastal and marine programs in New Jersey, said local economies can benefit by restoring coastlines to their natural habitats, as evidenced by Lower Cape May Meadows.

"It doesn't have to be the economic hardship that communities fear when it comes to buyouts and retreat," Ms. Doerr said.

Founded in the late 1800s, South Cape May was a beach village on the Atlantic Ocean.

Joseph Burcher, whose family owned several summer houses there, said it was an idyllic spot dotted with blackberry

and huckleberry bushes, but that residents would fear for their lives during storms.

"The water would come down the streets," said Mr. Burcher, now 93 years old, who remembered paddling around the flooded town in a canoe with his brothers as a young teenager.

The town, battered by nor'easters and the Great Atlantic Hurricane of 1944, was completely abandoned by the 1950s, according to Mr. Burcher, who wrote a book about South Cape May with his son-in-law, Robert Kenselaar.

Mr. Burcher said he was glad the place where he spent his childhood summers is now a nature preserve. "I love it because you know no one will build on it now," he said.



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GREATER NEW YORK

Men Bred Dogs for Fighting, Says A.G.

BY THOMAS MACMILLAN

Three Long Island men were arrested and charged with running an operation that bred and trained pit bulls for illegal dog fighting. New York Attorney General Eric Schneiderman said Thursday.

Authorities recovered 36 American pit bull terriers from three dog kennels in Wyandanch, more than half of them puppies and many showing signs of injury after being forced to fight, Mr. Schneiderman said.

"This was truly a chamber of horrors for these dogs," Mr. Schneiderman said at a news conference outside an animal shelter in West Babylon. "We have seldom seen conduct this barbaric, this despicable."

Richard Davis, 34 years old, Martin Newkirk, 49, and Taikeem Wheeler, 26, all of Wyandanch, face dozens of charges including animal fighting, conspiracy and animal cruelty.

Messrs. Wheeler and Newkirk pleaded not guilty Thursday. Mr. Davis was awaiting arraignment. The men and their lawyers couldn't be reached for comment.

The arrests were the result of an effort dubbed "Operation Bloodline" by the Suffolk County police and the attorney general's office, which in March began investigating reports of dogfighting on Long Island.

Authorities executed search warrants last month at the three kennels and found dogs kept in filthy conditions, without food and water, attached to heavy chains, and having received no veterinary care, Mr. Schneiderman said.

"These dogs were treated in a manner that was designed to make them angry, designed to make them fighters, to make them antisocial, and to make money off of their suffering," he said.

Also in the kennels, investigators found treadmills and weighted vests that had been used for training the dogs, as well as performance-enhancing dietary supplements and blood-spattered "breaking sticks," used to pry open the dogs' jaws during training fights, Mr. Schneiderman said.

One dog had an untreated broken leg and many were infected with parasites, he said. Three of the dogs were euthanized. Mr. Schneiderman said authorities are hoping to rehabilitate and find homes for some of the remaining dogs.

BY CHARLES PASSY

When author and filmmaker Phelim McAleer unveiled his play "Ferguson" in Los Angeles two years ago, he hit a roadblock. The majority of the cast members left the production, saying it was a one-sided take on the shooting in the St. Louis suburb.

Mr. McAleer has been quick to counter the criticism, faulting the actors for not allowing themselves to take a closer look at what he says is the irrefutable truth.

"They were

cowards," he said.

Now, Mr. McAleer is about to try his luck in New York, with a production of "Ferguson" that

opens Monday night at Manhattan's 30th Street Theatre, a 69-seat venue. And the Northern Ireland native is ready to embrace any more controversy that comes his way.

"People have this idea of what happened [in Ferguson], and if this contradicts it, I don't give a sh—," he said.

Mr. McAleer's play is drawn entirely from transcripts of the grand jury proceedings that resulted in Darren Wilson, a white police officer in Ferguson, Mo., not being indicted following the shooting death of Michael Brown, an unarmed 18-year-old African-American man, in August 2014.

The grand jury's decision led to nationwide protests and became a key moment in the Black Lives Matter movement.

At issue with "Ferguson," however, is how Mr. McAleer has gone about reconstructing the case. Actors who walked out of the Los Angeles production, done as a staged reading, said Mr. McAleer cherry-picked testimony that was sympathetic to the argument that Mr. Wilson acted in self-defense against a belligerent Mr. Brown. They also said the playwright played down claims by witnesses that presented a different side of the story.

Philip Casnoff, one of the actors who quit, said Mr. McAleer had a clear agenda and, as a result, "it felt wrong to be associated with" the production.

Mr. McAleer asserts he hasn't left out any significant testimony in his play, which he said fits squarely into the tradition of "verbatim theater."

Mr. McAleer adds that he



Cast members of 'Ferguson,' being staged at 30th Street Theatre, say they took a different approach to the play. 'That's an occupational hazard of working in New York,' said author Phelim McAleer, below. He hopes to bring his work to the rest of the country.



was inspired to bring "Ferguson" to New York when Mike Pence, then the vice president-elect, was booted by fellow audience members while attending a performance last November of the Broadway musical "Hamilton."

To Mr. McAleer, it sent the message that conservatives aren't welcome in the theater community—and it was a message he says was ready to challenge.

"I thought, 'No one tells

me what to do,'" said Mr. McAleer, whose previous work has especially focused on film. His 2009 picture, "Not Evil Just Wrong," rebuked Al Gore's "An Inconvenient Truth" by taking a contrarian view on global warming.

Staging "Ferguson," with its cast of 13, isn't a cheap affair, even by small-theater standards. The New York production, which is in previews this weekend,

has a budget of \$97,000. While Mr. McAleer is hoping for strong ticket sales, he also has launched a fund-raising campaign via the Indiegogo website and has taken in slightly more than \$25,000 to date.

For all the controversy that "Ferguson" generated in Los Angeles, the New York staging has gone relatively smoothly so far—despite the fact that some members of the cast, which includes a number of Afri-

can-Americans, similarly object to Mr. McAleer's approach.

But the difference, say cast members and director Jerry Dixon, who is African-American, may be in how they are tackling the work. While the testimony in support of the police officer is a big part of the play, they believe the staging also shows how the grand jury procedure was inherently flawed, particularly in terms of what they consider the confrontational or leading ways some witnesses were interrogated by the prosecution.

In effect, the acting and direction undercut some of Mr. McAleer's message and show what really happened, they say.

"This was not your typical grand jury experience," said Mr. Dixon. As the director also explained: "I'm adding my truth to [Mr. McAleer's] truth."

Mr. McAleer accepts, albeit somewhat grudgingly, the approach the director and cast have taken. "That's an occupational hazard of working in New York," he said.

Either way, he hopes the current production, which runs through Nov. 5, won't be the last of "Ferguson." He says would like to take the play to the rest of the country.

"I want to bring it to Ferguson itself," he added.

City Is Tapping Artists for Creative Help

BY CHARLES PASSY

The City of New York is looking for a few good artists.

The city's Department of Cultural Affairs, in collaboration with Mayor Bill de Blasio, is launching artist-in-residency programs at three city agencies: the Department of Correction, the Department of Probation and the Mayor's Office to Combat Domestic Violence.

In each case, an artist will be based with the agency for a minimum of one year. The cost for every residency is \$40,000—or \$120,000 in total.

The city is kicking in \$100,000 for the initiative, with the rest coming from a private source. Artists will need to apply by Nov. 12 for consideration; the residencies will begin in January 2018.

Department of Cultural Affairs Commissioner Tom Finkelpearl said the effort ties in with goals outlined in the city's recently unveiled cultural plan, dubbed CreateNYC. Specifically, it addresses the desire for the arts to be more fully integrated into the public sector, he says.

"We believe culture is good for the city, and it's good in lots of different ways," he said.

The residencies aren't necessarily about artists creating work—at least in the traditional sense. In some cases, the artists might partner with agency staff on problem solving. In others, they might con-



New York City is hoping artists can help young people, including convicts, express their creative side.

nect with individuals that the agency serves.

For example, Department of Probation Commissioner Ana

'We believe culture is good for the city and it's good in lots of different ways.'

Bermudez said she sees potential for a resident artist to help those on probation, especially younger people, express

themselves through creative means. In turn, that might help them realize their potential and ultimately reduce their chance of being incarcerated, she said.

Ultimately, a government-funded artist residency is "a great use of taxpayer dollars. It's being smart on crime in a very effective way," Ms. Bermudez said.

Such residencies aren't new to New York—or to other cities, for that matter. In New York, artists have partnered with such agencies as the Mayor's Office of Immigrant Affairs, the Administration for

Children's Services and the Department of Veterans' Services.

Still, not everyone is enthusiastic about the residencies. Seth Barron, a project director with the Manhattan Institute, a New York-based free-market think tank, notes that the city already supports culture through grant programs and public-art projects.

He said he doesn't necessarily see a need to add the latest initiative to the mix, given the city's other fiscal priorities.

"It sounds frivolous," Mr. Barron said.

ANIMAL WELFARE

New Law Bans Elephant Acts

Elephant performances at circuses, parades and carnivals will soon be illegal in New York state after Gov. Andrew Cuomo signed legislation Thursday intended to protect the animals from abuse and mistreatment.

The new law, which fully takes effect in two years, bans the use of elephants as entertainment. Violators will be subject to a \$1,000 fine per incident. Zoos won't be impacted by the new rules.

New York City has already banned the use of elephants as entertainment and the number of such performances is down nationally amid concerns about animal welfare.

—Associated Press

CRIME

Police Seek Driver In Fatal Dragging

Police are looking for an SUV driver they say fatally dragged a Bronx man trying to buy an Armani jacket from him.

The New York Police Department says 49-year-old Dennis Gandarilla met with the driver around noon Tuesday in the Bronx to buy the jacket. The driver then sped off at some point during the conversation, dragging Mr. Gandarilla for about four blocks before he was thrown to the ground.

—Associated Press

POLITICS

Mayor Won't Run For U.S. House Seat

Syracuse Mayor Stephanie Miner says she won't run for Congress next year.

The Democrat had been mentioned as a potential challenger to Republican Rep. John Katko, who represents the Syracuse area.

In a statement released Thursday, Ms. Miner said she decided not to run "after much thoughtful consideration and conversations with my family."

Ms. Miner also has been mentioned as a potential primary challenger to Gov. Andrew Cuomo in 2018.

Ms. Miner is term-limited out of office at the end of this year.

—Associated Press

OPIOID CRISIS

State Weighs Curbs For Doctor Incentives

New Jersey is considering proposed regulations aimed at curbing incentives to doctors as a way to stem the opioid epidemic. Attorney General Christopher Porrino conducted a public hearing in Newark Thursday.

The state says New Jersey doctors collected \$69 million from drug companies and device manufacturers last year. It is examining whether lavish meals and uncapped compensation from pharmaceutical companies influence physicians to prescribe highly addictive opioids.

—Associated Press

LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

He Wanted To Make Russia Great Again



Vladimir Putin in June.

THIS TWO-PART "Frontline" film on Vladimir Putin's life and career begins with a scene at once moving, ominous and very Russian. Here is President Boris Yeltsin, who yearned to bring democracy to Russia, making an announcement that he's resigning—and that he asks forgiveness because so many of the dreams of the Russian people had not come true, because he had not succeeded, because he was now tired and had to leave.

People wept. And for his final act as president, the film reminds us, Yeltsin, father of Russian democracy, turned the country over to his little-known prime minister, Vladimir Putin, former KGB officer. "Take care of Russia," Yeltsin told him that night, New Year's Eve 1999.

Mr. Putin had somehow convinced

Yeltsin that he shared his democratic goals.

One of the film's commentators, a Russian journalist, offers a clarification.

"He's a professional liar. To lie is what he was taught in the intelligence schools."

What Vladimir Putin was taught, and how it shaped the man known to the world today is a crucial part of the story filmmaker Michael Kirk and company unearth in captivating detail—it's impossible not to be drawn in by this life's journey. As a KGB officer, Mr. Putin had been posted in Dresden, East Germany, in time to see the fall of the Berlin Wall in 1989, a terrifying event for this product of the Soviet system. It was more frightening when he tried to call Moscow to report hostile demonstrators marching on the offices of the Stasi, the secret police, housed in the KGB building, only to find Moscow silent.

He would create a new career for himself with Yeltsin, but the end of the Soviet Union would always be, for Mr. Putin, the greatest of historical calamities. One of the first steps he took after becoming president was to restore the Soviet era's national anthem.

In addition, that is, to taking control of television news programming and getting himself an image consultant—he wanted to project virility and strength.

Mr. Putin, the narrator observes, wanted to make Russia great again—a phrase whose delectable echo no one will fail to notice—but that project would lead to conflict with the West and interference in an American election.

His KGB training had instilled his unyielding vision of the U.S. as the prime enemy in the world—a view that deepened, the film argues, the more he came to see Americans as determined exporters of democracy and thus as the prime cause of the insurrections that led to re-

Please see PUTIN page A11



COLUMBIA PICTURES (2)

FILM REVIEW | By Joe Morgenstern

'Only the Brave': Heroism Under Fire

A harrowing dramatization of the story of the Granite Mountain Hotshots and a 2013 blaze

'ONLY THE BRAVE' could hardly be more timely, since its larger subject is the wildfires that have been bringing grief and devastation to vast areas of the nation with what seems to be increasing frequency. To dramatize the courage and dedication of the crews that fight these conflagrations, the film celebrates the Granite Mountain Hotshots, an elite group of firefighters that faced its greatest challenge on a hill near Yarnell, Ariz., in the summer of 2013. Their homegrown spirit is so appealing, and their history so affecting, that you want to overlook the shortcomings of a dutiful, derivative script, with its several inspirational strands and dearth of essential details.

The story the movie tells, at a leisurely pace over the course of 133 minutes, is one of hardworking, hard-partying young men finding a sense of family, discipline and purpose in a firefighting crew created by the city of Prescott, Ariz. The unit is supervised by Eric Marsh, a veteran firefighter in his early 40s; he's a man with a checkered past, played with laconic resolve by Josh Brolin. Other members of the team are played by James Badge Dale and Taylor Kitsch.

As the narrative begins, Marsh is struggling to upgrade his crew from Type 2 status—unsung grunts doing dirty work—to Type 1, meaning hotshots in ability as well as in name and attitude, who fight wildfires on the front lines. (That he succeeded was a signal achievement. The Granite Mountain Hotshots were the first such group in the nation to grow out of a municipal fire department.) A lot of the early action borrows from films about World War II: rookies going through

the hell and hazing of basic training. The main rookie, Brendan McDonough, has been doing drugs and is bound for no glory until Marsh takes him in and mentors him. He's played by Miles Teller, who gives a fine, understated performance that's all the more moving because McDonough, in fact,



Miles Teller as Brendan McDonough and Taylor Kitsch as Chris MacKenzie, above; Josh Brolin as Eric Marsh, top.

emerged from Yarnell Hill with a singular distinction he never sought. ("A skunk down in Yarnell" is how someone first describes the fire. "It's no big deal.")

The cast as a whole, under the direction of Joseph Kosinski, brings gleeful energy to a group portrait of good souls in the American heartland, working one fire after another and living it up in between. Jeff Bridges is Duane Steinbrink, an elder lawman who helps Marsh achieve his ambitions for the group, gets to sing and strum a few bars of Johnny Cash's "(Ghost) Riders in the Sky" and has one moment of heart-rending anguish. Jenni-

fer Connelly, as Amanda Marsh, Eric's veterinarian wife who must share him with a succession of fires, sweeps aside the clichés of her role with marvelous ferocity.

Yet the screenplay, by Ken Nolan and Eric Warren Singer, keeps strumming the same chords, as if the studio were afraid the audience wouldn't understand that "Only the Brave" was about the crew as a surrogate family, and the heroism of its members. ("You're all heroes," a nurse says helpfully when McDonough, who's been bitten by a rattlesnake, is brought by his buddies to a hospital for treatment.)

What's missing is density of detail. Early in the film there's a striking shot—the cinematographer was Claudio Miranda—of a huge hose descending from the top of the screen. Soon we see that it's being lowered from a helicopter to gulp water from someone's swimming pool before the chopper flies off to help smother a menacing blaze. I kept looking for similar specifics of how hotshot teams operate on the ground. Some information is dispensed, but it's rushed, perfunctory and not very edifying. During the evolution of the climactic fire, we know where the Granite Mountain Hotshots are, more or less, but not what's happening around them in real time.

Little is known, even now, about the essential mystery of the event—why a well-trained crew with a deeply experienced leader made the decisions they did. All the same, "Only the Brave" might have expanded our understanding by framing that mystery with greater precision, since the supposed skunk down in Yarnell proved to be the biggest deal of all.

THEATER REVIEW | By Terry Teachout

PLENTY ENJOYABLE BUT NOT REVOLUTIONARY

New York

IN 1982, Harvey Fierstein's "Torch Song Trilogy," a four-hour autobiographical play about a drag queen who longs for nothing more than to settle down with a regular guy, looked very much like an act of cultural revolution. That it won a best-play Tony, ran for three years on Broadway and was then turned into a movie suggests in retrospect,

however, that Mr. Fierstein's play might not have been quite so radical as it once seemed. So does the first New York revival of what is now called "Torch Song," from which he's cut an hour and a half (you won't miss it) and in which the lead role is being played not by the author but by Michael Urie, formerly of "Ugly Betty." More than two years after same-sex marriage became the law of the land, "Torch Song" is looking more like a commercial comedy about a nice Jewish



boy and his impossible mother—and a pretty good one, too.

The only thing wrong with Second Stage's off-Broadway revival of "Torch Song," which has been very effectively directed by Moisés Kaufman, is Mr. Urie, a fine actor who is miscast as Mr. Fierstein (yes, he's called "Arnold Beckoff" in the play, but we all know who he really is). Whether on stage or

screen, Mr. Fierstein was unforgettable, and to see Mr. Urie trying to put his own stamp on the part merely underlines why his predecessor was so good in it. A stocky, lipsticked man whose speaking voice suggests a bass-baritone frog, Mr. Fierstein played Arnold with a volatile mixture of explosive outrage and sweet vulnerability. None of the ill-sorted pieces of his personality fit together comfortably, which was what made his performance seem so paradoxically realistic. Mr. Urie, by contrast, is a whiny, slimmed-down one-note version of Arnold, thus putting him at a hopeless disadvantage when he goes up against Mercedes Ruehl, who plays his mother. Ms. Ruehl is also playing a cartoon character, the stock love-you-loathe-you Jewish mother, but her acting is so full of conviction that she bulldozes Mr. Urie off the stage.



Michael Urie above and left with Michael Rosen.

As for the play itself, it now reminds me of one of the middle-period comedies in which Neil Simon was trying to break away from the jokiness of his early work. It's full of bright nuggets of truth ("It's easier to love someone who's dead—they make so few mistakes") that get lost among the punch lines. Does it still come off? Absolutely, and not just as a period piece, either: "Torch Song" is honest and heartfelt, and some parts are genuinely touching. Nev-

ertheless, it is what it is, and what it isn't—at least not anymore—is revolutionary.

Torch Song

Second Stage Theater, 305 W. 43rd St., New York (\$99-\$139), 212-246-4422, extended through Dec. 3

Mr. Teachout is the Journal's drama critic. "Billy and Me," his new play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com.

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

'Faces Places': Enlarging the Everyday



MISMATCHED BUDDIES are a staple of movie plots. Throw them together, preferably on the road, and funny things are liable to happen. The buddies in "Faces Places" are perfectly matched, notwithstanding an age difference of 55 years, so the things that happen during their wanderings around rural France aren't funny in a conventional sense. They are lovely, surprising and deeply moving.

There's never been a film quite

like this one. It's a loose-limbed, French-language documentary in which a couple of kindred spirits—the photographer and muralist JR, age 33, and the legendary filmmaker Agnès Varda, age 88—delight in one another and provide pleasure to those they meet along the way. They do so partly by listening to people's stories and savoring the details; that's a gift that never stops giving. What they also do, as co-directors, is photograph

people inside JR's truck, which is like a photo booth on wheels, and enlarge the photos into black-and-white murals that unfurl from a slot in the side of the truck. Then they paste the giant images—usually individual portraits but also group shots or copies of old snapshots—on structures and objects ranging from walls and barns to houses, storefronts, shipping containers, trucks and trains. Instead of defacement, it's a process of



Filmmaker Agnès Varda and photographer and muralist JR, above; residents of Pirou, France, left.

their mutual interest in images and, more concretely, as a chance to find new faces and memorialize them. (For theaters and show times around the country, go to tickets.facesplaces-film.com.)

The faces are great, but they're only the beginning; it's the lives the subjects live and the stories they tell that amaze and enchant. A young bell ringer—he's a bell ringer's son—morphs into a fe- verish athlete as he

facement that gives people a mysteriously enhanced sense of themselves by turning their features—and their bodies—into instant monuments of heroic proportions.

"What can I say?" gasps a woman named Jeannine when she sees herself rampant on the front of a decrepit brick building in the north of France. "Nothing!" she finally manages to say, which says everything. She's the last holdout, or *résistante*, in a row of miners' houses. Everyone else has been evicted, so it's not just pleasing but haunting when JR and Agnès—no way to call this blithe pixie Ms. Varda—accompany Jeannine's image with blown-up photos of miners long gone or long dead. If only for a few days or a week, the old houses seem inhabited once again.

Ever since her 1955 debut feature, "La Pointe Courte," Agnès Varda has been a writer-director, documentarian and cinematographer of eclectic distinction. (One of my favorite Varda films is her 1962 drama "Cleo From 5 to 7," with Corinne Marchand as a singer waiting to learn if she is mortally ill.) She and JR decided to do "Faces Places" as an expression of

pulls the ropes that swing the steeple bells that make the music that fills the village. A farmer with a fondness for technology farms 2,000 acres on his own, thanks to his computerized tractor. A dairy farmer with principles refuses to burn the horns off her goats, even though her competitors do it to keep their animals from hurting one another when they fight.

The rallying point for all the people JR and Agnès meet is his truck, with its spectacular trick of spewing large-format images, but the precious byproduct of the photographic process is conviviality. The group photos create groups; everyone has a good time hanging out, trading stories, sizing up their magnified selves. And the most touching part of the film turns out to be the friendship that grows between its co-directors. He's tall, she's tiny. She's old, he isn't, and they have a running argument about him hiding behind his shades. Yet these warm and witty artists get each other, amuse each other, adore each other. Unlike as it may look, they're the picture of happiness.

PUTIN

Continued from page A10

gime change, to the fate of deposed leaders like Hosni Mubarak. To say nothing of Moammar Gadhafi, whose bloody end at the hands of his people haunted the Russian leader.

None of this prevented his official meetings with American presidents, described here in entertaining detail—they didn't go well, for the most part. Bill Clinton, who found the experience chilling, would afterward inform Yeltsin, "He doesn't have democracy in his heart."

But the Clinton who would end up topping the Putin list of most-hated Americans was Hillary, not the president—Hillary Clinton, secretary of state in the Obama administration, a militant pro-democracy advocate who relished Gadhafi's downfall. And who had, worst of all, denounced the government crackdown on Russian

citizens marching in the streets in protest of an election they knew to be rigged in favor of Mr. Putin's party.

Mr. Kirk and team have produced, in "Putin's Revenge," a work of electric power so steady in its capacity to fascinate—or enrage—that it tends to leave a viewer limp. There is in it no whiff of old news.

Part 2, which airs Nov. 1, focuses on the act cited in the title. On who became aware, relatively early, of the vast, Putin-orchestrated effort to manipulate the American election by waging cyber war that included the spread of false stories in enormous numbers. Hillary Clinton's supposed failing health was a treasured top-of-the-chart item, instantly embraced by Trump-friendly media outlets.

Who wanted to take action? And who refused, out of a delicate sense of propriety?

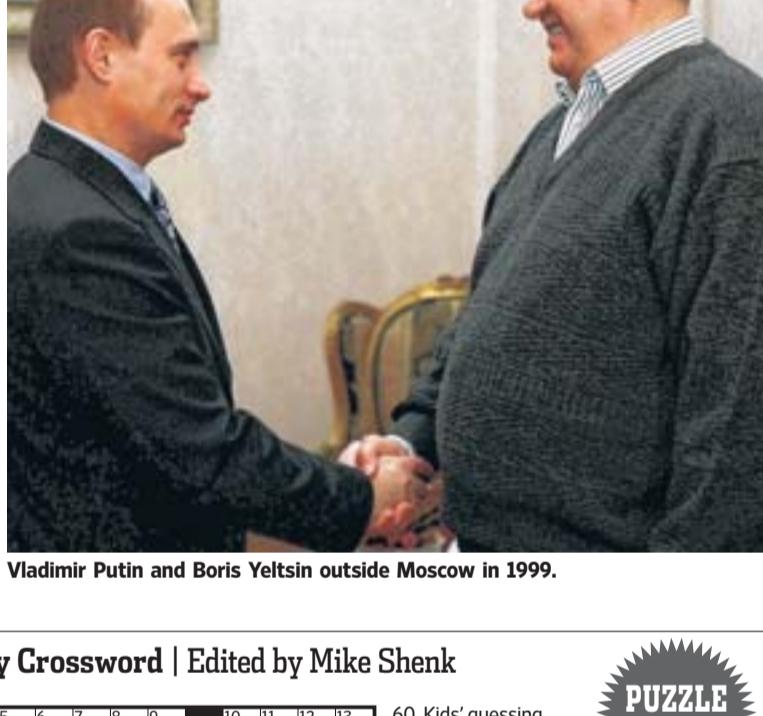
President Obama, fearful of seeming to put his thumb on the

scale for the Democratic candidate, belongs in the second category; so did Republican leaders for political reasons of their own. It's not a pretty sight. Not to be missed: the deliciously mordant description of the desperate effort—involving endless vetting and scrutiny—by leaders of the U.S. intelligence community to get an official statement out on the effort to hijack the election. The result of this Herculean effort would be three short paragraphs, doomed to be buried under the infamous "Access Hollywood" tape, released the same day.

Part 2, which plunges deep into all aspects of Mr. Putin's revenge, is in no small way abetted by the film's sterling cast of commentators—journalists, historians, diplomats, heads of U.S. intelligence agencies—none of whom, fortunately, make any effort to conceal the vehemence of their views.

Putin's Revenge

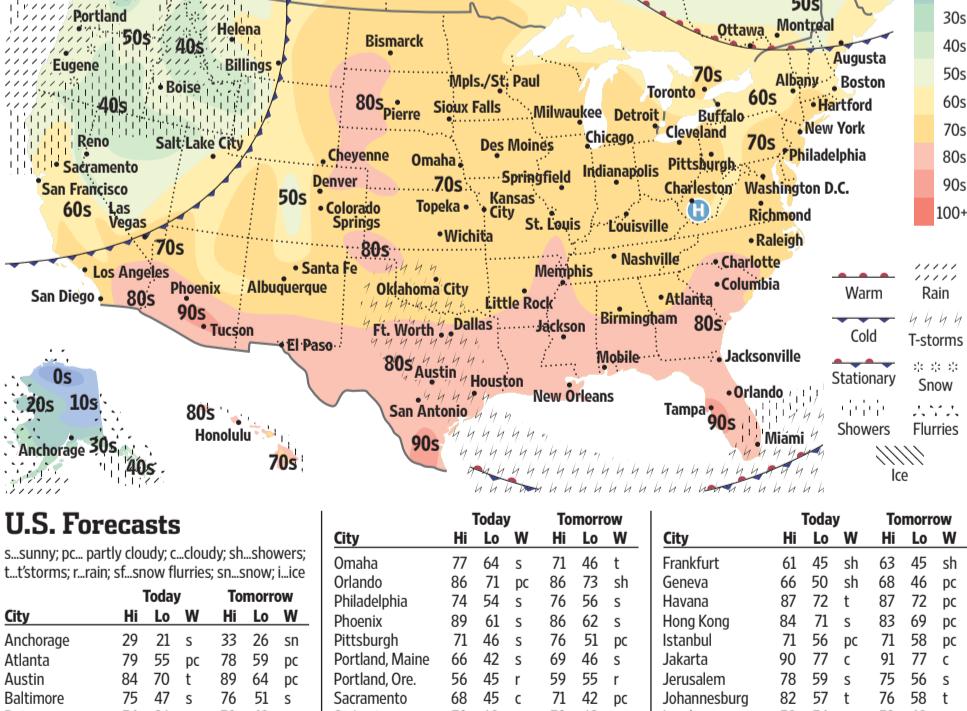
Part 1 on Oct. 25, Part 2 on Nov. 1, 10 p.m., PBS



Vladimir Putin and Boris Yeltsin outside Moscow in 1999.

STR/AFP/Getty Images

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 29 21 s 33 26 sn

Atlanta 79 55 pc 78 59 pc

Austin 84 70 t 89 64 pc

Baltimore 75 47 s 76 51 s

Boise 54 36 r 50 42 r

Boston 68 51 s 73 55 s

Burlington 64 45 s 71 52 pc

Charlotte 80 49 s 80 53 pc

Chicago 77 58 s 77 59 pc

Cleveland 74 53 s 77 57 pc

Dallas 82 69 pc 87 58 pc

Denver 79 40 s 58 39 pc

Detroit 73 52 s 74 56 pc

Houston 80 71 t 88 71 pc

Indianapolis 76 53 s 75 58 pc

Kansas City 76 63 s 74 50 t

Las Vegas 78 55 c 74 55 s

Little Rock 78 60 pc 80 66 pc

Los Angeles 75 59 pc 81 61 s

Miami 89 79 pc 88 80 t

Milwaukee 74 58 s 72 59 pc

Minneapolis 75 61 s 69 48 t

Nashville 79 51 s 81 60 pc

New Orleans 83 72 pc 84 72 c

New York City 74 56 s 75 58 s

Oklahoma City 78 65 s 79 49 t

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 60 51 sh 61 50 r

Athens 77 62 pc 78 61 pc

Bahrain 92 60 s 92 60 s

Bangkok 91 78 t 92 77 t

Berlin 69 50 s 63 48 c

Brussels 66 48 pc 58 50 pc

Buenos Aires 60 51 sh 63 47 sh

Dubai 74 54 pc 65 45 s

Tokyo 99 79 s 95 78 s

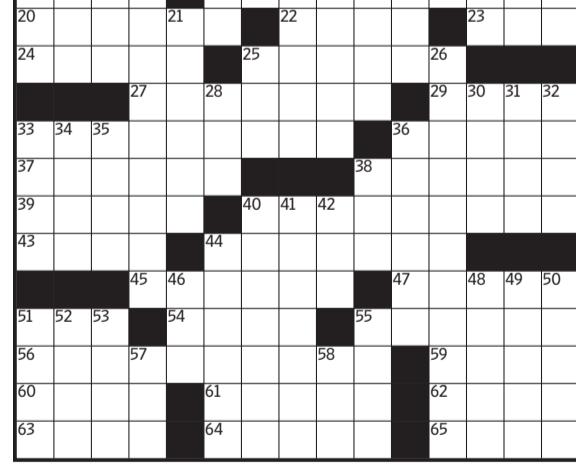
Vancouver 54 50 r 55 43 r

Dublin 62 50 pc 61 47 sh

Zurich 66 47 sh 70 46 pc

Edinburgh 59 48 c 56 47 r

The WSJ Daily Crossword | Edited by Mike Shenk



SWIM MEET | By Marie Kelly

The answer to this week's contest crossword is a body of water.

Across

1 Private sch. 24 Minimal amount 25 Sandwich on a three-part bun

10 Org. mobilized after Harvey and Irma 27 Top-grossing horror film of 1976

14 Pair in an ellipse 33 Asked earnestly 36 Short-necked pear

16 Penultimate day before St. Patrick's Day 37 Ripa or Seacrest, e.g.

17 Contend 38 Steep slope 39 Two-way, as some doors

20 People people 40 They may come down hard on you

41 Pocket protector? 42 Cinder block hider

43 Toe woe 44 Made an aerial attack, perhaps

45 What you will 47 Twin killed by his brother

51 Where many schools meet 54 Satyric sin

55 Lifestyle expert with a Bed Bath & Beyond line

56 Law student's struggle

59 Almost a third of all land

► Email your answer—in the subject line—to crossovercontest@wsj.com

by 11:59 p.m. Eastern Time Sunday, Oct. 22. A solver selected at random will win a WSJ mug. Last week's winner: Mark A. Lembo, Tampa, FL.

Complete contest rules at WSJ.com/Puzzles. (No purchase necessary.)

Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

26 Commemoration of the victory at the Battle of Puebla

28 "Dig in!"

30 Cracked

31 Convention

32 Dines late

33 Vaping need

34 Social blunder

35 Grand

36 Chrysanthemum cousins

38 Eerie ability

40 Gull's cry

41 Vacationer's lodgings

42 Job listing abbr.

44 Cinder block hider

46 High-end camera type

48 Pocket protector?

49 Advantageous

50 Intend to

51 Go around

52 Relaxed

53 Coders' creations

55 Mamie's predecessor

57 Socket filler

58 Collecting goal

Previous Puzzle's Solution

YARD	ADIP	BLAME
ERIE	VERA	IOTAS
LION	TAPER	STRUT
PASSITON	ACTIVE	LATEBLOOPER
HEATER	RAT	ARTY
PAR	BEINTOUCH	HAMPERANDSICKLE
ASSONANCE	HEIR	TNT
WHATABUMPER	BASS	

SPORTS

BASKETBALL

Marc Gasol: The NBA's Constant Gardener

The Memphis Grizzlies center has changed his game in recent years. How? By growing his own fruits and veggies.

BY BEN COHEN

Memphis, Tenn.

The zucchinis were "humongous." The cucumbers were "amazing." The apples, pears, melons, plums, figs, squash, pumpkins, cherries, peppers and even the watermelons were as fresh as they could possibly be. But the tomatoes?

"Not so good," said Memphis Grizzlies center Marc Gasol. "Because there was a lot of shade. My trees grew too much."

This was the busiest off-season the NBA has ever seen, and it was especially bonkers for the league's best players, who signed contracts worth billions of dollars and switched teams like never before.

It was productive for Marc Gasol, too. He spent the off-season in a garden outside his summer home on the cliffs of the Mediterranean Sea growing fruits and vegetables.

"I have really good sun time," Gasol said in an interview last week. "It's a perfect spot to grow stuff."

Gasol is extremely serious about his gardening. He understands from experience that onions are fussier than eggplants. He enjoys a deep appreciation for composting. He cooks his own gazpacho and believes it tastes even better knowing it went from his farm to his table.

We'll get to why this matters for a professional basketball player—and it does—but first let us enjoy more seeds of gardening wisdom from an NBA All-Star.

Gasol on tomatoes: "When you grow tomatoes, you're going to get a lot of tomatoes. So you want to learn how to preserve."

Gasol on carrots: "I was planting them on too hard of a soil, and they would curl. Now we use a different soil. And we got good carrots."

Gasol on the importance of daily upkeep: "If you go for a few days, things get out of control fast. Like, out of control."

This isn't what Grizzlies coach David Fizdale was expecting when he met Gasol. He didn't know any NBA players who gardened. But he didn't know any NBA coaches who gardened, either. "Marc and I have great passion for gardening," he said. "Our common ground is in the dirt."

When he visited Gasol's home in Spain, Fizdale came away with one lasting impression: admiration for his garden.



KOFONG HSIA

"I'm so envious of him," Fizdale said. "It's really a beautiful thing."

It was four years ago that Gasol moved to Castelldefels, near his native city of Barcelona, and noticed an uninhabited space with ample exposure to the sun. He immediately decided to build a garden and grow his own food.

Despite his family's long history of gardening, Gasol didn't really know what he was doing. But it didn't take him long to find out. He is obsessive about his interests—they also include sailing and the ocean—and Gasol made sure to record his thoughts in a notebook.

That came in useful for this hobby that requires careful planning all year long. His garden isn't something he can ignore during the NBA season. Gasol starts talking with his caretaker in the dead of winter to analyze the previous year's harvest and plot a strategy for the next summer.

There was a time when Gasol wouldn't have been so excited by vegetables.

The Marc Gasol who went to high school in Memphis, where his brother Pau was an All-Star center, is unrecognizable from the 32-year-old Marc Gasol who has blossomed into the Grizzlies' latest All-Star center. He weighed 300 pounds back then. He wore a uniform that would comfortably fit

Marc and Pau Gasol today. He was so pudgy with baby fat when he entered the NBA that other teams privately nicknamed him "Man-boobs."

It was remarkably fortuitous that Gasol became interested in healthier eating when he did. At that exact time the NBA was beginning to evolve into the way it looks today. And no position would be forced to adapt as much as Gasol's.

The change in his body has followed a broader change across basketball.

As the style of play has gotten smaller, so has this 7-foot-1 big man. Gasol's longtime teammates couldn't believe their eyes when he came back from Spain three years ago. He was that skinny. Gasol now swears by his "flexitarian" diet: 60% greens, 30% protein, 10% carbohydrates.

A look at his shot chart is all it takes to see a similar makeover on the court. Gasol had taken 66 threes in his entire career before last season. He had never taken more than 17 threes in any season. And then he took 268 last year alone. The wildest part about Gasol's sudden transformation is that he wasn't simply a 3-point shooter. He was a good 3-point shooter. This player who basically refused to shoot threes shot a

higher percentage than Russell Westbrook, James Harden, Kawhi Leonard, Kevin Durant and LeBron James.

It wouldn't have been possible if not for Gasol's off-season routine. He starts a typical summer day with a morning workout before he visits his garden, picks whatever looks best and makes it for lunch. Gasol finds the process meditative even before he takes a bite.

"Not only because it nourishes my body, but because it helps my mind," Gasol said. "It's a time when I completely relax and think about nothing—just being in contact with nature, with the earth, with stuff that I want to grow. The stuff that later on is going to take care of me."

He added: "I really want to live longer. It's a goal of mine."

It has already helped Gasol prolong his basketball life.

There are times when he talks about gardening, in fact, that he could easily be talking about the NBA instead.

"Every year is different," he said. "That's the best part about it. Every year, something changes. You get a better harvest of certain things and not so good in others. And you have to figure out why and how."

Gasol has to leave his garden behind when he returns to Mem-

phis every season. He'd like to bring the fruits and vegetables of his labor back to the U.S., but he can't because of customs law. He's considered building a greenhouse here, but he doesn't have the right space or enough sunlight. He discussed his summer hobby with Fizdale when they visited an urban farm last year, but it isn't a source of conversation with his teammates. "Mainly because they haven't tried it," he said.

There are some things that Gasol hasn't tried. Winter vegetables, for example. He won't be able to experience them until his NBA career is over.

"All the cauliflower, broccoli, Brussels sprouts, artichokes," he said. "I'm curious to see how they act."

In the meantime, there is always next year, and Gasol has already identified the root of last year's problem. The sunlight couldn't shine on his tomatoes, he concluded, because it was blocked by the surrounding trees. "We're going to trim them down and make sure that doesn't happen again," he said.

He admits this plan might not work. It's entirely possible that Gasol encounters another unanticipated tomato issue.

"But hopefully not," he said. "Because I really like tomatoes."

MLB PLAYOFFS

HOW THE YANKEES BECAME BASEBALL'S BANANA PEEL

BY BRIAN COSTA

The New York Yankees pulled off one upset by knocking off the Cleveland Indians in the division series. They are a win away from an even more improbable ALCS victory over the Houston Astros. Should they go on to defeat the Los Angeles Dodgers in the World Series, they would become the first team in baseball history to beat three 100-plus-win teams in a single postseason.

But what's stunning about the Yankees isn't merely their ability to beat teams that were believed to be superior. It's how they've become the baseball version of a banana peel, causing their opponents to face-plant in ways that are both spectacular and unexpected.

Corey Kluber was the untouchable ace of the Indians—until he wasn't. In two starts against the Yankees, he never made it past the fourth inning.

Dallas Keuchel was the Astros' sure thing—until Wednesday. In the pivotal Game 5, the Yankees socked their hitherto nemesis for four runs in 4 1/2 innings.

The Astros' offense was one of the best in baseball history during the regular season. It was so deep and disciplined, there was no way it could falter—until it met the Yankees. Suddenly, Houston is flailing at pitches outside the strike zone, batting .153 in the ALCS and averaging just 1.8 runs per game.

"We've lost a little bit of our offensive adjustments and a little bit of our offensive mojo," Astros manager A.J. Hinch said. He blamed it partly on "anxiety."

It is tempting to merely credit the Yankees for playing as well as they have against formidable competition. But the most impressive thing they have done is figure out how to take possession of other humans and leave them with no memory of how to play baseball.

The Yankees displayed this trait during the regular season. Opponents made 132 errors against them, the most against any team in the majors by a wide margin. The Yankees reached base on errors 71 times, again easily the most in the majors. But their savvy use of sorcery has increased in October.

The Indians committed fewer errors than any other team in the AL during the regular season. Then, in the last two games of the division series, needing only a win in one of them...poof! Cleveland committed seven errors.

Only one regular third baseman committed fewer throwing errors this year than Houston's Alex Bregman. Naturally, in the fifth inning of Game 5, Bregman's throwing error allowed Chase Headley to reach second, paving the way for a two-run Yankees inning that chased Keuchel from the mound.

That came one night after Headley fell down between first and second base, only to reach second safely when the Astros' relay throw curiously went to first instead. The Yankees went on to score four runs in the inning to take the lead in a series-tying win. "That was the biggest play of the game," Yankees third baseman Todd Frazier said. "That changes the whole game if he's out."

In Game 3, Cameron Maybin chased after a soft pop fly off the



AL BELL/GETTY IMAGES

bat of Yankees first baseman Greg Bird into the left-field corner. Yet as he closed in on the ball, with plenty of room between him and the wall, he inexplicably stopped. "I kind of froze," he said.

The ball bounced off the warning track and into the stands for a ground-rule double that started a five-run Yankees rally. "Just one of those weird plays," Maybin said.

To some extent, the Yankees could thank their fans for flummoxing the Astros during three games in New York. The Astros looked rattled. "You hear things out there," center fielder George Springer said after Game 5. Things he wouldn't repeat on camera?

"Stuff you won't repeat in 20 years," he said.

But the Astros' sudden offensive malaise has spanned all five games, including the first two in

Houston. This was a lineup that appeared foolproof, and not just because of its productivity. Houston was the rare team that hit for both power and contact, finishing second in the majors in home runs and last in strikeouts. It had depth to boot, with virtually no soft spot.

But the Astros' lineup in this series has been little more than its 3-4-5 hitters—Jose Altuve, Carlos Correa and Yuli Gurriel—who have driven in seven of their nine runs. Those are the only Astros regulars hitting above .200 in the series.

Springer credited the Yankees' pitchers for working the edges of the strike zone. "They've done a very good job of staying on the margins and not throwing many balls over the heart of the plate," he said. But Hinch also pointed to the Astros' approach, such as trying to pull the ball too much

against Masahiro Tanaka in Game 5. "We haven't stayed in our game plan well enough," he said.

Whatever the cause, the result is that when the Astros have connected with the ball, they've hit it weakly, at a fielder or both. The Astros saw 31% of their balls in play result in hits this year, tied for the highest mark in the AL. That figure has fallen to just over 18% in this series, which would be the lowest by any team ever in an LCS, according to Stats LLC.

On Friday, the Astros will return to Minute Maid Park, where they beat the Yankees twice last weekend. They will start Justin Verlander, who dominated the Yankees on the mound in Game 2.

"We have a good team and we can't forget that," Bregman said.

—Jared Diamond contributed to this article.

OPINION

The Fusion Collusion



POTOMAC WATCH
By Kimberley A. Strassel

Washington is obsessed with the word "collusion" but has little understanding of its true meaning. The confusion might explain why D.C. has missed the big story of collusion between Fusion GPS and the Democratic Party.

To read the headlines, a poor, beleaguered opposition-research firm was humiliated and constitutionally abused this week by partisan Republicans on the House Intelligence Committee. Fusion's lawyers sent a 17-page letter to the committee's chairman, Rep. Devin Nunes, accusing him of misdeeds, declaring his subpoenas invalid, and invoking a supposed First Amendment right to silence. Yet the firm's founders, the story went, were hauled in nonetheless and forced to plead the Fifth. "No American should experience the indignity that occurred today," Fusion's lawyer, Joshua Levy, declared.

Fusion is known as a ruthless firm that excels in smear jobs, but few have noticed the operation it's conducting against the lawmakers investigating it. The false accusations against Mr. Nunes—that he's acting unethically and extralegally, that he's sabotaging the Russia probe—are classic.

This is a firm that in 2012 was paid to dig through the divorce records of a Mitt Romney donor. It's a firm that

human-rights activist Thor Halvorssen testified was hired to spread malicious rumors about him. It's a firm that financier Bill Browder testified worked to delegitimize his efforts to get justice for Sergei Magnitsky, a lawyer beaten to death in a Russian prison.

It's the firm behind the infamous "dossier" accusing Donald Trump of not just unbecoming behavior but also colluding with Russia. Republicans are investigating whether the Fusion dossier was influenced by Russians, and whether American law enforcement relied on that disinformation for its own probe.

But Fusion's secret weapon in its latest operation is the Democratic Party, whose most powerful members have made protecting Fusion's secrets their highest priority. Senate Democrats invoked a parliamentary maneuver in July to block temporarily Mr. Browder's public testimony. Rep. Adam Schiff, the Democratic ranking member on the Intelligence Committee, has been engineering flaps to undercut and obstruct Mr. Nunes's investigation. Democrats on the House Ethics Committee have deep-sixed what was meant to be a brief inquiry to clear Mr. Nunes so as to keep him sidelined.

Then there is the intel committee's meeting this week. Despite the spin, forcing Fusion to appear was Republicans' only recourse after months of stonewalling. Fusion's letter ludicrously claimed that Mr. Nunes's subpoenas

were invalid, which essentially forced the committee to show otherwise. It was a question of authority.

Florida Rep. Tom Rooney put the Fusion attendees through a series of questions not out of spite but to clarify finally just what topics the firm is refusing to talk about. The Fifth Amendment doesn't provide protection against

Democrats are trying to protect the firm's secrets—so the GOP should keep digging.

answering all questions. It only protects against providing *self-incriminating* evidence. It is therefore revealing that Fusion took the Fifth on every topic—from its relationship with British spook Christopher Steele, to the history of its work, to its role in the dossier.

The untold story is the Democrats' unprecedented behavior. Mr. Rooney had barely started when committee staffers for Mr. Schiff interrupted, accused him of badgering witnesses, and suggested he was acting unethically. Jaws dropped. Staff do not interrupt congressmen.

They do not accuse them of misbehavior. And they certainly do not act as defense attorneys for witnesses. No Democratic lawmakers had bothered to come to the hearing to police this circus, and Mr. Rooney told me that he "won't be doing any more interviews without a

member from the minority present."

Private-sector lawyers also tend not to accuse congressmen of unethical behavior, as Mr. Levy did in his letter to Mr. Nunes. But Fusion's legal eagle must feel safe. He's former general counsel to the Senate's minority leader, Chuck Schumer. He has also, I'm told by people familiar with the committee's activities, more than once possessed information that he would have had no earthly means of knowing, since it was secret committee business. Consider that: Democratic members of Congress or their staff providing sensitive details of an investigation to a company to which the committee has given subpoenas.

The Washington narrative is focused on special counsel Robert Mueller's probe. But the ferocious pushback and unseemly tactics from Democrats suggest they are growing worried. Maybe the real story is that Democrats worked with an opposition-research firm that has some alarming ties to Russia and potentially facilitated a disinformation campaign during a presidential election.

The media has its own conflict of interest, since it would prefer nobody find out about its years of, ahem, colluding with Fusion. Don't expect any investigative reporting. But also don't believe the stories about GOP harassment. The ferocity of the Fusion-Democrat campaign is proof Republicans are looking in the right place.

Write to klm@wsj.com.

Christian Missionaries Against Colonialism

HOUSES OF WORSHIP
By David A. Hollinger

Critics of Christian missionaries often write them off as pawns of imperialism, destroying native cultures as they spread their religion and their racist beliefs. There's a grain of truth to this: Protestant missionaries throughout American history did promote colonialism and prejudice. But then upon returning home many did the opposite. Men and women sent abroad to make the world look more like the U.S. wound up, paradoxically, trying to make the U.S. look more like the world.

During the first half of the 20th century, American missionaries began developing relatively generous attitudes toward the people they had been taught to regard as heathen and backward, if not inferior. Deep and sustained immersion in foreign communities challenged inherited stereotypes. Missionaries and their children eventually became some of the most conspicuous opponents of colonialism and racism.

As early as the 1920s missionaries were telling their sponsors back home that they wanted to cut back on preaching and focus instead on social service. This idea sharply divided the community of faith. Fundamentalists treated any weakening of the program of conversion as heresy. Yet the better-educated liberals who later came to be known as "mainline Protestants" voiced increasing respect for Hinduism, Buddhism, Islam and other

faiths. These Congregationalists, Methodists and ecumenical groups applied their cosmopolitanism to national and world affairs. The women's missionary boards were persistent critics of Jim Crow at home and colonialism abroad.

Missionaries' effect on public life was especially pronounced in the 1940s. World War II had created a new demand for fluency in non-European languages. Missionaries and their children became diplomats, intelligence officers, journalists and academics, bringing to their work real knowledge of the history and cultures of "the Orient." When President Roosevelt wanted to meet with King Ibn Saud of Saudi Arabia in 1945, it was a son of missionaries, Marine Col. William Eddy, who arranged the meeting and served as translator. Eddy had impressed the king with his ability to recite long passages from the Quran in several Arab dialects.

The missionary contingent was uniquely influential in advancing human rights during and after the war. Former missionaries were the earliest and best-organized critics of the internment of Japanese-Americans. Missionary son Edmund Soper's "Racism: A World Issue" (1947) was one of the most comprehensive and trenchant attacks on white supremacy written by any white American before the 1960s.

Government officials with missionary experience were usually more favorable than their colleagues toward anti-colonial and nationalist movements. Missionary sons

John Paton Davies Jr. and John S. Service were the most famous of the "China Hands" purged from the U.S. foreign service during the era of McCarthyism for trying to achieve a working relationship with Mao Zedong's communists. Kenneth Landen, a former missionary, wrote the earliest document in what became the Pentagon Papers. His dispatch was posted in 1946 after 10 days of private talks with Ho Chi Minh.

In their time overseas they developed an appreciation of other religions and cultures.

In academia, missionary-connected Americans led a move to broaden the curriculum. Colleges and universities had been slow to incorporate the non-European world into their classes and research programs. The most widely appreciated of them was missionary son Edwin Reischauer at Harvard. But half the presidents of the Association for Asian Studies during the two decades after World War II were either former missionaries or the children of missionaries.

Missionary cosmopolitans tended to specialize in Asia, while the Jewish intellectuals of the same period focused on Europe. Popular culture and scholarship have rightly celebrated the role of Jews in broadening American public life. But Lionel Trilling and

Hannah Arendt had Anglo-Protestant counterparts whose de-provincializing influence has not been recognized.

One was China-born John Hersey, author of the 1946 classic "Hiroshima." Another was Lt. Col. Sherwood Moran, who persuaded the Marine Corps to adopt humane techniques for interrogating Japanese prisoners of war. Moran, who had been a missionary in Japan for a quarter-century before enlisting in the service, wrote a manual instructing Marines to treat Japanese captives as "brothers." Yet another case was China-born Henry Luce, the publisher of Time and Life. In supporting American global hegemony through his vision of an "American Century," Luce was out of sync with most missionary-connected Americans, yet he was a formidable voice for greater public attention to Asia.

Americans with missionary experience did not all think alike, as Luce's example shows. But in one arena of public life after another, they championed the interests of nonwhite peoples within the U.S. and throughout the world. Among 20th-century whites, missionary-connected men and women were some of the most determined and influential critics of white supremacy.

Mr. Hollinger, a professor emeritus of history at the University of California, Berkeley, is the author of "Protestants Abroad: How Missionaries Tried to Change the World but Changed America," out this month from Princeton.

Hail to the . . . Manager?

By Michael Taube

The Toronto District School Board has announced it will stop using the word "chief" for all job titles, out of respect for Native communities. The 12 staffers who currently hold this title will henceforth be called "managers."

Canada's political left has gone overboard again. For one thing, the word "chief" has no history or association with Native Canadian culture. The word comes, by way of 14th-century Middle English, from the Old French *chief* (or *chef*), based on the Latin *caput*, meaning "head."

Uh-oh. After all the problems Canada has had with bilingualism, could its French-speaking community face the wrath of English Canada over this?

positive, rather than negative, connotation in society. Merriam-Webster defines it as a title given to someone "of greatest importance or influence" who has been "accorded highest rank or office."

An English Canadian ban on the French-derived word 'chief'

That's why Canada has police chiefs, fire chiefs, a commander in chief of the Canadian Armed Forces and a chief of staff to the prime minister, among other things.

Maybe that explains why Native Canadian communities have also used this word on a regular basis. The Assembly of First Nations, the largest organization representing indigenous peoples in Canada, is

led by National Chief Perry Bellegarde. The Congress of Aboriginal Peoples' leader is National Chief Robert Bertrand. Many Native Canadian tribal leaders are also known as chiefs.

There hasn't been any uproar about the use of the word "chief" from English Canadians, French Canadians or Native Canadians. Yet Duke Redbird, a poet who is the Toronto school board's curator of indigenous arts and culture, told CBC News that "we're very happy that the change was made," so that the word would stop being used "in a pejorative way to identify any Indigenous person."

So, this issue is chiefly about the Toronto school board's fragile worldview rather than its chiefs.

As in the U.S., the quality of public education in Canada has become a serious issue.

How can Torontonians ever trust a public school board to teach and preserve our rich history when it's unwilling to learn about the history of a person, place or thing before condemning it publicly?

My hope is either Toronto Mayor John Tory, Ontario Premier Kathleen Wynne or Prime Minister Justin Trudeau will step in and repudiate this decision. Maybe the board will then reconsider its preposterous strategy, which has helped make Canada a laughingstock on the world stage yet again.

If not, Canadians better get used to saying, "Hail to the Manager!"

Mr. Taube, a Troy Media syndicated columnist and political commentator, was a speechwriter for former Canadian prime minister Stephen Harper.

BOOKSHELF | By Eric Felten

Is That All There Is?

Midlife: A Philosophical Guide

By Kieran Setiya
(Princeton, 186 pages, \$22.95)

Approaching 50, Leo Tolstoy had the blues—grandiose blues, but blues nonetheless. So much that had animated his life had lost its savor. As he later recorded in "A Confession," he asked himself at the time: "Very well; you will be more famous than Gogol or Pushkin or Shakespeare or Molière, or than all the writers in the world—and what of it?" Now that's a midlife crisis.

Middle-aged dissatisfaction has been around for ages, but as Kieran Setiya notes in "Midlife: A Philosophical Guide," the midlife crisis, recognized as such, is of more recent vintage. It was given a name in 1965 by psychoanalyst Elliott Jaques in his "Death and the Mid-Life Crisis" and was wildly popularized in the 1970s by journalist Gail Sheehy in "Passages: Predictable Crises of Adult Life."

Before long it was expected that, hitting his 40s, Mr. Gray Flannel Suit would have a Peggy Lee moment—asking, "Is that all there is?"—and respond by chasing co-eds or giving up banking for pottery.

For all its pop-culture cred, the whole idea has always bordered on the cartoonish. More typical than a "crisis" is a midlife malaise, less a time of radical breaks than a period of the blahs. Mr. Setiya, a philosophy professor at MIT, works from the view that "the midlife crisis is a predictable dip in life-satisfaction as one reaches middle age, not the tumultuous angst of the original myth."

Mr. Setiya hopes to lift sufferers out of this dip and help them flourish by conveying the insights of modern philosophy. His method, he says, is "not that of systematic social science but of attention to lived experience." Given the dominance of social psychology and psych-lab studies these days, it is bold of him to declare: "I cannot report on results established in the philosophy lab, asking that you take them on trust. There are no such results."

So what causes our halftime anomie, and can the causes be reasoned away? The midlife problem is real enough: There's the growing sense of life being just one thing after another, what Schopenhauer identified as an endless series of projects we're anxious to finish and then disappointed to have done with. There's the inevitable regret about choices made and a claustrophobic sense of those choices having foreclosed other options. There is the realization that one is no longer young—hastened by the impertinent prospect of mortality, our own and that of the people we love.

Philosophy may indeed be handy in thinking through regret—it might be good to recognize, for example, the lack of logic in worrying over a long-gone decision that can't be undone. Mr. Setiya notes that wishing for a life that doesn't include our mistakes would mean—since small changes can have big effects over time—desiring a different life entirely. For parents, such a desire entails wishing away the existence of the particular children they love. As Mr. Setiya puts it: "You have reason to be glad that those mistakes were made."

The midlife 'crisis' is more often a midlife malaise—a time of monotony and dissatisfaction rather than a radical break from the past.

What about our dismal sense that, having set off on one path, we're missing out on what so many other paths have to offer? The only way to escape that worry, Mr. Setiya observes, is to wish for fewer choices. "Only a drastic impoverishment in the world, or your response to it," he writes, "could shield you from dismay."

The acid test for the philosophical approach to midlife is whether it can calm our minds about something as implacable as death. Mr. Setiya gives it the old college-professor try: Why worry about being dead, he argues, if it is a nothingness equivalent to not yet having been conceived? We don't anguish over the time before we existed, so "temporal neutrality" demands that we not get worked up over the time after we exist either. Feel better? I didn't think so.

For a philosophy professor, Mr. Setiya can be refreshingly unstuffy. He doesn't see a flashy sports car as a midlife crisis-mobile, that trite substitute for lost youth and virility. No, he sees it as an opportunity to change from goal-oriented, utilitarian thinking to a life-affirming experience of being in the moment: One changes "focus from the value of getting there to the value of being on the way." Feel free to try that explanation out when your skeptical spouse spots the new Alfa Romeo in the driveway.

As Mr. Setiya approaches the end of his philosophical meditation on midlife, he veers into an embrace of a different sort of meditation—the secular pop-Buddhist sort. It's an abrupt and disconcerting coda. Instead of celebrating the life of reason, all of a sudden our philosopher is championing "the therapeutic use of mindfulness meditation."

He even starts falling back on the authority of—say it ain't so—"ground-breaking research" by social psychologists, who supposedly demonstrate the rejuvenating effects of "attention to the present."

"At the risk of embarrassment," Mr. Setiya writes, "let me admit how close we are coming to the wisdom of Eckhart Tolle, Oprah Winfrey's spiritual guru, in his 1997 blockbuster, *The Power of Now*." Embarrassment aside, did we really just hunker down and grapple with Schopenhauer so that we could arrive at the wisdom of Oprah's guru?

Tolstoy, by the way, solved his late-middle-age crisis through a sort of reasoning that might seem quaint to the modern philosopher. He looked to regain his faith by pondering proofs for the existence of God. It was in uniting with God, Tolstoy wrote, that "the force of life was renewed in me, and I again began to live." There's more than one way to avert a crisis.

Mr. Felten is managing editor of the Weekly Standard. His most recent book is "Loyalty: The Vexing Virtue."

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OPINION

REVIEW & OUTLOOK

A Fed for a Growth Economy

President Trump is finishing his interviews to choose the next Federal Reserve Chairman, and the same voices who oppose him on everything are chanting in unison—reappoint Janet Yellen or choose her Republican running mate, Jerome Powell. Mr. Trump should consider the implications for the economy, which will be a major part of his legacy.

The Yellen-Powell advocates are telling the President that they have avoided big monetary mistakes, that they favor low interest rates, and there is no reason to take a risk on someone new. Some in the Trump Treasury are also saying that Mr. Powell is someone they can dominate. So go with the status quo.

But what someone should also tell Mr. Trump is that the monetary status quo won't hold no matter who is Fed chair. Ms. Yellen has presided over an unusually placid financial period, not least because economic growth was so slow through the Obama Presidency.

That isn't likely to last—at least not if Mr. Trump's tax and deregulatory policies succeed in spurring faster growth. The Yellen Fed is already raising rates and unwinding the \$4.5 trillion balance sheet it built over eight years. The question Mr. Trump should ask is who should run the Fed during this uncertain monetary transition, especially if the economy leaves its slow-growth doldrums.

One certainty is that the Yellen-Powell Fed believes in the Phillips Curve trade-off between unemployment and inflation. Once the economy hits what the Fed staff considers to be "full employment," its economic models signal the need for higher interest rates. With the jobless rate already at 4.2%, the Fed staff are worried that rising wages will push up prices, and so interest rates will have to rise to prevent inflation.

Yet as Ms. Yellen has acknowledged with some puzzlement, inflation has been remarkably contained. She can't explain why because it doesn't fit the Fed's current economic models. Another issue is how much labor slack exists despite the low jobless rate. The labor participation rate remains at low levels not seen since the 1970s, and one reason is the departure of prime-age males from the workforce. Faster growth and rising wages might coax them out of dad's basement or too-early retirement.

The Yellen-Powell Fed also appears to doubt that the economy can grow faster. Each quarter Fed Governors and regional bank presidents release estimates for future growth. At the Sept. 20 meeting, they raised their projection to 2.4% for this year. But their median estimate for 2018 is a mere 2.1%, followed by 2% in 2019 and 1.8% in 2020 and beyond. In other words, they are an-

ticipating little growth impact from Mr. Trump's deregulation or tax reform.

This fits with the Fed's dominant neo-Keynesian worldview that tax cuts aren't pro-growth and the U.S. is fated to a long era of "secular stagnation." That isn't what Mr. Trump campaigned on, and the question is whether a Yellen-Powell Fed

would accommodate faster growth or feel it must rapidly increase interest rates. Unless it changes its economic models or expectations, the current Fed won't.

* * *

All of which argues for new leadership. Ms. Yellen is tied to the current models and assumptions, and nothing in Mr. Powell's six years as a Fed Governor has suggested a different point of view. His many speeches have gone along with the status quo at the time, even as many of his colleagues have dissented in word or vote. He is not likely to override the staff.

The White House has leaked that two of Mr. Trump's finalists are Kevin Warsh and John Taylor. Both would be change agents at the Fed. Both are also frequent contributors to our pages and have been right in their diagnoses of the slow-growth policies of the Obama era.

Mr. Taylor, a Stanford economist who has a monetary rule named after him, would bring academic respect to the Fed's Open Market Committee. He worked in the George W. Bush Treasury and prevented currency panics in Argentina and postwar Iraq from spreading.

Mr. Warsh is a former Fed Governor who was part of Ben Bernanke's inner circle during the 2008 financial panic. He correctly diagnosed the weak capital and liquidity positions of the banking system, even as regulators at the New York Fed said the problem was confined to Bear Stearns.

This crisis experience is a major recommendation for the Fed chair because we may face financial turbulence as the Fed raises rates and unwinds its bond portfolio. As Mr. Warsh warned when he left the central bank in 2011, the Fed has pushed investors into riskier assets with uncertain consequences. Who knows what might show up naked as the tide recedes? Mr. Warsh also has credibility with the leading central bankers in China, Europe and Japan that would be essential in any new currency or financial panic.

More even than Supreme Court Justices, predicting the performance of a Fed Chairman is difficult. But the best guides are experience and bedrock economic principles. Mr. Trump and the country will do better with a fresh voice who knows how to manage in a crisis and believes that faster economic growth without inflation is possible and necessary.

Another Republican Retirement

If you're reading the tea leaves about the 2018 elections, one key sign to watch is incumbent retirements. The announcement Thursday by Rep. Pat Tiberi, a moderate nine-term Member from Ohio, that he is quitting Congress early is another bad omen for the Republican majority.

The 54-year-old Mr. Tiberi said he is leaving his 17-year career to become president of the Ohio Business Roundtable. He'll make more money in that job, but his departure also no doubt speaks to the frustration of trying to operate in today's Washington.

This should be a culminating policy year for Republicans who have waited to control the

House, Senate and White House but have been stymied by party divisions and petty animosities. Mr. Tiberi runs the health subcommittee on Ways and Means and also chairs the Joint Economic Committee.

Mr. Tiberi hails from a heavily Republican district around Columbus that he won with 67% of the vote, and a special election will be held to fill his seat. But the more open seats there are, the better chance Democrats have of picking up the 20-some seats they need to retake the majority. And the more vulnerable the GOP looks, the more incumbents will choose to retire. Republicans had better pass tax reform, or Mr. Tiberi will look like a prophet.

John Kelly's Heroes

Over the past nine months, Donald Trump's cage match with the Washington press corps has turned into an unedifying national spectacle. Too often, the serious business of the nation has been pushed aside so that the press and Mr. Trump could go tit for tat, like children on a schoolyard. On Thursday, an adult finally stepped into the room.

John Kelly, Mr. Trump's chief of staff and a retired four-star general, addressed White House reporters on this week's dispute between the press and the President. That is the controversy around Mr. Trump's call to the mother of a U.S. soldier who was killed during an ambush in Niger recently.

As anyone who follows media reports knows, the President's call to this mother grew into a personal feud between Mr. Trump and a Democratic Congresswoman who disclosed what the President said. It then produced long newspaper reports examining the President's relationship with every identifiable Gold Star family during his term.

It took awhile for Mr. Kelly to get around to talking about that phone call. Instead, he spent some time offering what we in journalism—or anyone purporting to be engaged in a serious line of work—would call context. Mr. Kelly described what happens when a U.S. soldier or Marine—"the best 1% this country produces"—gets killed in action. What he described was a military process that is graphic, emotionally intense and, most of all, untouchable.

Untouchable, as Mr. Kelly made clear, in the sense that what has happened is so grave, so personal and so difficult that the reality of pushing through it comes down to an encounter between the fallen soldier's family, the officer who in-

forms them and, in time, support from those who served alongside their son or daughter.

Mr. Kelly explained that a personal call from the President is in fact not what families expect or want. But it has become something of a presidential tradition, and Mr. Trump asked Mr. Kelly what he should say.

Mr. Kelly related what his friend and "my casualty officer," Marine General Joseph Dunford, told him when relating that Mr. Kelly's own son had been killed in Afghanistan: "He said, Kel, he was doing exactly what he wanted to do when he was killed. He knew what he was getting into by joining that 1%. He knew what the possibilities were because we're at war."

That, essentially, is what Mr. Trump said to the Gold Star mother, no doubt less eloquently. Standing in the White House press room, reflecting on a political spat over a dead soldier, Mr. Kelly said, "I thought at least that was sacred." His remarks are a rebuke to the Congresswoman for politicizing a private phone call, and to the press corps for attempting to turn grief and sacrifice into a hammer against Donald Trump—who, as usual, made things worse by lashing out in response.

John Kelly made a lot of people look small Thursday. The man who led soldiers in combat in Iraq described spending an hour this week walking in Arlington Cemetery, collecting his thoughts and looking at headstones, some with names of Marines who Mr. Kelly said were there because they did what he had told them to do.

Surely there is a sense in which the continuing political life of Washington is possible because of that sacrifice. That was John Kelly's point. It would be nice to think the rest of the city could get it.

Trump needs a leader at the central bank who supports faster growth.

Regarding your editorial "The Boy Scouts Move Their Camp Over Gender" (Oct. 12):

LETTERS TO THE EDITOR

The Boy Scouts Move Their Camp Over Gender

Regarding your editorial "The Boy Scouts of America" (Oct. 12): Though never having been a Boy Scout myself, I was always an admirer of the Boy Scouts of America and for many years supported them financially. I was proud of how for so many years they stood up to the culture of political correctness and adhered to their principles of how best to mold boys into men. Alas, they eventually yielded to the bullies on the left and the organization has been fundamentally transformed.

I used to wonder why those who don't care for traditional values would fight to belong to groups such as the BSA. I figured that they would want to build their own organizations and uphold values they believe in. It finally dawned on me that their primary goal is to tear down that which they disapprove. The BSA is now one more scalpel.

SCOTT SCHERTZER

Miami Beach, Fla.

As long as the Boy Scouts of America have taken the PC path of least resistance by admitting girls to their ranks, they might as well go all in. In other words, they should begin selling Boy Scout cookies at the local mall or supermarket.

J.A. McERLEAN, M.D.

Farmington Hills, Mich.

I'm a father of three and a community servant. The Boy Scouts and the Girl Scouts should wake up and combine into one organization called Scouts of America. Both organizations are treasures of our country but are faced with a world of gender neutrality and declining enrollment. If the leaders could combine the strengths of each organization and work together in one organization, I believe the combined brilliance of boys and girls growing into leaders as men and

women would be priceless. Let's not stop at the BSA admitting girls, let's merge both organizations. Families should not have to choose which child's activity gets the road trip. Make scouting for everyone to further build strong Americans.

CRAIG F. EHRNST

Greater Boca Raton Beach & Parks

District Commissioner

Boca Raton, Fla.

I'm in the recruiting business. Some sourcers and recruiters see Eagle Scout on a résumé and recognize this rite of passage as one that provides exposure to seasoned experts (true mentoring and relationship building) and training on real community issues (problem-solving and project completion). We have instant information about the likely hard and soft skills of the individual. Receiving the award of Eagle Scout comes from a choice to engage in and solve what are sometimes complex issues and certainly doesn't arise from a need to be popular. With a few tweaks, there's something here for both boys and girls. Good for the Boy Scouts for expanding this brand.

PAM JOHNSON

Fairfax, Va.

In 2013, the Boy Scouts of America effectively redefined "morally straight" in the Scout Oath. Now the BSA is, as might be expected, in the process of redefining "boy." Mark my words, the number of boys participating in scouting will continue to decline as BSA leaders rush to make the program "relevant" and "inclusive." Witness the fate of the so-called mainline Protestant denominations that have followed the same path in recent years.

JAMES C. CARPER, PH.D., EAGLE SCOUT

Columbia, S.C.

Gene Editing Is Not Ready for Prime Time

From what I recently read in "The Gene" by Siddhartha Mukherjee, editing genes to cure genetic health problems is much more complicated than Henry Miller alludes to in "Gene Editing Is Here, and Desperate Patients Want It" (op-ed, Oct. 13).

The reference made to Junjiu Huang's use of Crispr to correct the mutated gene responsible for a blood disorder suggests an additional comment. In 2015, Mr. Huang performed a similar experiment on 71 human embryos, resulting in 24 unintentional mutations of other genes, some of which are critical to development and survival. Although Mr. Huang undoubtedly has greatly improved his techniques, we cannot afford genetic errors created in the process of correcting a faulty human gene.

Gene editing is a very complex activity, fraught with significant ethical concerns. Our FDA rules for editing human genes need to be tight enough to forbid inadvertently introducing bad genes into the human race. We need a

serious debate among genetic scientists on this issue before any FDA rule changes.

VERN ZANDER

Carrollton, Ga.

It is a mistake to characterize legitimate concern for the moral ramifications of scientific breakthroughs like Crispr as "excessive introspection." Scientific advances that both result from experimentation on human embryos and at the same time can lead to altering the germ line for future generations are about as serious as research can get.

It is chronological snobbery to dismiss the ethics of the '70s as anachronistic. Consider the highly relevant admonition coming to us from well before the last century, namely "Thou shalt not kill."

Let's have more excessive introspection from the FDA and the NIH and less "technological imperative."

ELIZABETH HANINK

Inglewood, Calif.

Trump, Corker: GOP Circular Firing Squad

Regarding your editorial "The Truth About Trump and Corker" (Oct. 10): You criticize President Trump for "treating even foreign heads of state as if they are Rosie O'Donnell." What a poor choice of words. I think foreign leaders and Rosie O'Donnell

should be treated the same way: with dignity and respect. I would hope that your editorial board would believe that President Trump's taunts are inappropriate whether directed at powerful leaders or private citizens, but nothing in the editorial makes such a position clear. Is it okay to mock Ms. O'Donnell because she's a woman? Someone who is disliked by members of Mr. Trump's voting block?

WARREN ADLER

Kingsport, Tenn.

As Karl Rove duly notes, President Trump had better tread lightly in abandoning Ronald Reagan's 11th commandment—that Republicans should refrain from eating their own

("Trump, Corker and the Circular Firing Squad," op-ed, Oct. 12).

The president got elected on a populist-agenda mandate that the GOP establishment often seems at odds with. The Business Roundtable-free trade troubadours, for example, do not have the president's back on building the wall, E-Verify and sanctioning sanctuary cities. And the McCain-Graham neoconservative wing of the party cannot abide the president's reluctance to re-engage in Syria's civil war or to aggressively confront Moscow over Crimea and Ukraine.

The electoral departure of Sen. Bob Corker is a footnote in this larger drama, but it's worth noting that his objection that the administration's tax cuts and reform proposal might add to the deficit reveals an un-Reaganite distrust in the power of tax cuts to pay for themselves. So what kind of Republican are we losing here?

JAMES HYLAND

Beechhurst, N.Y.

Return of the Loan Sharks

Regarding your editorial "President Cordray Strikes Again" (Oct. 6): Good news for the loan sharks! This regulatory effort, made in the name of protecting the poor, will move many back into the underground economy. Consumer Financial Protection Bureau Director Richard Cordray forgets that if he closes the door to transparent lending, the people who need money will go to whatever lending source they can find.

JON LINKER

Houston

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Really? A password for a jar of pickles?"

OPINION

Efficient Markets Need Guys Like Me

By Paul Singer

The largest proxy battle in U.S. history ended last week in a near tie, leaving Procter & Gamble without the clear support of its shareholders and activist shareholder Nelson Peltz without a board seat.

P&G's three largest shareholders split their votes: Vanguard sided with P&G, while State Street and BlackRock voted almost all their shares for Mr. Peltz. The stakes held by these giant index funds were so large that had any of them voted differently it would have changed the outcome—either a clear victory for Mr. Peltz or a clear mandate for P&G management.

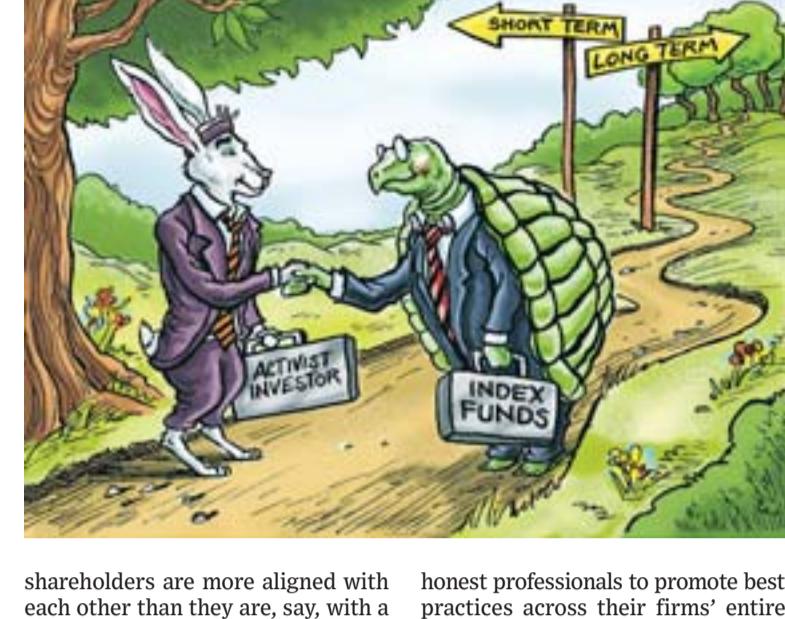
This power dynamic illustrates the enormous influence that the three largest index-fund firms (together with other passive institutional investors) have acquired over such contests—and helps explain an

Activists and index funds are natural allies. There's no conflict between short- and long-term value.

intensifying debate over where their allegiances should lie. On one side is a small class of legal, banking and public relations professionals who advise underperforming corporations. On the other are the activist investors who seek to hold those corporations accountable.

There is a fair debate to be had about the appropriate balance of power between public corporations and their shareholders. But the debate has been badly skewed by a false narrative. "Anti-activist" advisers have attempted to drive a wedge between activist investors and index funds by suggesting that activists are interested only in short-term gains at the expense of long-term value. This divisive framing is objectively false and has done harm to the goal of generating sustainable returns for all investors.

For starters, all of a company's



events spanning 13 years and found that these interventions resulted in a 6% rise in stock prices on average and that targeted companies managed to hold on to these gains, above their benchmarks, over a five-year period.

Besides being contradicted by the facts, the short-termism accusation makes no logical sense. My firm has a 40-year track record. Our currency is our credibility. If our activism did not create long- and short-term value, we would have a hard time persuading management, boards and other shareholders even to listen to us, much less implement our ideas. Activists who push for solely "short-term" solutions are themselves going to be "short-term" players.

All shareholders would benefit from replacing this false distinction with a new framework for evaluating activist proposals. Rather than "short term vs. long term," how about "good ideas vs. bad ideas"?

Good ideas create better outcomes for shareholders. Far too often companies hide behind "long term" as a way to justify prolonged underperformance. There are good ideas that create sustained improvements and can be implemented quickly. Likewise, there are bad ideas that can take a long time to destroy value.

The benefits of fixing a broken strategy, getting rid of a bad acquisition, redeploying an underperforming asset, or replacing an ineffective management team or board may show up right away in a company's stock price, but that immediate result doesn't diminish the long-term benefits.

America has a lot riding on the success of its public companies, as do index-fund firms themselves. Important conversations about strategy, governance, capital allocation, corporate culture and leadership are being stifled by the divisive, distracting and intellectually dishonest framing of "short-term vs. long-term." Instead of debating time horizons, index-fund firms and activists should work together to promote the very best ideas for improving America's businesses.

Mr. Singer is founder and co-CEO of Elliott Management Corp.

The Limits of Trump's Health-Care Order

By Merrill Matthews

Give President Trump an A for effort with his latest executive order, which tries to expand health-insurance options for individuals battered by exploding premiums and fleeing insurers. At least somebody is trying to do something after congressional Republicans failed to repeal and replace ObamaCare. While the executive order represents progress, Congress still needs to act.

Mr. Trump is directing three federal departments—Labor, Treasury, and Health and Human Services—to consider ways of providing more flexibility for association health plans, short-term insurance, and health reimbursement arrangements.

Associations have been offering their members access to various types of health coverage for decades. The best known example is AARP. Those policies are "fully insured," meaning a licensed health insurer underwrites them and bears the risk. And because federal law before ObamaCare left insurance regulation primarily to the states, association-offered policies must comply with regulations in whichever state they're sold.

But there is a safe harbor: the Employee Retirement Income Security Act of 1974, better known as Erisa. Widely varying state insurance regulations made it difficult for large companies with employees in multiple states to offer uniform coverage to their employees. Erisa allows large employers, as well as groups of employers known as Multiple Employer Welfare Arrangements, to "self-insure." This means the employer, not an insurer, pays the medical bills.

Erisa pre-empted self-funded plans from state insurance regulations, so state legislatures and insurance departments have not been able to micromanage them as they do small-employer and individual plans. That freedom made self-funded plans very popular. For decades medium-size and even small employers have looked for creative ways to leave fully insured coverage for a self-funded plan.

At the margins it will improve availability and affordability, but Congress still needs to act.

Several associations, especially those representing small employers, such as the National Federation of Independent Business and the National Association of Realtors, spent years trying to persuade Congress to allow associations to self-insure and to offer their members the same coverage across state lines largely free of state mandates. But Congress never changed the law.

Since the passage of ObamaCare, however, states are no longer the driving force behind most insurance mandates and regulations. Washington is. The health law imposed some requirements on self-funded plans—free preventive care, no annual or lifetime limits, no pre-existing condition waiting period, children as old as 26 can remain on their parents' policy, etc.—but ObamaCare's 10 essential benefits are not mandated.

Most self-funded plans retain at least some freedom to create their own benefits package.

Mr. Trump and congressional Republicans are hoping the Labor Department will identify a way to allow associations and small employers to create self-insured plans—or something similar. That change could allow them to adjust benefits and offer more affordable coverage to more people. A more straightforward solution would be for Congress to change the law.

The health-insurance industry opposes this step because self-funded plans bypass insurers. Others fret that association plans will be a "race to the bottom" of coverage. According to a July 2016 report from the Employee Benefit Research Institute, some 60% of the 155 million American workers and their dependents with employer-provided coverage are in self-funded plans now and glad to be there. Would you prefer less-regulated, self-funded health coverage from a company like UPS—or the ObamaCare exchange?

The executive order also seeks to roll back HHS-imposed restrictions on short-term, limited-benefit policies, or "bridge policies." If this measure succeeds, people would again be able to keep those policies for a year instead of three months, the limit imposed by the Obama administration.

But such policies have always been a minuscule part of the insurance market. They are not qualified coverage under ObamaCare, and purchasers

would still face penalties for being uninsured. It's unlikely there will be a mad dash to enroll in them.

If HHS were to find that purchasing such a policy constituted an approved "hardship" and temporarily exempt buyers from the mandate's penalty, that could help more people who have little or no affordable ObamaCare options gain at least some coverage.

Finally, some employers make tax-free health reimbursement arrangement deposits, which employees use to pay for certain eligible health-care costs. Mr. Trump wants to expand HRA options, though it's unclear how much flexibility officials can provide without changing the law. Still, it can't hurt and may help. Expanding health savings accounts would be better, because that money belongs to the individual. But that would take legislation.

The intent behind Mr. Trump's executive order—to expand access to affordable coverage—is spot on. And it may achieve part of this goal. But even if federal agencies become creative in their efforts to identify safe harbors from ObamaCare, it is unlikely to make much difference without action on Capitol Hill.

Mr. Matthews is a resident scholar with the Institute for Policy Innovation in Dallas.

Notable & Quotable: Bush

Former President George W. Bush, speaking in New York, Oct. 19:

No democracy pretends to be a tyranny. Most tyrannies pretend they are democracies. Democracy remains the definition of political legitimacy. That has not changed, and that will not change.

Yet for years, challenges have been gathering to the principles we hold dear. And, we must take them seriously. Some of these problems are external and obvious. Here in New York City, you know the threat of terrorism all too well. It is being fought even now on distant frontiers and in the hidden world of intelligence and surveillance. There is the frightening, evolving threat of nuclear proliferation and outlaw regimes. And there is an aggressive challenge by Russia and China to the norms and rules of the global order—proposed revisions that always seem to involve less respect for the rights of free nations and less freedom for the individual.

These matters would be difficult under any circumstances. They are further complicated by a trend in western countries away from global engagement and democratic confidence. Parts

of Europe have developed an identity crisis. We have seen insolvency, economic stagnation, youth unemployment, anger about immigration, resurgent ethno-nationalism, and deep questions about the meaning and durability of the European Union.

America is not immune from these trends. In recent decades, public confidence in our institutions has declined. Our governing class has often been paralyzed in the face of obvious and pressing needs. The American dream of upward mobility seems out of reach for some who feel left behind in a changing economy. Discontent deepened and sharpened partisan conflicts. Bigotry seems emboldened. Our politics seems more vulnerable to conspiracy theories and outright fabrication.

There are some signs that the intensity of support for democracy itself has waned, especially among the young, who never experienced the galvanizing moral clarity of the Cold War, or never focused on the ruin of entire nations by socialist central planning. Some have called this "democratic de-consolidation." Really, it seems to be a combination of weariness, frayed tempers, and forgetfulness.

There's No Virtue in Joining an Angry Mob

By Paula Marantz Cohen

The condemnations of Harvey Weinstein's egregious behavior have become a deluge. We've seen this before—an ever-increasing tirade against a once-respected figure. It is as though we've learned the habit of outrage and feel obliged to be even more dramatically horrified than we were the last time this kind of news was revealed.

Woody Allen, admittedly a dubious judge, has been lambasted for warning against a witch hunt. But Mr. Weinstein can be guilty and still be the object of what looks like a hypocritical hunger for blood. Where were all these people who now say they were aware of his behavior a year, a decade, a quarter-century ago? Too afraid to speak up then but empowered to do so now when there is a chorus to back them up. It's more like a lynch mob than a witch hunt. A lynch mob is still a lynch mob, even when its target is guilty.

Harvey Weinstein's actions were egregious. But high-minded outrage poses dangers of its own.

The problem here goes beyond Harvey Weinstein. It is a symptom of a kind of responsiveness that has permeated this country on many levels and on many fronts. When the media becomes judge and jury, groupthink sets in and the mob expresses its indignation. No one is allowed to doubt or to express sympathy.

In the case of Mr. Weinstein, a man once lauded for his artistic taste and enjoyed for his crude but refreshing New Yorker manners is now the most egregiously horrible individual who ever lived, reduced overnight from a mogul into a monster—though at the same time we are told that everyone really knew what he was all along. Meanwhile, the media continues to relay one prurient detail after another, feeding the public's maw for gossip, while allowing us to indulge in high-minded outrage.

There is something deeply worrisome about this kind of flattening process, both for what it says about those who never spoke up until now and for what it says about our inability to grasp the complexity of the human condition. We wonder about trolling on the internet, but our press encourages this in its tabloid-style piling on of reporting—in its inability to contextualize or restrain itself in the face of the public appetite for more of the same.

The Weinstein case has its correlative in the political arena. On both sides of the political spectrum, we seem driven by a need for dramatic outrage that masquerades as virtue. Once a case has been made in the public sphere, on whichever side, the case gets made again and again in increasingly simplistic terms. Any attempt to see around or outside the established scenario means that you are a bad person. The deadening, coercive nature of this kind of thinking is disturbing.

I am upset by what is happening in our country today. I don't like the mean-spirited way our president behaves and expresses himself. I don't like the way much of the press, both on the right and the left, seems intent on smug, simplistic reporting. I don't like the way gestures, such as showing exuberance or seeming disrespect on the football field, have been blown up to mean something more or other than they should.

I don't like the way some college students have become self-righteous know-it-alls, claiming to be traumatized by words and texts. And I don't like the way many teachers have been made to feel they must toe a party line and walk on eggshells. This is not the way to nurture democracy, fairness and human compassion.

Get Harvey Weinstein out of the newspapers and into the courts. If convicted, punish him as the law requires, but remember that he, like all of us, is a human being. We have forgotten this about anyone who has been labeled our opposition, and this has made us a meeker and ultimately more dangerous country.

Ms. Cohen is a professor of English at Drexel University, where she is dean of the Pennoni Honors College.

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Gerard Baker
Editor in Chief

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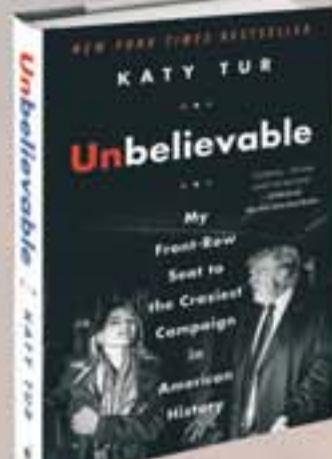
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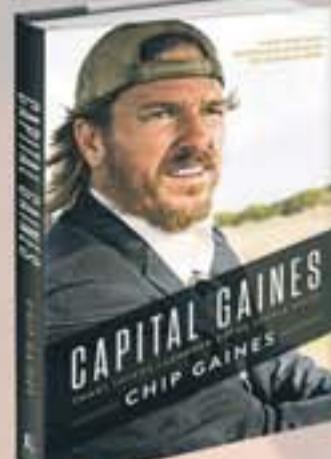
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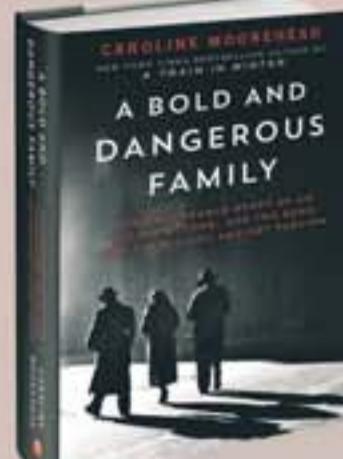


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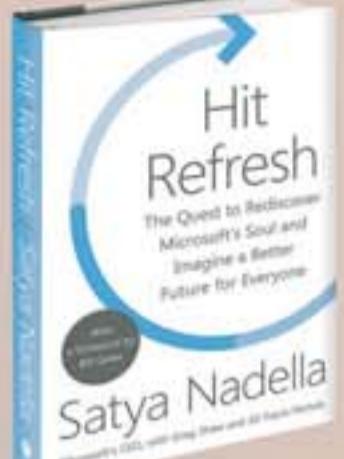
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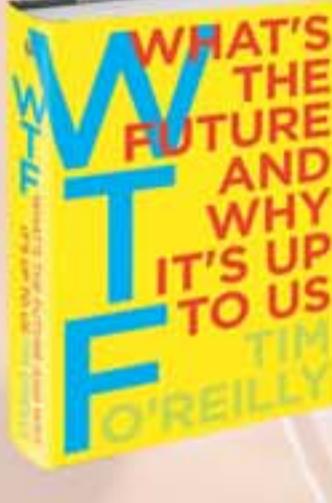
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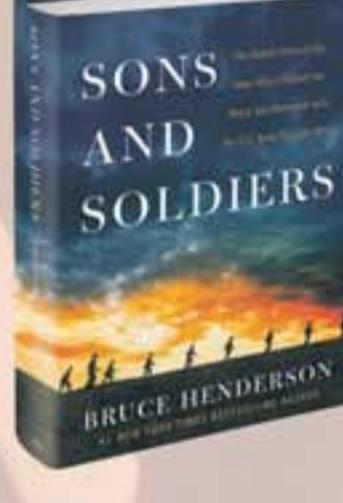
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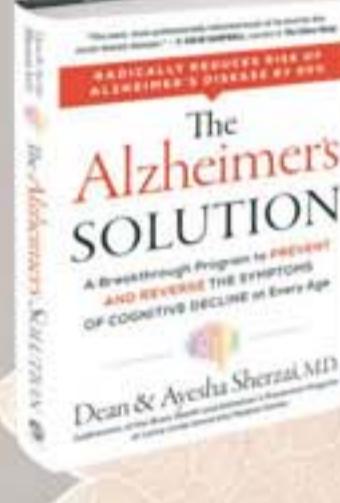


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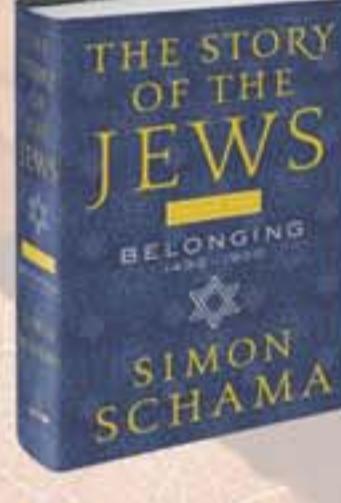
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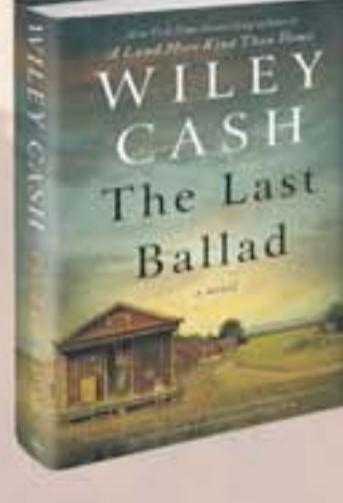
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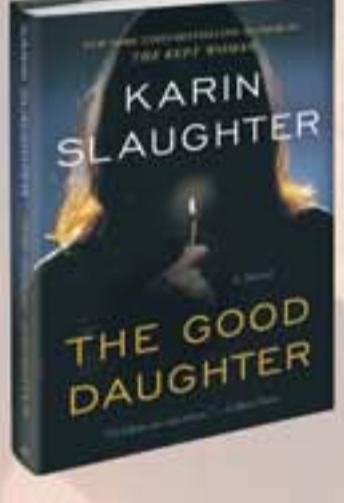
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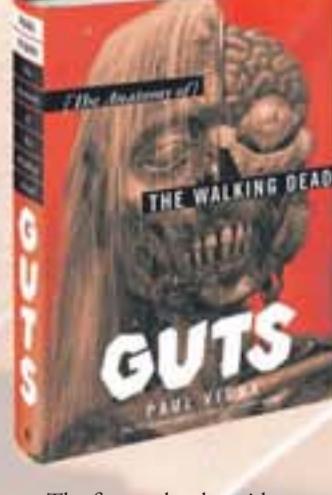
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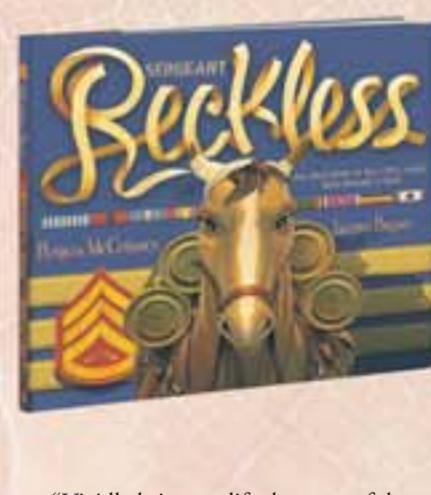
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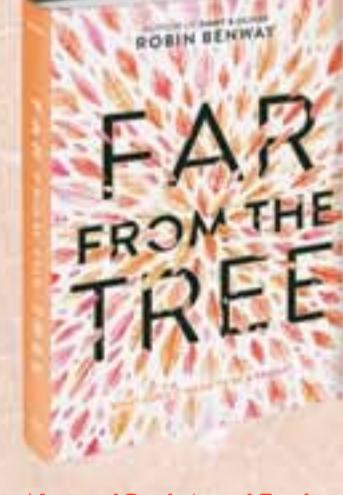
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Lyft Bulks Up With \$1 Billion in Funding

Valuation rises nearly 50% to \$11 billion as ride-hailing startup speeds after Uber

BY GREG BENSINGER
AND JACK NICAS

Lyft Inc. is gaining ground on **Uber Technologies** Inc., while its larger ride-hailing rival has been embroiled in months of corporate drama and setbacks.

The startup on Thursday said that it raised \$1 billion in funding led by a venture-capital fund of Google parent **Alphabet** Inc., giving Lyft financial ammunition as it eyes a first-time expansion beyond

the U.S. and broadens its driverless-car efforts. The new financing, which comes as Uber looks to close a multibillion investment from **SoftBank Group Corp.**, boosts Lyft's valuation by nearly 50% to \$11 billion.

Over the past year, Lyft has picked up market share in some cities while pushing into dozens of new U.S. markets, driven in part by carefully crafted marketing that casts it as the friendlier alternative to Uber.

Uber, meanwhile, has been beset by a series of troubling events, including sexual-harassment allegations, the resignation of longtime Chief Executive Travis Kalanick, a lawsuit between board mem-

bers, and several federal probes into its business operations. It only recently hired a new chief, former Expedia Inc. CEO Dara Khosrowshahi, who is trying to file the company's depleted executive ranks and is already dealing with a regulatory spat in London, one of its biggest markets.

Lyft is working to nail down a proposed investment from SoftBank that could total as much as \$10 billion, including a direct investment of as much as \$1.25 billion. On Monday, at The Wall Street Journal's WSJD.LIVE conference, Uber board member Arianna Huffington said she expects the company will resolve the weeks-long talks within days.

Lyft has raised some \$3.6

billion in total funding since launching under that name in 2012. It is still a distant second to Uber by valuation and fundraising. Its rival has raised about \$15 billion in equity and debt and landed a \$68 billion valuation last year while expanding to markets around the world.

Lyft operates only in the U.S. but has been looking to Canada and overseas for possible new markets, according to people familiar with the matter. It has moved into dozens of new cities in its home country in recent months and met with officials this year in London, where regulators have said they would revoke Uber's license to operate. Uber is ap-

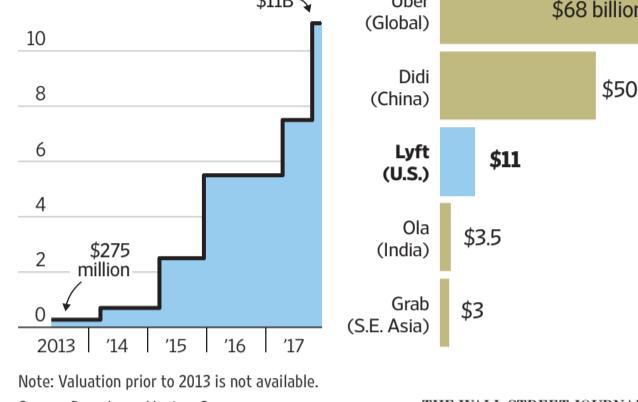
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Funding Picks Up

Ride-hailing startup Lyft is now valued at \$11 billion

Lyft's valuation has surged...

...but still trails rival Uber.



Note: Valuation prior to 2013 is not available.

Source: Dow Jones VentureSource

THE WALL STREET JOURNAL.

Hedge Fund Debuts 0% Performance Fees

BY JULIET CHUNG

Lee Ainslie's \$10 billion **Maverick Capital** Ltd. is offering 0% performance fees to some investors, the latest big-name hedge fund to debut lower fees after posting continued losses.

Maverick's flagship stock-picking hedge fund is down 2% this year through September after losing roughly 10% last year, missing out on the rally in 2017 that has propelled U.S. stocks to records. Maverick's new "recovery share" class would let existing clients invest more money in its hedge funds at 1% management fees and no performance fees, compared with the 1.75% and 17.5% fees, respectively, that its clients most often pay.

Hedge funds are turning in one of their strongest showings in years in 2017, interrupting a string of losses, redemptions and even closures. Some of the biggest returns have come from stock hedge funds, which have posted a 9.6% return on average through September, according

to data firm HFR. So-called Tiger Cubs, stock hedge funds founded by protégés of hedge-fund manager Julian Robertson, of **Tiger Management**, have been among the leaders, roaring back from losses in 2016. **Lone Pine Capital**, **Tiger Global Management** and **Viking Global Investors** have each gained more than 10%, according to people familiar with the firms.

Their comeback contrasts with the continued losses at Maverick, another Tiger Cub.

At Maverick's annual investor meeting in Manhattan last week, Mr. Ainslie said his flagship fund had been hurt partly by poor stock picking.

Other managers, including Larry Robbins of **Glenview Capital Management** and Alan Howard of **Brevan Howard Asset Management**, have made similar moves to their fees in recent years following losses.

An investor document said Maverick's new share class will "expire" when a client has reached his high-water mark, or the point at which investment gains make up for any losses.



An alliance with Wal-Mart could bring Lord & Taylor a boost in web traffic at a time when fewer shoppers visit department stores.

Wal-Mart Courts Lord & Taylor

BY SUZANNE KAPNER
AND SARAH NASSAUER

Wal-Mart Stores Inc. is near a deal to add Lord & Taylor to its website, part of a broader effort by the retail giant to build an online shopping destination that can compete with Amazon.com Inc., according to people familiar with the matter.

Wal-Mart, seeking to ramp up e-commerce sales after years of sluggish growth, wants to turn walmart.com from a discount site into an online mall that would also feature higher-end brands, the people said. For Lord & Taylor, the alliance could bring a

boost in web traffic at a time when fewer shoppers are visiting department stores.

Additional brands that eventually could be included in the project include men's clothing company Bonobos and online retailer Jet.com, both of which are owned by Wal-Mart, as well as other traditional chains, one of the people said. Financial terms of the potential Lord & Taylor partnership couldn't be learned.

Last year, Wal-Mart bought Jet, placing its founder Marc Lore at the head of U.S. e-commerce operations. Then Wal-Mart made a series of

smaller e-commerce purchases including Moosejaw, Bonobos and ShoeBuy, both to expand its online selection and gain access to brands built online, executives told investors.

Now Wal-Mart aims to make walmart.com more attractive to premium brands and high-income shoppers, an area Amazon has also pursued in recent years.

Amazon didn't respond immediately to a request for comment.

Over the next year, Wal-Mart wants to "elevate the Walmart.com brands," Mr. Lore said last week. The changes include using blue

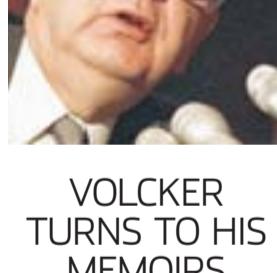
branded boxes to ship walmart.com orders, redesigning the website and working on partnerships to gain access to more premium products, Mr. Lore said.

Last month, Wal-Mart said Denise Incandela will become its head of fashion for U.S. e-commerce. Ms. Incandela was most recently chief executive of shoe company Aerosoles and is the former president of digital for Ralph Lauren and chief marketing officer for Saks Fifth Ave.

Amazon has made an aggressive push in recent years to win over fashion brands. It

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Candy Maker Ferrero Looks to Fatten Up

Ferrero International SA, the Italian confectioner, just bit off another piece of the U.S. candy market, and it is already thinking about taking a much bigger bite.

By Eric Sylvers in Milan and Annie Gasparro in Chicago

Earlier this week, Ferrero, which makes Nutella and Tic Tacs, said it had agreed to buy Lemonheads and RedHots maker **Ferrara Candy** Co. from private-equity owner **L Catterton**. It didn't disclose terms, but a person familiar with the deal said Ferrero paid about \$1.3 billion.

Ferrero, the world's fourth-largest confectioner by market share, is also considering a bid to buy Nestlé SA's U.S. candy business, according to people familiar with the bidding.

The business, which Nestlé put up for sale earlier this year,

includes well-known candy bar brands such as Butterfinger and Baby Ruth and had sales of \$922 million last year.

The unit has attracted a number of bids, valuing it between \$2 billion and \$2.5 billion, according to a person familiar with the process. Apart from Ferrero, **Hershey Co.** and private-equity firms are interested, according to people familiar with the matter.

Brynwood Partners is expected to be among those, according to one of these people. Brynwood has previously bought other U.S. candy brands from Nestlé, including Turtles chocolates and Flips chocolate-covered pretzels.

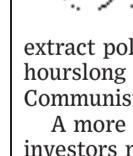
Mars Inc., **Hershey**, **Mondelez International Inc.** and Nestlé are the top four confectioners in the U.S. by market share, respectively, according to Euromonitor. Ferrero is No. 6 in the U.S. Combined with

Nestlé, Ferrero is the No. 2

Please see CANDY page B2

STREETWISE | By James Mackintosh

China Offers Lessons for Those Prone to Froth



Everyone's a China-watcher these days, as red-blooded capitalists try to extract policy clues from hourslong speeches by aged Communist leaders.

A more fruitful pursuit for investors might be to remind themselves of the two big lessons from recent history in China's markets: Being early is as good as being wrong, and buying into a bubble doesn't usually work out well.

Investors who bought into Chinese stocks when they first started listing in Hong Kong in the early 1990s can congratulate themselves on anticipating years of powerful economic growth. They can also kick themselves if they stuck with the trade, as mainland companies listed in Hong Kong, known as H-

Buoyant

Chinese stocks open to foreign investors have long been prone to bubbles, as Hang Seng indexes show.

The dot-com bubble lasted longer and the technology-oriented Nasdaq rose further.

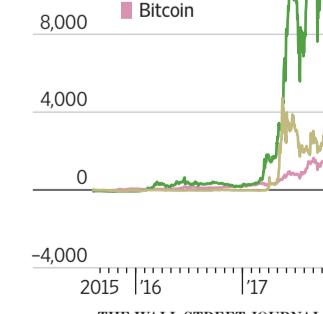
shares, or those incorporated outside the mainland but listed in Hong Kong, called red chips, were both lower a decade later.

The best way to profit

from being early to China was similar to the smart way to trade new themes today: Sell out as soon as everyone else catches on to the idea.

In 1996-97, everything China-related soared, with red chips peaking at 250% year-over-year gains around the handover of Hong Kong to China before collapsing as

The recent rise in cryptocurrencies is far bigger still, but hasn't popped (yet).



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the Asian Tiger bubble popped.

Mature themes are more about earnings prospects and less about bubbles. But investors thinking about three big themes—bitcoin and blockchain; artificial intelligence, or AI; and treatment of aging—would do well to learn from the China experience.

The three are on a spectrum of frothiness. At the clearly bubbly end is anything cryptocurrency-linked, in which the joyous echoes of bubbles past are being heard by millennials. As in 1999 with dot-coms, a mere change of a company name to something blockchain-related can boost the stock.

Twenty-somethings are raising tens of millions of dollars for mad-sounding projects with flaky business models, celebrities are backing startups, and regulators are watching with horror but doing little. Real-world projects wanting no-strings-at-

Mature themes are more about earnings prospects and less about bubbles.

tached financing are piling in—one even proposes a digital currency exchangeable into sand—and due diligence is rare. The bubble is well advanced already.

Much less extreme is the excitement about AI. Real companies are making money from real products using machine-learning tools, but much of the money is being made by software engineers able to charge pretty much what they want. Companies have realized that they need to know—and talk about—machine learning, but valuations of the stocks involved are merely high, not wildly implausible.

At the far opposite end is aging. This isn't exactly novel, with the search for immortality dating back thousands of years. But companies are starting to get serious about extending life, with Google, now called Alphabet, starting research in 2013. With the science at an early stage, many of the ventures being set up will fail, and most of the biotechnology companies involved are still private anyway.

Jim Mellon, a biotech investor and author of "Juve-

nescence," says it is probably too early for the general investor to get into the small stocks he thinks might make it big, as their products may well fail. "But I have no doubt that in three or four years' time there will be a speculative bubble in this area," he says.

The problem for investors is timing such bubbles. When bubbles pop, losses can be very large and very rapid. A year after peaking in 1997, Chinese red chips were down 85%; the Hang Seng China Enterprises Index of H-shares was lower in January this year than at its peak in 1993.

But working out when a bubble will pop is difficult, to put it mildly. Richard Taffler, a finance professor at Warwick Business School in the U.K., says bubbles tap into "unconscious fantasies," so gauging investor emotion is key, albeit hard. "All one can do is measure the underlying sentiment and the extent to which reality intrudes," he says.

Part of the problem is that each bubble is different. Work by Boston fund manager **GMO** LLC a few years ago found bubbles varied widely both in size and duration. After meeting **GMO**'s statistical bubble test of two standard deviations above trend, the time required to reach the peak was almost four years for large Japanese companies up to 1989, but less than six months for the South Sea Bubble of 1720 or the first emerging-market bubble, in 1825.

GMO found that bubbles in emerging-market stocks, on average, pop more quickly and don't get as big as in developed countries, and that the biggest bubbles occur in commodities.

Bitcoin has already jumped 10-fold in just over a year, and other cryptocurrencies have had even more extreme moves. True believers argue bitcoin is different, and its price rise is justified because it is the future of money. The history of bubbles suggests that's unlikely but not impossible: **GMO** found that one in seven price moves that look like a bubble turns out to be a paradigm shift.

Investors trying to spot the next big theme need to beware of thinking they are early when they are late, as they might be with bitcoin. They also need to be ready to sell if it looks like a bubble is developing and to have the strength not to be sucked back in if the bubble keeps going for a long time. Both are hard to do, but no one ever said investing was easy.

BUSINESS & FINANCE

Paul Volcker Turns to His Memoir

BY JEFFREY A. TRACHTENBERG

Former Federal Reserve Chairman Paul Volcker is at work on a memoir he says will address the larger themes that have dominated his life of public service.

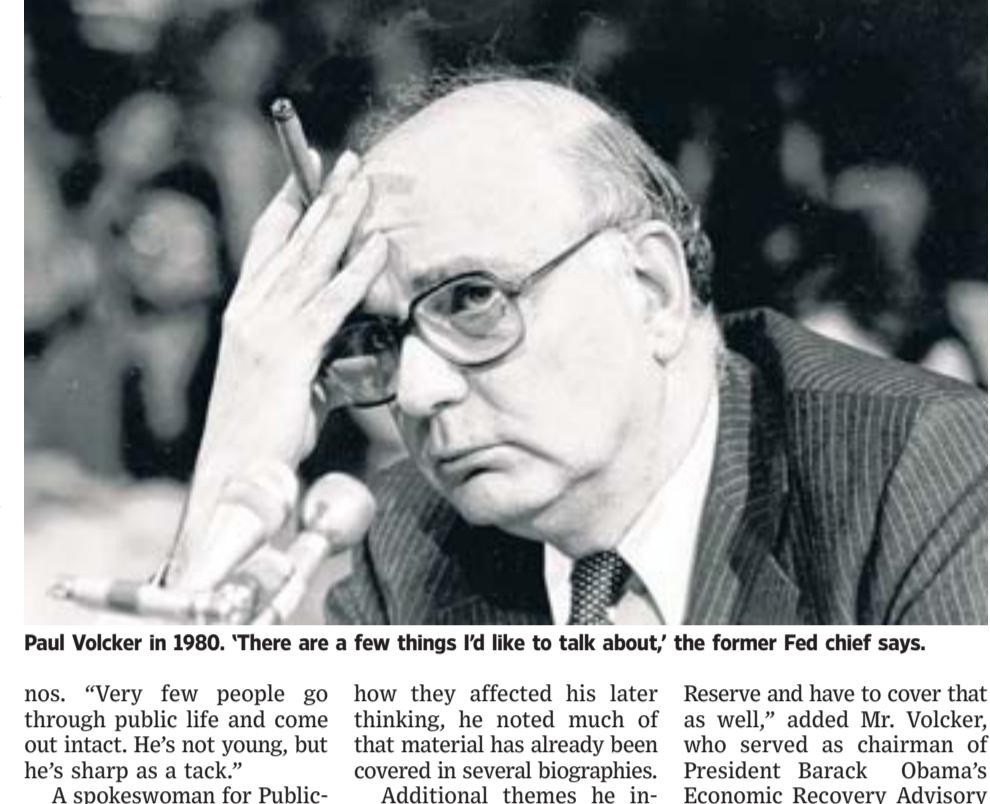
"There are a few things I'd like to talk about," said Mr. Volcker, 90 years old. "When I got out of college after World War II, we were the kings of the world. The American century has deteriorated a bit. It's been an interesting arc of history."

Mr. Volcker will be published by PublicAffairs, an imprint owned by **Lagardere SCA**'s Hachette Book Group. Asked about his work habits, Mr. Volcker described himself as "the world's greatest procrastinator."

No publication date has yet been set.

Mr. Volcker, who served as chairman of the Federal Reserve from 1979 to 1987, said he has long focused on the ineffectiveness of government, which he said "has gotten worse instead of better. Alexander Hamilton is getting a pretty good run right now. He said for government to be effective, it must have effective management. He was an early town crier in that respect."

Peter Osnos, the founder of PublicAffairs, said Mr. Volcker had called him earlier this year and asked if he might be interested in such a book. "I was interested," said Mr. Os-



Paul Volcker in 1980. 'There are a few things I'd like to talk about,' the former Fed chief says.

nos. "Very few people go through public life and come out intact. He's not young, but he's sharp as a tack."

A spokeswoman for PublicAffairs declined to reveal the book's advance.

Mr. Volcker, who is writing the book in collaboration with Christine Harper, an executive editor at Bloomberg News, suggested his memoir may not follow the standard, chronological pacing of other memoirs.

Although he said he is likely to provide some discussion of his early years and

how they affected his later thinking, he noted much of that material has already been covered in several biographies.

Additional themes he intends to address are the importance of central banking, maintaining international relations and cooperation in the economic arena, and the value of price stability. During his tenure as Fed chairman, Mr. Volcker addressed the inflationary issues that had an impact on that era.

"I also did a few things after I retired from the Federal Reserve and have to cover that as well," added Mr. Volcker, who served as chairman of President Barack Obama's Economic Recovery Advisory Board from 2009 to 2011. The so-called Volcker rule, part of the 2010 Dodd-Frank act, was intended to prevent banks from engaging in risky investment strategies.

Asked whether there would much in the way of juicy gossip in his memoir, Mr. Volcker replied, "There's no sex in the Federal Reserve. Or rather, no illicit sex."



Ferrero, the maker of Nutella, is looking to double down on the U.S. at the same time sugar has come under siege by consumers.

CANDY

Continued from the prior page
Ferrara and Nestlé's business, it would move up to No. 3, though still far behind Mars and Hershey. Market share:

Founded in 1946 in the small northern Italian town of Alba, Ferrero has followed a dual-track strategy: It has aggressively pursued acquisitions, while also trying to stoke organic growth with new products.

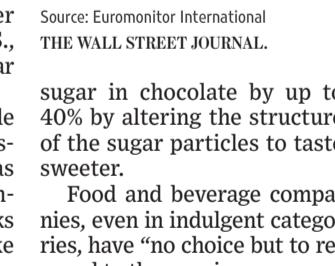
Last month, the company introduced in Italy a cookie version of its Kinder Surprise egg, a thin chocolate egg with a small plastic toy inside. It is sold across Europe, but not in the U.S. Earlier this year, it began testing a Tic Tac chewing gum in its home market. If successful, Ferrero will roll out the two products in other countries, including the U.S., according to a person familiar with the plans.

Ferrero is looking to double down on the U.S. candy industry at a time when sugar has come under siege by consumers, who are opting for snacks they view as healthier like fruit-and-nut bars.

Nestlé and Hershey have touted technology they say will allow them to reduce

Trick or Treat

Ferrero has boosted its U.S. presence, but is still far behind Mars and Hershey. Market share:



Source: Euromonitor International
THE WALL STREET JOURNAL.

Ferrara, the U.S. company, traces its roots back to 1908, when it opened as a pastry shop in Chicago's Little Italy neighborhood. It went on to expand into hard candies, including candy-coated almonds, Lemonheads, RedHots and Atomic Fireballs. In 2012, after the founder's son died, Ferrara merged with Farley's & Sathers Candy Co., owned by L Catterton.

L Catterton expanded the company's profitability and revenue by investing in new manufacturing equipment, advertising and new products. Executives previously said they planned to expand annual sales to \$2 billion by 2020 from around \$1 billion currently.

Last year, L Catterton considered taking Ferrara public and shopped it around to potential buyers, but it didn't reach a deal, according to a person familiar with the company.

—Ben Dummett contributed to this article.

LYFT

Continued from the prior page
pealing. It is expensive for ride-hailing firms to open in new cities because of marketing expenses like incentives for new drivers and passengers.

television ads that portray a scheming competitor that would use spike strips or lasers to take Lyft down. More recently, it enlisted actor Jeff Bridges imploring viewers to choose their ride "with the right people, doing things for the right reasons."

The companies are attempting to take the lead in self-driving vehicle technology as well. Lyft has joined with companies including General Motors Co., which is an investor, Ford Motor Co. and startup NuTonomy, among others, as well as opening its own Silicon Valley development center.

Uber, meanwhile, has mostly eschewed partnerships in favor of working on its own autonomous cars, including passenger tests in Pittsburgh,

Tempe, Ariz., and briefly in San Francisco.

With its investment, Alphabet pulls closer to Lyft and gets more say in the ride-hailing company's direction. That could be useful as Alphabet's Waymo unit plans its own ride-hailing service with self-driving cars. Waymo sued Uber in February for allegedly stealing its driverless-car trade secrets to jump-start its own program. Uber has disputed the allegations.

While Waymo is considered by many to have the world's most advanced self-driving technology, it knows little about operating a taxi business. Indeed, Waymo and Lyft said in May that they are collaborating on self-driving technology, including tests of

a self-driving taxi service, a person familiar with the deal said at the time.

A CapitalG spokesman said the Lyft investment is about making a profit for Alphabet. "It's a belief in Lyft, their business model, their future growth and not strategic positioning," the spokesman said.

CapitalG invests in late-stage companies such as Snap Inc. and Airbnb Inc., unlike Alphabet's other investment firm GV, which largely funds younger firms. Alphabet already is an investor in Uber.

The size of CapitalG's investment in Lyft, and how many other investors are in the round, isn't clear. CapitalG's investments typically range from \$50 million to \$100 million.

BUSINESS NEWS

Unilever, Nestlé Test Investors' Patience

Weak sales results come amid calls for turnarounds at the consumer-goods firms

BY SAABIRA CHAUDHURI
AND BRIAN BLACKSTONE

Two of the world's biggest consumer-goods companies—both caught in investors' crosshairs—reported another round of weak sales, ratcheting up pressure to accelerate promised turnarounds.

Unilever PLC missed analysts' sales forecasts by a wide margin on Thursday, reporting growth in the third quarter of 2.6% compared with a year earlier. Analysts had expected the maker of Dove soap and Hellmann's mayonnaise to post sales gains of 3.9%, stripping out things such as acquisitions and divestitures. Shares fell 5.5% in London.

Nestlé SA, meanwhile, said its sales weakened in the first nine months of the year, and it doesn't expect an improvement in the final quarter. The Swiss consumer company reported sales growth of 2.6%

for the first nine months. It said it expects to post 2.6% growth for the full year, too, compared with 3.2% last year.

The owner of Kit Kat chocolate and Nescafé coffee also said it would take new restructuring charges of 400 million to 500 million Swiss francs (\$407 million to \$509 million) this year, as it accelerates efforts to cut costs. The charge is expected to eat into full-year profit margins. Nestlé shares fell 1% in Zurich.

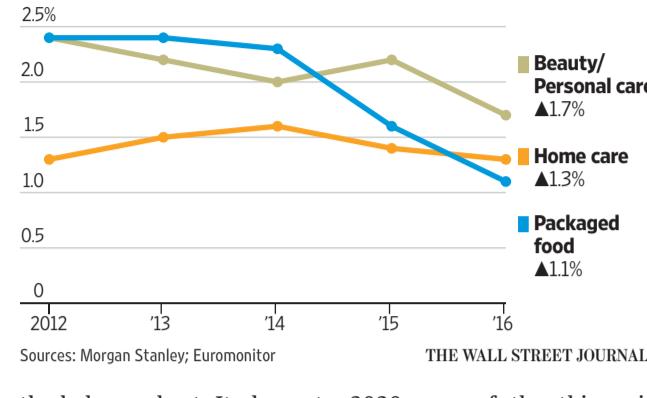
For both companies, the clock is ticking. Investors across the sector have called for significant changes at many of the industry's largest competitors. The revolt is playing out amid a downturn blamed on fast-changing buying habits by consumers.

Earlier this year, Unilever rejected a \$143 billion bid by Kraft Heinz Co. It acknowledged in the aftermath that it needs to do more to keep shareholders happy—and to keep itself off the target list of other potential acquirers.

It promised to boost returns through share buybacks, higher profit margins and a fresh willingness to leverage

Slowing Down

Consumer-goods giants are suffering slowdowns across a broad range of categories. Global sales growth, change from a year earlier:



Sources: Morgan Stanley; Euromonitor

THE WALL STREET JOURNAL.

the balance sheet. It also put its margarine business up for sale. Under Chief Executive Paul Polman, Unilever has already been cutting costs.

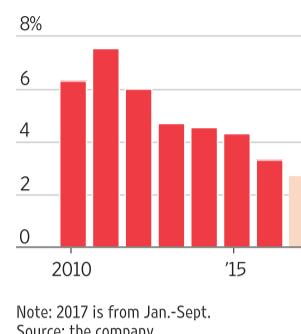
Thursday's disappointing sales set up a fourth-quarter sprint for Unilever to make its full-year forecast of 3% to 5% growth. RBC analyst James Edward Jones said that target would be a "stretch," given Unilever's performance so far this year. He also said the company's ability to achieve a margin target of 20% by

2020—one of the things it promised investors after the Kraft Heinz bid—will be "jeopardized" if the company can't step up sales growth.

Unilever relied heavily on price increases for third-quarter growth, instead of volume growth, a red flag for analysts. Some investors showed signs of impatience. Simon Gergel, chief investment officer for U.K. equities at Allianz Global Investors, a Unilever shareholder, said that with the weak sales-volume growth "there

Changing tastes

Nestle's organic growth, change from previous period



Note: 2017 is from Jan.-Sept.

Source: The company

THE WALL STREET JOURNAL.

could be questions raised about the sustainability of Mr. Polman's strategy prioritizing cost-cutting and profit-margin increases.

Unilever's two biggest competitors, Procter & Gamble Co. and Nestlé, are already under pressure from activist investors. Nelson Peltz narrowly lost a proxy vote at P&G, and has called for deep structural changes at the U.S. company. So far, Mr. Polman has avoided that sort of public pressure. He has also resisted some of

the bigger structural changes that some critics have said are necessary—such as splitting Unilever's food holdings and its consumer-goods brands.

Crosstown rival **Reckitt Benckiser Group** PLC, this week said it would split its own businesses—creating a consumer-health group and a home-and-hygiene group—to focus management on boosting growth at both units.

Nestlé, meanwhile, is busy trying to keep its own activist investor at bay. Dan Loeb's Third Point is now one of its biggest shareholders. Nestlé CEO Mark Schneider has done a number of things Mr. Loeb has asked for: He set a profit-margin target, launched share buybacks and has used deal making to diversify Nestlé's portfolio—away from slower-growing packaged snacks and toward smaller, faster-growing brands. Mr. Schneider also put Nestlé's U.S. chocolate business up for sale.

If Nestlé can't show signs of a turnaround, Mr. Loeb—or others—might increase pressure for bigger moves. A representative for Mr. Loeb declined to comment Thursday.

Target to Step Up Renovations, Add Smaller Stores

BY KHADEEJA SAFDAR

Target Corp. said it would expand plans to remodel its existing supercenters and open smaller stores in cities as the retailer seeks to win back shoppers in the competitive retail environment.

At a media event Thursday in New York City, Target executives said they now plan to remodel more than 1,000 of the company's 1,800 existing stores by the end of 2020. Earlier this year, Target said it planned to remodel 600 stores over three years, part of a \$7 billion investment, including lowering prices and investing in e-commerce.

Chief Executive Brian Cor-

nell said he is making "big commitments" to improving stores and expanding digital capabilities.

"We're remodeling and across the street someone is closing the door," he said.

Mr. Cornell declined to say whether the new pace of remodels would increase Target's spending plan, saying he would provide an update at the next meeting with financial analysts. Sales have increased 2% to 4% at recently renovated stores, he said.

The company has remodeled 110 stores so far in 2017. It is opening 32 new stores in 2017 and 35 next year. Most of those new locations are smaller formats that the com-

pany is opening in urban areas and college towns. It is opening 11 such stores this week, bringing the total number of smaller stores to 55 so far.

Mr. Cornell is trying to turn around the retail chain's fortunes after it reported weak holiday sales last year and was forced to lower its profit and sales goals for the current fiscal year. Some of his moves, including lowering prices and remodeling stores, helped the company report a sales increase in the third quarter.

The smaller stores will help Target as it seeks to balance shifting consumer habits, with more people shopping online. Mr. Cornell said such locations have been twice as productive

as the company's traditional stores and have drawn new customers.

They typically have less than 50,000 square feet compared with the average Target store of 145,000 square feet. To maximize shelf space, Target stocks them with smaller package sizes and fewer brands for many of the same items offered in bulk at its larger stores.

Target is also customizing the assortment in the stores to cater to local tastes—a new location in New York City's Herald Square, for example, sells city-themed clothes to appeal to tourists. It is opening across the street from Macy's Inc.'s flagship store.



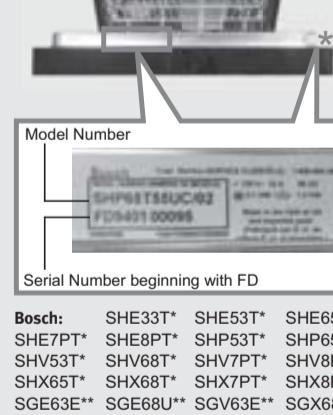
BRANDON WADE/ASSOCIATED PRESS
The retailer plans to remodel over 1,000 stores through 2020.

Important Safety Recall Expansion Notice

BSH Home Appliances Corporation, in cooperation with the CPSC and Health Canada, has voluntarily agreed to expand its 2015 safety recall to replace the power cords on certain Bosch®, Thermador®, Gaggenau®, and Jenn-Air® dishwashers manufactured between September 2012 through January 2015 (see specific brand dates below). The dishwasher power cord can overheat, posing a potential fire hazard.

Stop using your dishwasher and call the Safety Recall Hotline at 888.965.5813.

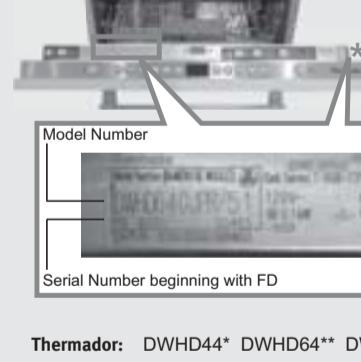
BOSCH



*Serial number range: *FD9209-FD9403 **FD9401-FD9501

Models affected were manufactured from September 2012 through January 2015

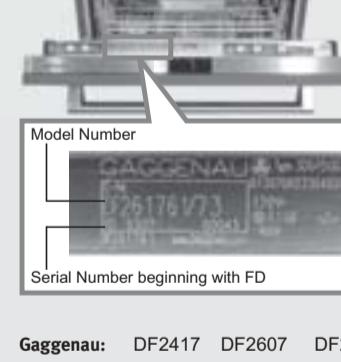
Thermador



*Serial number range: FD9209 - FD9403
**Serial number range: FD9401 - FD9501

Models affected were manufactured from September 2012 through January 2015

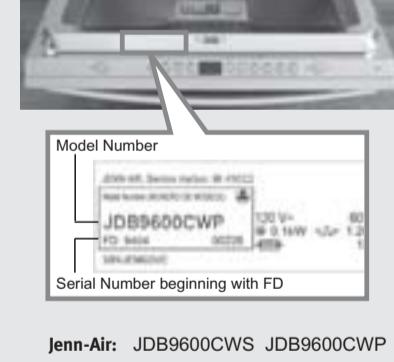
GAGGENAU



Gaggenau: DF2417 DF2607 DF2617
Serial number range: FD9401 - FD9501

Models affected were manufactured from January 2014 through January 2015

JENN-AIR



Jenn-Air: JDB9600CWS JDB9600CWP JDB9600CWX
Serial number range: FD9404-FD9501

Models affected were manufactured from April 2014 through January 2015

888.965.5813

Please call the Safety Recall Hotline from 8 a.m. to 8 p.m. EST Monday through Sunday with your model and serial numbers.

Or visit the brand website to see if your model is affected and to register.

www.bosch-home.com/us

www.thermador.com

www.gaggenau.com/us

www.jennair.com

TECHNOLOGY

Facebook To Try Plan For News Publishers

BY LUKAS I. ALPERT

Facebook Inc. will begin testing a feature in the coming weeks that will allow news publishers to sign up subscribers through the social-media giant's Instant Articles program.

The subscriptions program will begin with a group of select publishers on Android devices only, as a disagreement between Apple Inc. and Facebook over whether Apple will get a cut of the subscription revenue continues to be negotiated, a person familiar with the matter said.

Facebook wants to let publishers keep 100% of all subscription revenue brought in through the program. But Apple is insisting that it collect 30% of all subscription sales, in keeping with its requirement that it get a cut of revenue generated from apps in its App Store, the person said.

Representatives for Apple didn't immediately respond to requests for comment.

Publishers have long been wary of Facebook's outsize role in news dissemination and its commanding presence in the digital advertising market. **Alphabet** Inc.'s Google and Facebook are expected to receive 63% of U.S. digital ad spending this year, according to eMarketer—which has made digital subscription growth a priority for many newspapers.

Encouraging users to pay for news is a significant step for Facebook, and the feature has long been requested by publishers.

The arrangement will start by testing metered paywalls that will initially allow 10 free articles from a publisher per month, as well as "freemium" models in which publishers can select which articles are paywall protected. Different metered models will be tested as the program progresses, the company said.

The first test group will include the Washington Post; the Economist; Axel Springer SE's Bild and Spiegel; Tronc Inc.'s Los Angeles Times, San Diego Union-Tribune and Baltimore Sun; and the Telegraph in the U.K.

Several big publishers with robust digital subscription businesses, such as The Wall Street Journal, the New York Times and the Financial Times, aren't participating in the initial test program.

A person familiar with the matter said the Journal had opted out at this phase because the 10 free-article structure conflicts with the paper's tighter paywall model on its own site.

A spokeswoman for the New York Times said the paper had chosen not to participate in the program at this time but discussions with Facebook were continuing.

A representative for the Financial Times didn't immediately respond to messages seeking comment.

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PUBLIC NOTICES

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Claims for protection under SIPA must be filed with SIPC on or before April 20, 2018 at the address set forth below. Under the law, SIPC cannot pay or otherwise satisfy, in whole or in part, any claim not filed by the deadline.

Forms for filing claims in the Direct Payment Procedure for Legend Securities have been prepared by SIPC and, together with a copy of this notice, will be mailed on the date of this notice to investors with accounts at Legend Securities as their names and addresses appear on the books and records of Legend Securities. An investor who does not receive a claim form within fifteen days of the date of this notice may obtain a claim form on SIPC's website at www.sipc.org by writing to SIPC at the following address:

SECURITIES INVESTOR PROTECTION CORPORATION
DIRECT PAYMENT PROCEDURE
LEGEND SECURITIES, INC.
1667 K STREET, N.W., SUITE 1000
WASHINGTON, DC 20006

Pursuant to SIPA, the filing of a claim is complete only upon receipt of the written claim by SIPC. Thus, no claim of a customer of Legend Securities will be satisfied unless it is actually received by SIPC on or before April 20, 2018. Timely filing and proof of timely filing are the sole responsibility of the claimant. In this regard, you should file your claim by mailing it by certified mail – return receipt requested or with a comparable method of mailing which provides you with proof of receipt by SIPC. Your receipt will serve as verification that your claim was received by SIPC.

Dated: October 20, 2017
Washington, DC

Amazon Homes In on Tax Breaks

Cities and states woo the firm as its request for proposals to lure HQ2 comes to a close

Amazon.com Inc. is no novice when it comes to getting good deals.

As the Seattle-based company on Thursday closed the request for proposals for its second corporate home, its in-house economic-development team shows how vital tax-incentive deals have become to its business model and gives a window into why the company pitted cities against each other to win the biggest sub-

sidy package possible.

Starting in 2013, for instance, the team helped Central Florida officials advocate for allowing Amazon to build fulfillment centers in Davenport and Lakeland.

Sean Malott, president of the Central Florida Development Council, who worked with Amazon, says together the centers employ 1,000 workers. The company received \$5.3 million in tax incentives in return, according to the state's economic-development group. "In our case, they're taking agricultural property that had a very small taxable base," he said.

Amazon has been promised roughly \$1 billion in tax subsi-

dies since the team's founding five years ago, according to data collected by Good Jobs First, a group that advocates against tax incentives.

The company said last month it plans to invest \$5 billion in a second North American headquarters over nearly two decades, some of which it could recoup through hefty tax breaks.

Promises of incentives for HQ2, as Amazon calls its new headquarters, are already coming in. New Jersey Gov. Chris Christie on Monday announced the state and the city of Newark will offer a potential \$7 billion in tax incentives over 10 years, tied to Ama-

zon's pledge to create 50,000 corporate jobs.

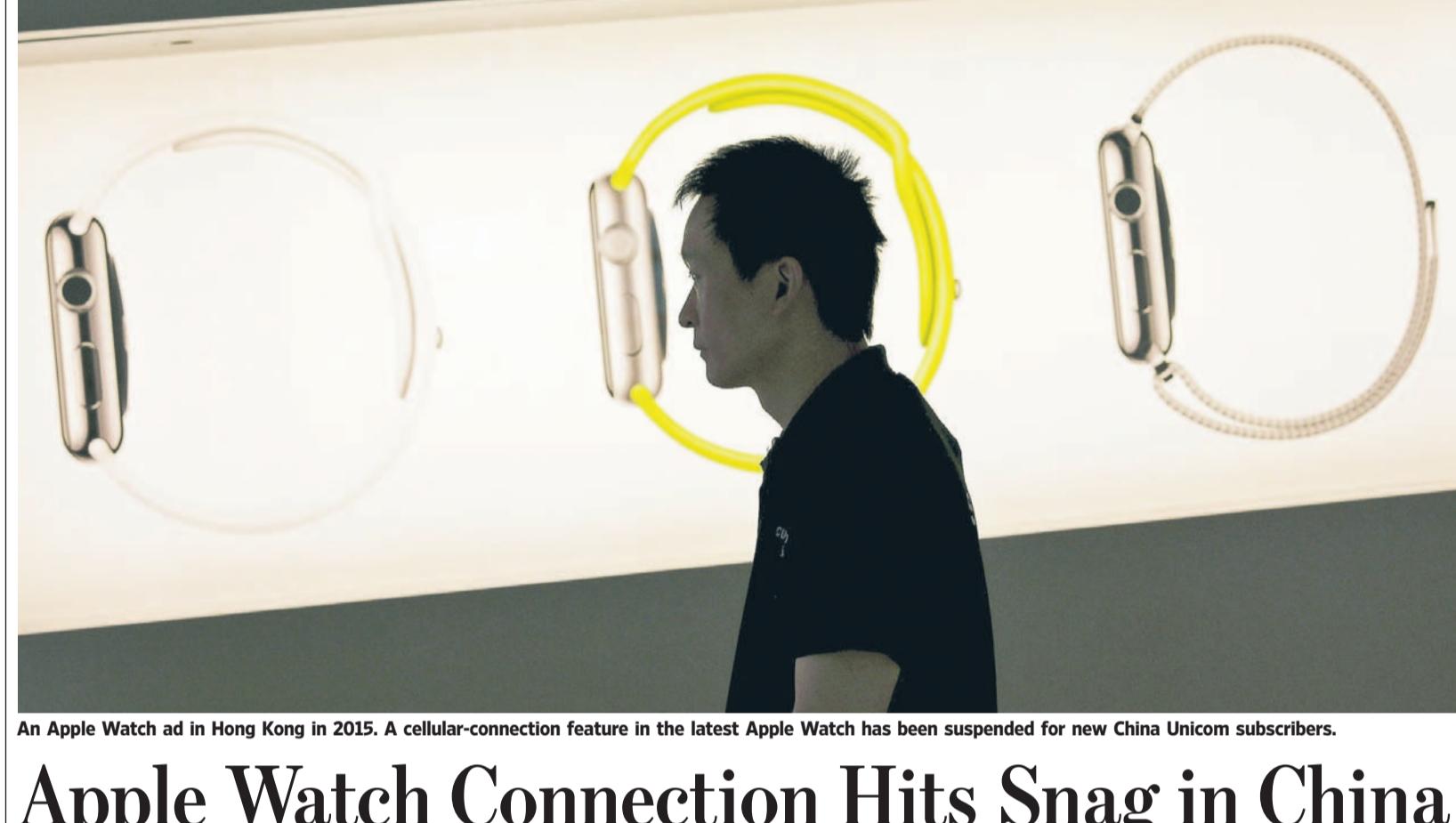
While Amazon is considering many factors such as the labor pool, cultural fit and access to airports and major highways, its emphasis on taking advantage of incentives is part of its culture of frugality.

Amazon's approach differs from most other companies, which often rely on outside consulting firms to scout locations and negotiate tax-incentive deals with state and local governments. Instead, Amazon has brought those services in-house and made them the responsibility of its economic development team.

Amazon's team is led by

specialists who come from different parts of the economic-development world. The group finds sites for new projects and negotiates tax breaks, acting as liaisons with local and state governments.

Mike Grella, who worked at consulting firm PwC before joining the web giant, started at Amazon as director of economic development in 2012. He was joined by Eric Murray, who had worked in-house on real estate and economic development at Lockheed Martin Corp., in 2014, and Holly Sullivan, who worked on economic development for local governments in Maryland and Tennessee, in 2016.



An Apple Watch ad in Hong Kong in 2015. A cellular-connection feature in the latest Apple Watch has been suspended for new China Unicom subscribers.

Apple Watch Connection Hits Snag in China

BEIJING—Apple Inc. has another headache in China: this time with its latest watch.

For the first time, the Apple Watch can have an independent cellular connection, allowing people to use it to make voice calls and send and receive text and data even if the watch isn't wirelessly connected to an iPhone.

But in China, the feature was cut off for new subscribers, without explanation, after a brief availability with one telecommunications company.

Industry analysts said the suspension likely stemmed

from Chinese government security concerns tied to tracking users of the device, which uses different technology than standard mobile phones.

China strictly regulates mobile phones, and all three major telecom-service providers are state-owned companies. To get a SIM—subscriber identity module—card to operate the phone, users must register under their real names with a network carrier.

The latest Apple Watch poses a challenge to the existing user identification system, analysts said. The watch con-

tains a new and tiny version of the SIM card, called embedded SIM, or eSIM. The eSIM is embedded in the watch by Apple, not by carriers.

The benefit of a device carrying an eSIM is that, with software, users can choose a telecom operator and a communications plan. But in China, that new system raises the question of how carriers and regulators can track the device user's identity.

"The eSIM [system] isn't mature enough yet in China," one analyst said. "The government still needs to figure out how

they can control the eSIM."

When the Apple Watch went on sale Sept. 22, the cellular service was available exclusively to qualified China Unicom customers. But after Sept. 28, new cellular subscriptions were cut off. Those who had previously registered are so far unaffected.

In a notice on its website, China Unicom said the cellular feature had been offered on a trial basis. It gave no information on when it might resume.

Apple referred queries to China Unicom. "We were informed by China Unicom that

the new cellular feature on the Apple Watch Series 3 has been suspended," Apple said in a written statement.

China's Ministry of Industry and Information Technology didn't respond to requests for comment.

China Unicom and the two other state-owned telecom companies didn't respond to requests for comment.

Ministry officials are likely studying how to resolve the issue before allowing any broad cellular access to the Apple Watch, analysts said.

—Yang Jie and Yoko Kubota

Verizon Data Shift Adds Wireless Subscribers

BY AUSTEN HUFFORD
AND RYAN KNUTSON

Boring is good when you're the largest wireless carrier in the country.

Buoyed by soft promotions around the latest iPhone, **Verizon Communications** Inc. boosted revenue and its subscriber rolls in the third quarter, a sign the

carrier's return to unlimited data plans earlier this year has stanchéd customer defections.

Verizon added 603,000 monthly postpaid connections in the quarter, nearly double what Wall Street expected. The company had 115.3 million total wireless retail connections, up from 113.7 million the same quarter last year and 114.5 million in the second quarter.

After losing customers during the first three months of the year, Verizon in February brought back unlimited wireless plans for the first time since 2011. The unlimited plans allow customers pay a flat rate for nearly unlimited monthly internet usage on their smartphones.

The move exacerbated revenue declines in Verizon's wireless unit, as many customers on older, more expensive plans quickly switched over to the cheaper unlimited option. That trend is slowing as customers on plans with data caps are

now starting to pay up for unlimited data, the company said. While revenue from the wireless business, its largest unit, fell 2.4% to \$21.58 billion, the company said the declines were bottoming out.

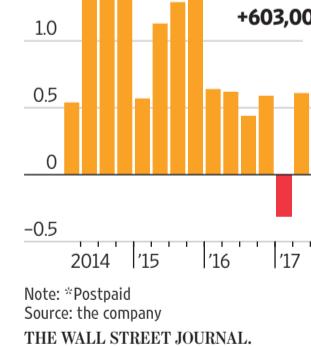
"We knew initially we would see optimizers who had the opportunity to move to unlimited and save money," said Verizon finance chief Matt Ellis on a call Thursday with analysts. Wireless-service revenue increased sequentially for the first time in three years.

Verizon's subscriber metrics also benefited from weaker promotions around Apple Inc.'s latest iPhone. But heavier competition could arrive during the last three months of the year, analysts warned, as the flagship iPhone X goes on sale in November, just in time for the holiday season.

Verizon said wearable devices, such as watches, made up a significant portion of its 238,000 connected device ad-

Core Growth

Verizon's net new wireless subscribers*



Note: *Postpaid

Source: the company

THE WALL STREET JOURNAL.

ditions in the quarter—an indication that Apple's new LTE connected smartwatch is off to a decent start.

Revenue at the wireline segment that includes its Fios

internet and television service increased 1.1% to \$7.66 billion, boosted by its acquisition of XO Communications, which owned fiber-optic networks.

Verizon cited consumer shifts to over-the-top video options and away from traditional television as the reason for losing 18,000 Fios video customers in the quarter. That is more than the loss of 15,000 in the second quarter and 13,000 in the first quarter. It gained 36,000 in the third quarter last year. It ended the quarter with 4.6 million Fios video customers.

In all, Verizon profit was the same as the third quarter last year, with net income of \$3.62 billion, or 89 cents a share. Revenue rose 2.5% to \$31.72 billion. Still, excluding acquisitions and divestitures, adjusted revenue fell 2.3%.

Verizon expects capital spending for 2017 to be at the lower end of its \$16.8 billion to \$17.5 billion range.

Stitch Fix IPO Filing Reveals \$1 Billion in Sales

BY MARIA ARMENTAL
AND MAUREEN FARRELL

Personal-shopping service **Stitch Fix** has filed for an initial public offering, revealing that the six-year-old startup's annual sales have zoomed to nearly \$1 billion at the same time traditional clothing retailers are struggling.

The company, which selects and ships outfits to customers, said revenue surged to \$977 million in the year ended July 29, from \$73 million in 2014.

Unlike most venture-backed startups, Stitch Fix has been profitable in recent years, though it swung to a \$594,000 loss in the most recent year, the filing shows.

Some of that profitability comes from Stitch Fix's limited marketing expenses, and the company said in its prospectus that it plans to increase marketing expenses.

Its premise is simple: Customers fill out a survey used to select five items of clothing, shoes or accessories. Items are

selected by a personal stylist and delivered for customers to try on at home. They pay for what they keep and return the remaining merchandise in a prepaid envelope. For each box, the company charges a \$20 styling fee, which can be applied as credit toward purchases.

As of July 29, the company reported more than two million active clients, or those who made at least one purchase over the previous 12 months, with a repeat rate of 86%, up from 83% a year earlier.

Stitch Fix is pitching itself as more than just a traditional clothing retailer. The company says its 3,400 stylists rely on the survey customers fill out, combining data and their own judgment, to recommend outfitts.

Stitch Fix is "an entirely different experience than going on Amazon and searching for your own thing," said Lisa Bougie, the head of Stitch Fix's women's business, in an April interview with The Wall Street Journal.

—Khadeeja Safdar contributed to this article.

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BUSINESS NEWS



Smoke rises from a burning house during clashes between members of Iraqi and Kurdish groups around the city of Kirkuk Tuesday.

Kurd Clashes Delay Chevron

Fighting leads oil giant to suspend operations in Iraqi Kurdistan, giving rival BP an opportunity

By BOENOT FAUCON

Iraq's backlash against Kurdish independence is reordering the region's booming energy business, forcing Chevron Corp. to suspend operations in Iraqi Kurdistan, opening potential opportunities for BP PLC and unsettling Russian companies' bet on the Kurds.

Chevron said Thursday that it was temporarily halting drilling in the region. The decision was taken because of fighting in nearby Kirkuk and the difficulty the company has had refreshing work crews because of a flight ban to Iraqi Kurdistan imposed by Iran, Turkey and the Iraqi central government in Baghdad, a person familiar with the matter said.

"We continue to monitor the situation in the Kurdistan Region of Iraq," the Chevron spokeswoman said. "We look forward to resuming our operations as soon as conditions permit."

Chevron's move is the latest sign of turmoil for a Kurdish

BP's Chairman Plans to Retire

LONDON—BP PLC said the company's longstanding chairman Carl-Henric Svanberg is set to retire, launching a search for his successor.

The Swedish businessman became chairman in January 2010, just months before a fatal blowout in the Gulf of Mexico propelled the company into the worst corporate crisis its history.

Mr. Svanberg became an important public face for the company and played a crucial role in seeing it through the aftermath.

"BP's comeback would not have been possible without the strong leadership and steady-

fast support of Carl-Henrik," CEO Bob Dudley said in the company's retirement announcement.

Mr. Svanberg will be leaving the company as it returns to growth after years of retrenchment following the Gulf of Mexico disaster and a dramatic slump in oil prices since 2014.

"Today I can say with confidence that BP is back and ready for the future," he said in the retirement notice.

Mr. Svanberg joined BP after serving as CEO of telecom equipment maker Ericsson AB. He still chairs the board of Volvo AB.

Mr. Svanberg will chair the company's annual general meeting in May and will remain in position until a successor is found, BP said.

—Sarah Kent

energy industry fueled by Western oil companies since Monday when the Iraqi military seized Kirkuk, an oil-rich region that accounts for almost half of the Kurdistan Regional Government's crude output. Kirkuk isn't part of the government's recognized area but it had been held by the Kurds since Islamic State's advance into Iraq in 2014.

The region has been hailed as one of the oil industry's last great frontiers, though there is dispute about the size of its reserves. The region has carved out a significant amount of autonomy since Saddam Hussein's ouster in the second Iraq war, with its government striking deals with Chevron, Exxon Mobil Corp. and Russia's state oil firm,

OAO Rosneft, over the objections of Baghdad.

Since taking over Kirkuk, Iraq has tried to reassert control over neighboring Kurdistan, threatening foreign oil companies with legal action if they conduct business with the government there.

Chevron's bet on Kurdistan was relatively small, focusing on two oil blocks that had yet to provide commercially viable oil. Those aren't near clashes in Kirkuk, but the loss of that region to Baghdad could crimp Kurdistan's ability to pay Chevron were it to find oil.

"With the loss of the Kirkuk fields, KRG will not be able to cover its budget," said Robin Mills, head of Dubai-based consultancy Qamar Energy.

Baghdad has called on BP to help the country double production in Kirkuk to 1 million barrels a day.

BP says it won't go until regional security is restored, but Kirkuk would be a prize for a company that already operates Iraq's largest oil field. BP had worked in Kirkuk before fleeing in 2014 along with Iraqi authorities as Islamic State marched into the region.

—Isabel Coles in Baghdad,
Sarah Kent in London and
Nathan Hodge in Moscow
contributed to this article.

FDA Mixed on Tobacco Flavors

By JENNIFER MALONEY

The use of flavors in different tobacco products has the potential to do "both harm and good," the Food and Drug Administration's chief said Thursday, explaining that the agency would weigh both possibilities as it considers banning flavors such as menthol in cigarettes and e-cigarettes.

The FDA's review of flavors is part of a sweeping overhaul of tobacco regulation in which the agency hopes to mandate a reduction of nicotine in cigarettes to such a low level that they are no longer addictive, and at the same time encourage smokers to switch to less-harmful products such as e-cigarettes.

The FDA concluded in 2013 that menthol cigarettes were harder to quit and likely posed a greater health risk than regular cigarettes.

The agency since then has been considering regulatory action to restrict menthol sales but has remained quiet on the issue for the past few years. The tobacco industry has rejected the FDA's findings.

"On this issue, we see two sides—on the one hand, we need to know the role that flavors, including menthol, play

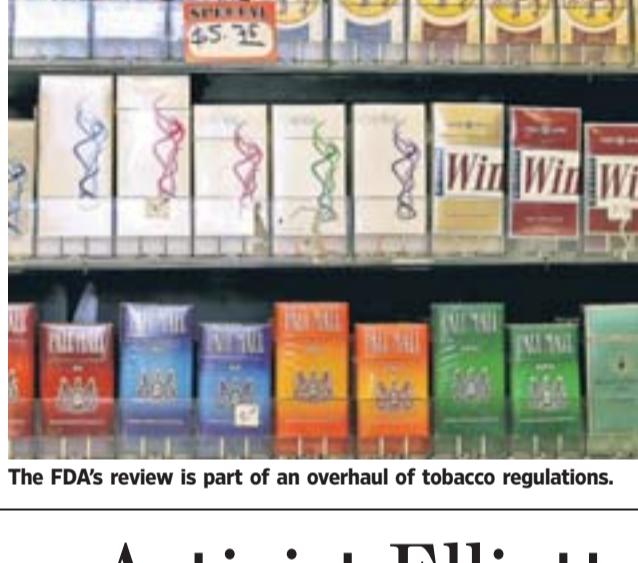
in attracting youth to initiate tobacco use," FDA Commissioner Scott Gottlieb said Thursday in a speech at Johns Hopkins Bloomberg School of Public Health. "But on the other hand, we also need to know whether...certain flavors may help adult cigarette smokers switch to potentially less harmful forms of nicotine delivery" such as e-cigarettes.

The agency will issue regulations based on flavors' "net impact to public health," he said.

Dr. Gottlieb's surprise July 28 announcement on the tobacco-policy shift sent shares of Marlboro maker Altria Group Inc. and other tobacco stocks plummeting.

Newport maker British American Tobacco PLC would be most affected by a menthol ban: Menthol represent 55% of the company's U.S. cigarette volume.

Tobacco executives have applauded the FDA's pledge to encourage the launch of less-harmful products—an area in which they have invested aggressively. They have also noted that any new regulations must be backed up by scientific research and must take into consideration potential consequences such as a black market.



The FDA's review is part of an overhaul of tobacco regulations.

BHP CEO Seen as Under Pressure From Activist Elliott

The chief executive of the world's most valuable mining company, BHP Billiton, faces a

challenge Corp., a hedge fund founded by Paul Singer that is pushing for sweeping changes at the British-Australian mining company. Unless Mr. Mackenzie acts more aggressively on the fund's recommendations soon, Elliott believes BHP's board, under new Chairman Ken MacKenzie, should review the CEO's position, according to people familiar with the matter.

It is the latest significant problem for Mr. MacKenzie,

who as CEO has faced challenges ranging from a catastrophic dam failure in Brazil to a commodity-price collapse that ravaged his company's balance sheet and forced him to break a promise to never cut the company's dividend.

Investors closely watched the new chairman at the company's annual general meeting in London on Thursday for signs of his support for the embattled CEO.

"Andrew MacKenzie and his

leadership team have delivered in the past five years to set up BHP for success," the chairman told shareholders.

The notion that the BHP chief executive is on a timeline "is simply false and without merit," Mr. MacKenzie added at a media briefing at the investor meeting.

The dispute with Elliott has solidified discontent among some investors with BHP's performance over Mr. MacKenzie's tenure—a five-year period dur-

ing which the company's stock has lagged behind some peers. BHP's London-listed shares have lost 27% of their value in that time, compared with a 6% gain for Glencore PLC and an 11% rise for Rio Tinto, according to FactSet, a data provider.

Critics say he failed to swiftly deliver on promises made to clean up its debt-laden balance sheet and exit unprofitable businesses.

Elliott has zeroed in on long-known BHP quirks such

as its dual listing in London and Sydney and its large U.S. oil-and-gas arm. Elliott has urged BHP to spin off its U.S. oil-and-gas assets and criticized "value-destructive deals," saying management should instead focus on its "world-beating mining assets" and share buybacks.

The hedge fund recently wrapped up a world tour meeting BHP investors and has built support for some of its ideas.

Nissan Halts Its Auto Production in Japan

By PETER LANDERS

TOKYO—Nissan Motor Co. said Thursday it was suspending vehicle production for the Japanese market at all Japan plants because it found improper inspections took place even after it fixed the problem.

The revelations deepened a scandal that emerged in late September with findings by Japan's Transport Ministry that Nissan employees without proper qualifications were conducting safety checks.

Nissan has also extended its reach into physical stores, buying grocer Whole Foods, and striking a deal with department store Kohl's Corp. that lets shoppers return goods bought on Amazon at 82 Kohl's locations.

Amazon has also extended its reach into physical stores, buying grocer Whole Foods, and striking a deal with department store Kohl's Corp. that lets shoppers return goods bought on Amazon at 82 Kohl's locations.

Wal-Mart is framing itself as the only e-commerce operation that will be able to challenge Amazon directly, even though its website draws

about half as many monthly U.S. visitors, according to the research firm comScore.

"Wal-Mart is positioning itself as a clear No. 2 in the space," said another person familiar with the discussions.

Like other department

store chains, Lord & Taylor, which is owned by Hudson's Bay Co., is struggling with sluggish sales and declining foot traffic. Sales at Hudson's Bay's department store group, which includes Lord & Taylor, fell 1.6% in the three months

to July 29.

Joining with Wal-Mart would help draw shoppers to Lord & Taylor's website, which attracted an average of 849,000 unique monthly U.S. visitors from February through July, according to comScore.

That compares with 160 million for Amazon.com and about 79 million for Wal-Mart.com.

Smaller brands and retailers are wrestling with how to balance exclusivity with the need to grow online as Amazon and Wal-Mart get bigger, said Roshan Varma, vice president in the retail practice at AlixPartners, a consulting firm. "It's a little bit of a prisoner's dilemma. Are you going to defect or stay on your own?"

Higher-end brands have shied away from joining with Wal-Mart because of its discount roots. But several

brand executives said they need to rethink their approach to compete in a world increasingly dominated by Amazon.

Under the plan, walmart.com would give Lord & Taylor dedicated space on its website, but Lord & Taylor will continue to operate its own website. In the future, shoppers ordering from lordandtaylor.com would be able to pick up and return items at Wal-Mart's 4,700 U.S. retail stores, said one of the people familiar with Wal-Mart's impending deal with Lord & Taylor. Wal-Mart executives said in recent weeks the company is working to allow returns from third-party online sellers at U.S. stores.

The department-store chain will own the inventory and fulfill orders from the site. "The only difference," the person said, is that it happens to be on walmart.com.

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ONLINE

Continued from page B1

scoared a coup in June when Nike Inc. agreed to sell some of its products directly to the e-commerce company, and over the years it has reached agreements with department store stalwarts such as Calvin Klein, Kate Spade and Levi Strauss.

Amazon has also extended its reach into physical stores, buying grocer Whole Foods, and striking a deal with department store Kohl's Corp. that lets shoppers return goods bought on Amazon at 82 Kohl's locations.

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MORE THAN JUST A FAD

FITNESS FANATICS FUEL LUCRATIVE INDUSTRY, P4

Automated and Open Around the Clock

By WANG ZHUOQIONG

On the first floor of a residential building outside the Renmin University of China campus in Beijing, young college graduates pop into an automated self-service convenience store.

They scan their QR codes to enter the shop and pay for their favorite items by using WeChat at a special checkout point before leaving.

After their first visit, facial recognition programs allow shoppers to get in and out of the 24-hour outlet without using QR codes.

Novel, yes. Unique, no, as this is just one of 12 cashier-free outlets unveiled by Xiaomai, short for Xiao Maipu Technology Development Co. Ltd., in Beijing.

By the end of the year the number is expected to rise to more than 50 shops.

"Staff-less stores can reduce the high costs that often keep traditional convenience stores from fast expansion and healthy revenue growth," said Quan Bin, deputy general manager at Xiaomai.

The company has always catered for communities in colleges and universities. But last year it upgraded its technology, turning its outlets into cashier-free zones.

In April Xiaomai opened its first automated store.

In July Aplus Capital and Chenshan Capital invested 125 million yuan (\$18.5 million) in the company. Xiaomai plans to use the cash to build up its supply chain and upgrade its products and system.

Most of the outlets are only 24 square yards, the

size of a tiny room, and sell about 600 different kinds of products.

They are all automated with just one member of staff packing shelves. In-store cameras keep an eye on shoppers, while big data analysis highlights what products are hot and what are not among customers.

Xiaomai is not the only company in the automated store sector. Alibaba Group Holding Ltd. opened Tao Cafe, a cashier-free retail store, on July 8. It uses a facial and voice recognition system.

BingoBox is another company in the field. The Guangdong startup plans to open 5,000 automated outlets throughout China over the next 12 months after receiving 100 million yuan in first-round funding.

The market could become extremely crowded with technology and customer experience deciding the winners and losers.

"Benefits will become more evident when technology matures," said Jason Yu, general manager of Kantar Worldpanel China.

"At the moment no one can offer it at a good level of scale, and the customer experience is still quite poor. It is not superior to a vending machine."

Still, just as crucial are the products and getting the selection right, as well as the supply chain.

"The nature of convenience stores will not change through the evolution of technology," Quan of Xiaomai said. "Ultimately, merchandise selection, quality management and excellent supply chains are vital to survival."



An automated store opened by Xiao Maipu Technology Development Co. Ltd. in Beijing. ZHAO NAIMING / FOR CHINA DAILY



Heart to Heart

Shafiq Bilal, from Afghanistan, and nurse Li Yanmei form hearts with their hands on Sept. 13 after he was treated for congenital heart disease at a hospital in the Xinjiang Uygur autonomous region. A group of Chinese doctors conducted free examinations in August for children from birth to 14 years old in Kabul. Courtesy of the Red Cross Foundation of China, more than 20 children diagnosed with the disease underwent surgery in China.

WANG JING / CHINA DAILY

Foreign Financial Firms Gear Up for New Era

Leading policymakers pledge to further relax overseas investment restrictions to counter the decline in capital inflows. **Li Xiang** reports

China is accelerating plans to open up the financial industry, with leading policymakers pledging to relax foreign investment rules to counter the decline of capital inflows.

Industry insiders had expressed concern that the government's focus on containing systemic risks and reducing capital outflows would slow the pace of economic reform.

This in turn threatened to derail plans to give foreign banks and firms greater access to China's financial industry.

But those fears have been dispelled after the State Council, China's cabinet, vowed to further reduce market restrictions for foreign companies in the banking, securities and insurance sectors.

"The government's attitude this time is different from just putting out some vague slogans," said Qu Tianshi, an economist at ANZ Group, also known as The Australia

and New Zealand Banking Group Ltd.

The State Council's decision means that ministries will now have to come up with timetables and blueprints as regulations are rolled back.

It also comes at a time when inward foreign investment fell 1.2% to 485.4 billion yuan (\$74.9 billion) between January and July compared with the same period last year.

Opening up the industry is part of China's efforts to deepen economic reform, with President Xi Jinping calling for a more robust financial sector while guarding against systemic risks.

Economists and analysts stressed that China is better positioned than before to further loosen financial regulations with stable economic growth, a stronger currency and a more sophisticated business environment.

"The Chinese economy (is now) integrated with the global economy," Qu said. "China should have a more open

financial sector to reflect its economic status and to adapt to the trend of globalization."

Since the start of the year China has made concerted efforts to open up the financial industry and capital markets.

In July China introduced Bond Connect. The financial link between the mainland and Hong Kong means that overseas investors could trade for the first time in mainland bonds without setting up onshore accounts.

Foreign investors had already been given wider access to the Chinese stock markets in Shanghai and Shenzhen through the QFII, or qualified foreign institutional investor, program.

They also gained further entry through the RQFII, the renminbi qualified foreign institutional investor scheme between the Chinese mainland and Hong Kong in trading bonds and shares.

SEE "MONEY" ON P4



Two participants prepare for an AI competition for teenagers on Aug. 13, in Suzhou, Jiangsu province. WANG JIANZHONG / FOR CHINA DAILY

Ax Falls on Illicit Bitcoin Dealings

By CHEN JIA

China's crackdown on bitcoin exchanges is a sign that the top regulator no longer tolerates cryptocurrency trading in the country as it has fueled illegal fundraising and cross-border money laundering, experts said.

Two of China's bitcoin exchanges, Huobi and OKCoin, announced on Sept. 16 that they will halt all virtual currency trading by the end of October, after they "received the notice and guidance from the regulators," according to their websites.

The Beijing News reported that senior managers of these two exchanges were forbidden to leave Beijing, and were required by financial regulators to cooperate with further investigations.

It followed an announcement by BTCChina, one of the country's biggest bitcoin exchanges, that it would close its trading platform by the end of September.

"It is unlikely that cryptocurrency trading will resume in the short term, as the financial regulators have made this decision," said Deng Jianpeng, a professor at the Law School of Minzu University of China.

Without mature and special laws on bitcoin trading, the cryptocurrency's exchange was seen as a channel to transfer personal assets overseas, which is supposed to be under the supervision of the country's foreign exchange administration.

SEE "BITCOIN" ON P4

AI Industry Needs Brains

By OUYANG SHIJIA

Gao Jianqing was searching for the job of his dreams nearly 11 years ago.

Fresh from graduating at the School of Computer and Information at Hefei University of Technology, he was looking to break into the artificial intelligence industry.

It was a challenging period, a brain-teaser as complex as AI.

"Back then, artificial intelligence was not a subject that cropped up," Gao said of his time after leaving college in Anhui province.

"It would take many years before AI became a hot topic like it is today. Most of my classmates chose to work for the booming internet and software sectors instead of choosing AI-related jobs."

Gao finally found the right opening to go with his passion for voice recognition technology and joined iFlytek Co. Ltd. in 2006.

The fledgling firm, which was at the forefront of voice recognition development, had an AI research institute in Anhui.

Since then it has developed into one of Forbes' Most Innovative Growth Companies in Asia, with a core business that includes speech technology research, development and marketing of software applications, system integration and hardware products.

"Over the past decade the number of AI employees at the institute has grown at a high rate," said Gao, 34, who is now vice-president of iFlytek's AI research institute.

"We have about 500 staff in the institute, up from 15 in 2005."

In August the Shenzhen-listed company reported that revenue in the first half of the year rose 43.79% to 2.1 billion yuan (\$324 million) compared with the corresponding period in 2016.

SEE "AI" ON P2

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21 China

AI: Finding Right People Is the Biggest Challenge

FROM PAGE 1

Gross profit came in at 1.03 billion yuan during the first six months, up 47%. Net profit fell 58% to 107.28 million yuan as the firm invested heavily on expanding its operations.

Part of that included an aggressive hiring policy to attract the brightest and the best to work on smart voice technology projects and other AI ventures.

In the past few years, iFlytek has set up a series of research labs with domestic and overseas universities and institutes, including Tsinghua University in Beijing, University of

Science and Technology of China in Anhui province, Harbin Institute of Technology in Heilongjiang province and York University in Canada.

"Collaboration is of mutual benefit to our company and the academic world," Gao said. "We offer business insight and data, while the schools provide cutting-edge research and expertise."

"During the process, we work together to train talented people in new AI-related skills."

With big data and mobile internet technology sectors booming, China has quickly developed a thriving AI industry. But finding the right people

has been crucial to its success and vital for its future development.

Many of China's big internet players are looking at overseas options to stay one step ahead of the competition.

Tencent Holdings Ltd., known for its popular messaging service WeChat and gaming sites, announced in May that it would open a research laboratory in Seattle.

Heading the operation will be a former Microsoft research scientist, Yu Dong.

"We hope the AI facility will not only be a laboratory, but also a connector to bring together the world's leading talent," said Zhang Tong, director of

Tencent's core AI lab and former big data director at Baidu Inc.

In many ways Tencent is following in the footprints of Baidu. The Chinese search engine opened an AI lab in Silicon Valley nearly three years ago and has since set up a second facility.

The Chinese ride-hailing company Didi Chuxing has a research operation in the same area.

Naturally, signing up exceptionally talented professionals for the next wave of R&D in artificial intelligence has become a priority.

A report by the networking site LinkedIn showed that out of a total of 1.9 million technical AI professionals in

the world only 50,000 work in China.

Up to 850,000 are employed in the U.S., which still dominates the sector, the report said.

But apart from the U.S., China has the greatest market potential, said Wang Di, vice-president of technology at LinkedIn China.

Gao, of iFlytek, said: "There are sufficient AI-related professionals in terms of image recognition coming from domestic colleges and universities."

And many leading global researchers also have Chinese backgrounds, which will help us recruit them."

News Digest

E-commerce zones to be extended

China will set up more cross-border e-commerce pilot zones to facilitate trade and boost its global competitiveness, according to a decision made at a State Council executive meeting chaired by Premier Li Keqiang on Sept. 20. It was decided to extend the success of such zones to more cities that have good infrastructure and strong potential for trade and e-commerce development.

The State Council set up the original initiative in Hangzhou, Zhejiang province, in 2015 before it was expanded to another 12 cities, including Shanghai, Tianjin and Chongqing, starting early last year.

Central bank injects fresh funds

China's central bank on Sept. 14 injected fresh funds to the money market via reverse repos to keep liquidity stable. The People's Bank of China pumped 100 billion yuan (\$15.3 billion) into the financial system through a process by which the central bank buys securities from commercial banks through bidding with an agreement to sell them back in the future. The operations included 60 billion yuan seven-day reverse repos priced to yield 2.45%, 30 billion yuan of 14-day contracts with a yield of 2.6% and 10 billion yuan of 28-day agreements with a yield of 2.75%.

The central bank has increasingly relied on open market operations for liquidity management, rather than cuts in interest rates or reserve



45 years of 'ping-pong diplomacy'

Former ping-pong world champion Zheng Huaiying plays a demonstration game at Killerspin House in Chicago on Sept. 16 to celebrate the 45th anniversary of the so-called ping-pong diplomacy between China and the U.S. She participated in those 1972 games that helped open a dialogue between the two nations. WANG PING / XINHUA

requirement ratios. China set the tone of its monetary policy in 2017 as prudent and neutral, keeping appropriate liquidity levels but avoiding excessive liquidity injections.

Mobike hits the road in U.S.

Mobike, one of China's biggest bike sharing brands, announced its entry into the U.S. market on Sept. 20. Mobike's signature silver and orange dock-less bicycles are now on the streets of Washington, D.C., making the U.S. the company's seventh overseas market, following Britain,

Italy, Japan, Singapore, Thailand and Malaysia.

"We are very excited that Washington has become our first destination in the North American market," said Mobike's founder Hu Weiwei. "Mobike is dedicated to cultivating bike-sharing culture by working with cities across the globe. Entering the U.S. is a key step. We look forward to working with more cities in the U.S. to make cycling the most comfortable, economical, and environmentally friendly transportation."

Airbus opens new center in Tianjin

The aircraft manufacturer Airbus Group SE on Sept. 20 inaugurated its first overseas wide-body completion and delivery center in Tianjin, and delivered its first European and Chinese made wide-body A330 aircraft to Tianjin Airlines from the new plant.

The Tianjin center will cover aircraft completion work, including cabin installation, body painting and flight tests, as well as customer endorsement and aircraft delivery. It will employ more than 250 people in total and will be able to deliver two aircraft a month by early 2019.

Ready for shopping extravaganza

Delivery firms and pickup stations are getting ready for the world's largest shopping festival on Nov. 11 organized by the e-commerce giant Alibaba Group Holding Ltd., as its logistics arm Cainiao Network Technology Co. Ltd. prepares for the event with a vast, military-scale campaign.

The number of parcels generated in the promotion from Nov. 11 through 16 is projected to smash last year's record of 657 million to hit 1 billion, putting more pressure on couriers as they battle against traffic congestion to satiate customers' appetite for same-day delivery, said Yu Yan, an official in charge of courier supervision with the State Post Bureau.

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CONTACT US

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15 Huixin Dongjie, Chaoyang, Beijing, China 100029
+86 (0) 10 64918366
chinawatch@chinadaily.com.cn
Advertising:
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+1 212 537 8888
editor@chinadailyusa.com

China Daily Asia Pacific

Room 1818, Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong
+852 2518 5111
editor@chinadailyhk.com
editor@chinadailyasia.com

China Daily U.K.

90 Cannon Street, London EC4N 6HA
+44 (0) 207 398 8270
editor@chinadailyuk.com

China Daily Africa

P.O.Box 27281-00100, Nairobi, Kenya
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Innovation Special



Attendees from Guangzhou and Silicon Valley pose at the promotional event for the Fortune Global Forum 2017. PROVIDED TO CHINA DAILY

Seeds of Fortune Sown in Four Corners of the Globe

By ZHANG ZHAO

The government of Guangzhou, the host city of the Fortune Global Forum 2017 in December, recently held promotion campaigns for the forum in San Francisco and Barcelona, the last two stops of a global promotion program.

Events also took place in 12 other cities, including Beijing, Paris, Hong Kong, Tokyo, Munich and London. The 14 events attracted representatives from more than 2,000 companies, including Fortune Global 500 enterprises. At the Beijing event alone, representatives of more than 200 companies took part.

Each campaign not only raised awareness of the forum, but also included visits to local companies and media exchanges.

The promotion campaign has helped to attract global companies to the forum and to introduce Guangzhou's business opportunities to the outside world, drawing attention from high-quality international projects, technology and personnel, Guangzhou officials said.

By the end of last month, about 140

Fortune 500 companies had decided to take part in the forum, and the final number is expected to exceed 200. More than 80 people from 58 Fortune 500 companies have registered for the event, including 36 CEOs.

The organizers have invited another 116 global industry-leading companies, 50 of which have confirmed their attendance. About 40 had registered by the end of last month.

The theme of the forum, "Openness and innovation: Shaping the global economy," demonstrates a focus that fits perfectly with our meeting location in Guangzhou, China's southern gateway to the world and a fast-moving center of innovation," said Alan Murray, president of Fortune magazine.

"As a center of international trade for many centuries, Guangzhou is both a renowned symbol and a modern manifestation of China's participation in global commerce.

"Guangzhou is well-known as a business-friendly city, one that has established economic and trade relationships with more than 200 countries and regions on five continents."

Global Honors

In June Guangzhou ranked 40th among 361 global cities in the World Urban System Rankings, published by the Globalization and World Cities Research Network, becoming a first-tier international city for the first time.

In March the city was named the top Chinese city of opportunity for the second consecutive year in a study by the Chinese Cities of Opportunity.

Last December, Guangzhou retained its top spot among Chinese cities in the China Sustainable Cities Report 2016: Measuring Ecological Input and Human Development, issued by the United Nations Development Program.

The report showed that Guangzhou achieved balanced development and the highest level of comprehensive development among Chinese cities.

The city has topped Forbes' China List of Best Cities for Business five times in the past six years.

city's development, he said.

Cai said Guangzhou has established long-term cooperation with Fortune magazine. As a result, the international version of the Fortune Brainstorm Tech will take place in Guangzhou on Dec. 5 and 6. It is the first time the event will have been held outside the U.S.

The local government has set up a Chinese innovation award with the magazine, the first technological innovation competition Fortune has conducted in China.

The event will select Chinese startups with great potential to become innovative leaders through three phases of competition.

Candidates must have been founded no longer than five years ago and have an annual income of less than 200 million yuan (\$29.9 million). They can be involved in e-commerce, financial technology, artificial intelligence and robotics, mobility, green technology, entertainment or education.

The five companies that make it to the final will be invited to the Fortune Global Forum 2017.

The activity is expected to attract the world's attention to China's innovation and entrepreneurship, Cai said.

Go-ahead Guangzhou Sets Stage for Progress

By CHEN MEILING

The Fortune Global Forum 2017, to be held in Guangzhou, Guangdong province, will focus on the major challenges multinational corporations face as a result of modern economic reforms.

A new innovation revolution is emerging in the digital era. Industries are being transformed by advanced technologies, including artificial intelligence, biotechnology, the internet of things and autonomous vehicles.

This year's Fortune Global Forum, in December, aims to explore these trends, both in China and throughout the world, providing clarity for decision-makers as they seek new opportunities with less risk in the emerging innovation revolution, according to the event organizers.

Key topics under discussion will include innovative reforms, a globalized future, 21st-century leadership and sustainable development.

Cai Chaolin, director of the forum's executive committee, said openness and innovation is in Guangzhou's genes and conforms to the global trend.

The city's role as the event's host shows Fortune Global 500 companies' and multinational enterprises' optimism for the



Cai Chaolin, director of the executive committee of Fortune Global Forum 2017, speaks at the New York promotional event. PROVIDED TO CHINA DAILY

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Beijing Special | 3

CHINA DAILY



The Beijing government is aiming to create a new look for the capital, which combines a traditional image with modernity. LUO XIAOGANG / XINHUA

Beijing Makeover Underway

Overhaul campaign restores capital's original look and tackles emissions. **Li You** reports

The municipal government of Beijing has launched a long-term campaign to renew the city's look, restore its traditional relics and tackle pollution.

During the first half of 2017, Beijing residents witnessed a citywide campaign pushed by the Beijing government to address unauthorized modifications to the walls of residential buildings.

The basements or ground floors of some residential apartments had been modified to house shops or restaurants on the street level.

Since the 1980s, many landlords have modified their ground floors for private businesses and rented their houses to shopowners for lower prices than commercial spaces.

However, these transformations caused safety hazards. Some properties changed the original layout of the buildings, damaging their structural integrity. Others constructed unauthorized parts in public areas.

No. 42 Sanlitun South, located in Chaoyang district, used to be called "Dirty Bar Street" by locals. Tian Liming, a resident who has lived there for 50 years, regarded the bars, nail salons and DVD shops that once inhabited in the neighborhood as "tumors."

"The street in front of the residential building was constantly covered in trash, as well as vomit and urine from people who got drunk in the bars at night. It became smelly and sticky. That's when people started calling it Dirty Bar Street," Tian said.

It became difficult to see the

45.85

million square yards

of illegal construction were removed in Beijing by August

exterior walls of the buildings. Neighbors began to worry about the safety of the buildings, according to Tian.

At the beginning of 2017 the Beijing municipal government proposed 10 major measures to refresh the city's look, including recovering its original appearance, removing unauthorized building entrances and relieving population pressure in central urban areas.

On April 24, 33 businesses based in No. 42 Sanlitun South with unauthorized modifications were asked to restore the original design. The exterior walls of the buildings were reconstructed with bricks. The unauthorized openings created by damaging the exterior walls were permanently shut.

"Because the apartments are partly underground, we had to renovate them to ensure they wouldn't flood. Then we planted flowers," said Zhao Yong, an official at the local urban management office.

After the restoration work, the number of shops and businesses in Beijing dropped.

To provide a convenient life for residents, the city built more than 3,000 booths for shops to sell daily necessities such as food by the end of July.

"To improve the quality of our

management, the process should be implemented like embroidery. We should stick to the practical problem and persist in our work. The value of our work should be judged by the satisfaction of the people we are serving," said Cai Qi, Party chief of Beijing.

By August, a total of 45.85 million square yards of illegal construction were removed.

In the past eight months, the urban management office dealt with 103 unauthorized openings on average each day.

Pollution

Blocking off unauthorized entrances in residential buildings is far from the only measure taken to renew the city's look. In mid-September, Beijing announced it will adopt tougher protocols to deal with air pollution.

The Beijing Commission of Housing and Urban-Rural Development announced the suspension of construction during the winter heating season, in an effort to improve the city's air quality.

Any work that may cause dust, including demolition and outdoor earthwork, will be shut down from Nov. 15 to March 15, the entire heating season.

The announcement follows the capital's newest emergency response protocols for air pollution, which is the fifth modified version.

The latest version proposes compulsory measures to cut airborne pollutant emissions.

In Beijing and other Chinese cities, the air pollution emergency response

system has four levels, from blue — the lowest — through yellow and orange to red.

The fourth version of response protocols required the manufacturing industry to stop production if the pollution reaches the orange level. But the newest version has reduced the threshold to yellow.

By the end of the year, the concentration of PM2.5 — particulate matter with a diameter of less than 2.5 microns — should meet the requirement of being lower than 60 micrograms per cubic meter (1 cubic meter is equal to 35 cubic feet) on average, according to the city's Bureau of Environmental Protection.

Culture, history

Beijing, as a historical city established more than 3,000 years ago, has a glorious history. According to the Beijing government, there are 3,840 immovable cultural relics, 126 national-level key cultural relics and 216 municipal-level cultural relics in the city.

The Beijing government has put great effort into restoring the city's historical relics. Through the campaign to remove unauthorized entrances, Beijing's hutong, or traditional alleyways, were also covered.

Chen Jining, deputy Party chief of Beijing, said the rich historical and cultural heritage in Beijing is its golden name card.

"Cultural relics are precious and cannot be rebuilt once lost. We should carry out more archaeological activities, teaching the public about the cultural relics protection work."

New Funds, Policies Aim to Improve Lifestyles

By YUAN SHENGGAO

In recent years, Beijing has improved its civil affairs policy environment and will stress the needs of the people, pay attention to their concerns and ease "big city malaise," according to Cai Qi, Party chief of Beijing.

He said that a balanced urban-rural public service system is in the planning stages, aiming to ensure that residents can receive education, see doctors, earn a reasonable salary, afford accommodation and have a sense of security.

Statistics from the Beijing Municipal Bureau of Civil Affairs show that the funds earmarked for civil affairs grew to 22 billion yuan (\$3.32 billion) in 2017, a 65.4% increase on 2012, aiming to serve 4 million residents.

The minimum living standard, a government subsidy for low-income families, was recently unified in rural and urban areas for the first time, now set at 900 yuan per month.

More than 420,000 urban residents and 275,000 rural residents found jobs with the support of the local government since 2012, according to the Beijing Municipal Human Resources and Social Security Bureau.



Senior residents receive care at a pension service center in Fengtai district, Beijing. LI XIN / XINHUA

The employment rate for Beijing graduates remains at 96%, while the registered unemployment rate in urban areas stands within 1.55%, the bureau said.

It provided subsidies of up to 10.96 billion yuan to help about 1.2 million people to find a job from 2012 to 2017.

Cai said the city will also announce more policies to encourage entrepreneurship and strengthen career training to ensure income growth in line with economic development.

Data from the Beijing Municipal Commission of Health and Family Planning showed the average life expectancy of Beijing residents has reached 82.03 years.

To ease the pressure of its aging population, the city is working on shifting the traditional organization-based care for the elderly model toward community or home-based care, Cai said.

Beijing has launched China's first regional regulation for home-based elderly care, mapping out the standards for catering, quality of life and medicine allocation, according to the Beijing Civil Affairs Bureau.

The number of newly built service stations in communities reached 350 in the last five years.

"We are constructing a more professional operating model to meet the diverse demands for elderly care based on residential and community resources," Cai said.

The local government is also making efforts to construct a healthy and stable real estate industry to help more people to meet their residential needs.

Public profit-rented houses targeting low and middle-income families were allocated to 146,800 people by June, according to the Beijing Municipal Commission of Housing and Urban-Rural Development.

In April, the commission released a plan to rent or sell 30% of specified preferential houses to new Beijing residents who emigrated from other parts of China, receiving a favorable response from the public, it said.

Memory Chip Tech Achieved With Local Government Support

By LI YOU

Smartphone users always complain about their short battery life and computer users rage if power is cut before they save their documents; but recently developed Chinese chip core components could save them from these issues in the future.

In May, researchers from Beihang University and the Institute of Microelectronics of the Chinese Academy of Sciences announced they will deliver fully functional core components of 80nm STT-MRAM, or shared transistor technology random access memory, by the end of 2017.

The project was sponsored by the Beijing Municipal Science & Technology Commission. After three years of research, the latest generation of MRAM technology, the Magnetic Tunnel Junction of 80nm diameter, has been created.

Memory is one of the most important parts in electronic systems. At present, most electronic devices, including mobile phones and computers, use traditional memory systems that tend to lose data if shut down unexpectedly.

"STT-MRAM is based on the spin of an electron to store data. It has the advantages of a large storage capacity and fast storing speed.

Once the electricity is cut off, it won't lose the data that has been input," said Cao Kaihua, a PhD candidate from Beihang University.

He is one of the main participants of the project.

Zhao Weisheng, a professor at Beihang University and the manager of the project, said that the Beijing Municipal Science & Technology Commission and the Education Commission have backed them up with practical support.

"The project initiated by the Beijing Education Commission allowed us to recruit more PhD students and excellent researchers. The Beijing Municipal Science & Technology Commission has assigned us sufficient project funding," according to Zhao.

"Thanks to their support, we gained the opportunity to undertake this major project ourselves."

As creating STT-MRAM required a large amount of new materials, a new circuit structure and new processing technology, the fabricating process was very challenging, Zhao said.

However, studies into the technology are not yet completed, he added.

The technology patents involved in its fabrication have not been concentrated in one or two research institutes or companies,

meaning each of the parties still has the potential to develop and improve on the technology.

The research conducted in creating STT-MRAM reached foreign institutes' standards, but the quality of the research equipment still lags behind international peers, and high-profile workers are still in short supply, Zhao said.

"Our researchers spared no efforts in researching STT-MRAM in the past three years. We believe that we can finally create the fully functional 80nm STT-MRAM in the coming years," Zhao said.

Zhao's project is one of the projects funded by the Beijing local government. Beijing is focusing on cultivating innovation-driven projects and industry upgrades.

In 2016, the amount of research and development expenditure in Beijing reached 148 billion yuan (\$22.48 billion), an increase of 5.8% from 2011. That accounts for 6% of the city's GDP, ranking No. 1 in the country and higher than the average level of developed countries. The measures the Beijing government rolled out to boost technology and research have begun to take effect.



An intelligent robot catches visitors' eyes at the third National Mass Entrepreneurship and Innovation Week in Beijing. ZHANG CHENLIN / XINHUA

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CHINA DAILY

4 | Business



As the pursuit of fitness becomes more popular in China, sports brands want to be at the forefront of the development of this culture. PROVIDED TO CHINA DAILY

It's All to Play For

The multimillion sports apparel industry is determined to ensure that in China, fitness is not just a fad. **Sun Yuanqing** reports

When the Brazilian Neymar made headlines recently after becoming the world's most expensive soccer player, in a transaction worth 222 million euros (\$261 million), it highlighted once again that when all is said and done big sports are big business.

In the recent highly popular TV drama in China, *The First Half of My Life*, Tang Jing, who plays one of the show's heroines, helps forge her on-screen persona by being portrayed following a daily fitness routine garbed in a popular brand of sportswear.

While Neymar and others in top-league competitive sports grab headlines because of the huge sums of money they command, it is the likes of Tang who are the frontline marketeers as multinational corporations fight for the huge revenues at stake in the world of sports and personal fitness.

At stake in China is a personal fitness market that the marketing consultancy Euromonitor reckons has almost doubled over the past five years. The value of sales of sports clothing alone was 187 billion yuan (\$27.8 billion) last year, 11% higher than the year before, it says.

China's national fitness plan administered by the central government forecasts that by 2020 spending related to sports will be worth 3 trillion yuan, making it a major new driver for domestic consumption.

Indeed, China is one of the fastest growing markets for international brands such as Nike, Adidas and Puma, whose profits are swelling as more and more people engage in sports.

Adidas held an event called Republic of Sports in China this summer, setting up indoor venues in four cities — Beijing, Shanghai, Chengdu and Guangzhou — to provide sports and fitness experience for visitors.

More than 100,000 people took part in the national fitness campaign with the brand within six weeks.

The passion for sports has developed rapidly in the country over the past few years, says Marc Le Roux, vice-president of Sports Performance, Adidas China.

“

Chinese consumers, while interested in the performance benefits of specific products, are also very focused on the design, style and fit of a specific product.”

ERICK HASKELL
MANAGING DIRECTOR OF UNDER ARMOUR
GREATER CHINA AND KOREA

\$27.8

billion

The value of sales of sports clothing in China last year, according to the marketing consultancy Euromonitor

It is important to make these activities attractive so the interest they stir in people is not just a flash in the pan, he says.

“For people who start sports, creativity is very important. We know that if we do sports, if we swim, if we run, it can be boring at times because it's very repetitive. If you don't bring a bit of creativity you will lose interest, so by adding creativity in the sports you practice, you keep the interest going and it pushes you to the next level.”

Experiential marketing has become more and more significant for all brands.

Only 10 years after the Korean sports brand Kolon Sports entered the Chinese market it has 230 stores in China. The company, which founded a hiking school to cater to the rising number of outdoor enthusiasts, focuses on sports jackets, says Park Chang Yong, Kolon's vice-president.

While Nike and Adidas remain the most popular sports brands in China, new brands are also doing well.

Since the American sports brand Under Armour entered China in 2011 it has enjoyed huge, consistent growth, its sales figures more than

doubling every year, it says.

It now has 179 new stores in 19 cities and says it expects this to increase to 473 stores in 79 cities by the end of this year. It recently opened the Hangzhou Kerry Center store, its biggest brand house in China.

The label is now capitalizing on tremendous opportunities in e-commerce. In addition to official online shops in the mainland, Hong Kong and Taiwan it has opened stores on TMall.com and JD.com.

“Chinese consumers, while interested in the performance benefits of specific products, are also very focused on the design, style and fit of a specific product,” says Erick Haskell, managing director of Under Armour Greater China and Korea.

“Therefore, our goal is to market these aspects of the product prominently through both our in-store and online shopping experience. We've been optimizing our products and shopping experience (offline retail and simultaneous online offers), in compliance with demand and the preferences of local consumers.”

The brand also provides customers the chance to interact with top sportsmen and sportswomen with events such as the Stephan Curry Tour, the 2016 Michael Phelps China tour and the 2017 Tom Brady China Tour.

Kolon Sports has signed Tang Wei and Song Joong Ki as brand representatives to reach out to young people. The brand is also looking for collaboration with designers.

Puma has worked with the singer Rihanna, and industry observers say she has added zest to the brand, its collection Fenty X Puma, with whose marketing the singer was closely associated, becoming one of the most sought-after products on the market.

Wearable devices have become sales winners for international brands, too. Last year Nike put on the market its Hyper Adapt Trainer 1.0, billed as the first shoes that can tie themselves up. Puma also has its own self-lacing sports shoes, called Autodisc, and Decathlon has developed sports underwear that can detect the wearer's heart beat.

Money: Light Goes Green As Red Tape Is Slashed

FROM PAGE 1

At the end of June HSBC Holdings Plc became the first foreign bank to receive regulatory approval to set up a majority-owned securities joint venture in China.

The United Kingdom-based global lender took advantage of the decision by Chinese regulators to relax the rules on foreign banks setting up in the country.

HSBC Qianhai Securities Ltd., in which HSBC owns a majority stake, is expected to be open for business by the end of the year.

Irene Ho, general manager and CEO of the securities joint venture, said the securities brokerage will be involved in underwriting and cross-border mergers and acquisitions.

“The joint venture will enrich the variety of our products available to our mainland clients and allow us to benefit from the opening and growing capital market of the Chinese mainland,” Ho said.

While major foreign players have started making inroads into the financial industry, their presence remains limited.

The assets of foreign lenders accounted for less than 2% of the total Chinese banking sector, while foreign insurers have only 5% of market share on the mainland.

When you look at the global numbers, those figures are tiny.

Economists at Deutsche Bank, one of the leading lenders in Europe, estimated that the global market for financial assets was worth about \$294 trillion in 2015.

Analysts expect to see a breakthrough in Chinese sectors such as insurance and wealth management as the country's affluent middle class search for more sophisticated financial services and products.

The country's leading insurance regulator, the China Insurance

Regulatory Commission, announced it would further reduce market restrictions for foreign firms.

By cutting red tape, the commission hopes to encourage overseas companies to enter areas such as personal insurance, healthcare and retirement funds.

As part of this easing in policy, more foreign asset managers and hedge funds have been given the green light to develop onshore products.

They will also be able to manage assets for institutional and high-net-worth investors from the mainland.

UBS Asset Management plans to issue one or two products in China this year after the regulator granted the Swiss firm a license to introduce private funds.

“Localization is the key,” said Aries Tung, head of strategy and business development for China at UBS Asset Management.

“We want to provide tailor-made and flexible investment solutions that meet the needs of Chinese clients.”

Wan Zhe, chief economist at the International Cooperation Center, a think tank affiliated to the National Development and Reform Commission, believes the presence of foreign firms will bring financial expertise and more capital into Chinese markets.

Hopefully, this will trigger market-inspired reform of the financial sector.

“Ranging from stocks to bonds, Chinese assets have attracted growing attention from foreign institutions and investors,” Wan said.

“Their presence will draw more capital into the country and will also help lift the global profile of the Chinese currency.”

Jiang Xueqing and Zhuang Qiange contributed to this story.



Banners of financial institutions on Pudong Avenue in Shanghai's financial district. YAN DAMING / FOR CHINA DAILY

Bitcoin: Game Is Over

FROM PAGE 1

Speculative investment fueled bitcoin's surge to about \$5,000 earlier this year, marking a five-fold increase since the end of last year.

Du Yan, executive director of the Asia-Pacific Future Financial Research Institute, said the regulators' crackdown is “reasonable and just in time” to cool down irrational investment and prevent potential financial risks.

The regulatory cost, from illegal fundraising and cross-border money laundering emerging from bitcoin trading, is much higher than the innovation benefits from the cryptocurrency, pushing policymakers to make the decision, Du said.

The crackdown, Deng of Minzu University said, will not spark market panic because the investors have slowly digested the facts as the information has been gradually put out by media and the exchanges since early September.

The People's Bank of China, the central bank, ruled earlier that initial coin offerings were illegal because they had become a tool to raise funds bypassing the traditional regulatory system.

The National Internet Finance Association of China also warned investors earlier that bitcoin and other virtual currencies lacked a clear base for valuation, and had become tools for illegal fundraising, money laundering, drug dealing and smuggling.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

23163.04 ▲ 5.44, or 0.02%
High, low, open and close for each trading day of the past three months.

Current divisor 0.14523396877348



Bars measure the point change from session's open

Weeklies P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2562.10 ▲ 0.84, or 0.03%
High, low, open and close for each trading day of the past three months.

All-time high 23163.04, 10/19/17



65-day moving average

20500 21000 21500 22000 22500 23000 23500

July Aug. Sept. Oct.

2380 2410 2440 2470 2500 2530 2560

July Aug. Sept. Oct.

Nasdaq Composite Index

6605.07 ▼ 19.15, or 0.29%
High, low, open and close for each trading day of the past three months.

All-time high: 2562.10, 10/19/17



6100 6200 6300 6400 6500 6600

July Aug. Sept. Oct.

6000

6100 6200 6300 6400 6500 6600

July Aug. Sept. Oct.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	23167.24	23052.67	23163.04	5.44	0.02	23163.04	17888.28	27.5	17.2	12.2
Transportation Avg	9887.91	9790.58	9886.51	-13.16	-0.13	10038.13	7967.02	23.0	9.3	6.7
Utility Average	747.96	740.29	747.86	8.24	1.11	754.80	625.44	13.6	13.4	10.0
Total Stock Market	26564.02	26406.16	26561.57	3.62	0.01	26561.57	21514.15	19.9	14.1	10.6
Barron's 400	686.80	680.76	686.78	0.17	0.03	687.05	521.59	26.8	14.2	11.5

Nasdaq Stock Market

Nasdaq Composite	6605.29	6558.53	6605.07	-19.15	-0.29	6624.22	5046.37	26.0	22.7	15.8
Nasdaq 100	6092.87	6051.47	6092.62	-21.74	-0.36	6122.61	4660.46	26.1	25.3	16.9

Standard & Poor's

500 Index	2562.36	2547.92	2562.10	0.84	0.03	2562.10	2085.18	19.6	14.4	10.7
MidCap 400	1823.96	1808.85	1823.85	1.96	0.11	1823.85	1476.68	19.4	9.8	11.3
SmallCap 600	909.02	901.99	908.54	-3.04	-0.33	918.72	703.64	23.5	8.4	13.3

Other Indexes

Russell 2000	1502.97	1491.38	1502.04	-3.10	-0.21	1512.09	1156.89	23.1	10.7	11.5
NYSE Composite	12381.52	12322.13	12380.32	9.30	0.08	12380.32	10289.35	16.8	12.0	6.5
Value Line	543.25	539.27	542.85	-0.40	-0.07	545.78	455.65	14.5	7.2	5.6
NYSE Arca Biotech	4281.61	4217.26	4252.48	-20.80	-0.49	4304.77	2834.14	39.0	38.3	12.1
NYSE Arca Pharma	560.79	556.76	560.52	4.15	0.75	560.52	463.78	12.8	16.4	4.1
KBW Bank	99.79	98.39	99.60	0.16	0.16	100.76	73.36	35.5	8.5	14.2
PHLX® Gold/Silver	85.92	85.14	85.52	0.46	0.54	96.72	73.03	-2.2	8.4	3.5
PHLX® Oil Service	135.10	131.99	132.86	-1.63	-1.22	192.66	117.79	-19.5	-27.7	-17.9
PHLX® Semiconductor	1225.12	1206.34	1225.05	-3.11	-0.25	1228.16	802.88	50.0	35.1	28.7
CBOE Volatility	11.77	9.99	10.05	-0.02	-0.20	22.51	9.19	-26.9	-28.4	-23.0

\$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	% chg	After Hours	High	Low
SPDR S&P 500	SPY	7,669.8	255.84	0.05	0.02	255.92	255.23	
iShares MSCI Emg Markets	EEM	7,545.5	46.18	0.09	0.20	46.19	46.00	
VISA Cl A	V	3,514.9	107.02	...	unch.	107.25	107.02	
Van Eck Vectors Gold Miner	GDX	2,968.0	23.46	0.02	0.09	23.53	23.37	
Rice Energy	RICE	2,953.3	27.87	...	unch.	27.90	27.72	
PayPal Holdings	PYPL	2,762.6	69.93	2.68	3.99	71.50	66.55	
Apple	AAPL	2,577.1	155.98	...	unch.	156.39	155.25	
HP	HPQ	2,450.2	21.96	...	unch.	22.05	21.77	

Percentage gainers...

Axovant Sciences	AXON	15.4	22.92	17.12	295.15	22.92	5.80
Skechers USA Cl A	SKX	1,978.5	29.54	5.51	22.93	29.79	24.03
Atlassian Cl A	TEAM	35.8					

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, ISYE 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.

Footnotes:
 i-New 52-week high.
 j-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 h-Does not meet continued listing standards.
 If-Late filing
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

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 19, 2017

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BANKING & FINANCE

Travelers Net Sinks on Hurricane Losses

BY IMANI MOISE
AND LESLIE SCISM

Travelers Cos. said earnings declined 59% in the third quarter as results were battered by a severe hurricane season.

The insurance firm said Thursday that its catastrophe losses, net of reinsurance, totaled \$455 million during the quarter, compared with the range of \$245 million to \$490 million it provided in mid-September for Hurricane Harvey alone. The company's catastrophe losses were \$89 million a year ago.

Overall, Travelers reported net income of \$293 million, or \$1.05 a share, compared with \$716 million, or \$2.45 a share, a year earlier. Revenue, which includes investment income, rose 5%, to \$7.3 billion.

Chief Executive Alan Schnitzer said the third-quarter results amounted to "a considerable profit in one of the costliest hurricane seasons on record." Last month, Travelers paused its share-buyback program as it assessed the impacts of hurricanes Harvey and Irma.

Travelers' shares advanced 2.4%, to \$133.17, on Thursday.

New York-based Travelers is among the largest sellers of insurance to U.S. businesses



REUTERS

Hurricanes Irma and Jose make their way across the Atlantic in September. There have been nine Atlantic hurricanes this season.

and sells car and home insurance to individuals and families. It is one of the first big property-casualty insurers to report quarterly earnings, and its results are a bellwether for others that follow.

There have been 15 named storms and nine hurricanes in the current Atlantic hurricane season, fueled by warmer-than-average Atlantic Ocean

currents, weak westerly Pacific winds and turbulent hot tropical air over the Indian Ocean.

An average season, which runs from June through November, typically produces a dozen named storms, with six reaching hurricane strength.

Travelers' catastrophe damage was partially offset by rising investment income, stoked by a small sliver of its

bond-heavy investment portfolio in alternative holdings such as private-equity funds. Travelers said its investment income rose 6%, to \$588 million. A substantial portion of an insurer's profit comes from investing customers' premium dollars until they are needed to pay claims.

Travelers also said its auto-insurance results were aided

by price increases. Many car insurers have raised premium rates over the past year to combat a surge in wrecks after an improved economy put more traffic on the roads and smartphone proliferation contributed to distracted driving.

The company said core operating earnings declined 64%, to \$253 million, from the year-earlier period. Core operating

earnings are a widely watched industry benchmark because they exclude realized capital gains and losses in companies' big investment portfolios as well as items that aren't considered recurring in nature.

Net premiums written, a measure of revenue growth, rose 4% to a record \$6.7 billion.

In an earnings call, Mr. Schnitzer said drones performed more than 1,000 catastrophe inspections, reducing claims-handling expenses. He also said that "virtually 100%" of claims inspections were done with Travelers's own employees. In contrast, many insurers have scrambled to find independent adjusters for the back-to-back hurricanes.

Catastrophe-modeling firms have estimated insured losses from hurricanes Harvey, Irma and Maria and two earthquakes in Mexico, which also struck during the quarter, will total \$68 billion to \$148 billion industrywide. Travelers's estimated cost for quarterly catastrophe losses was \$700 million on a pretax basis.

Much of the damage is expected to be borne by reinsurers. These are specialty firms that agree to take responsibility for some of the risk in policies sold by insurers to businesses and individuals.

U.K. Prods Banks on Gupta Ties

HSBC Holdings PLC and **Standard Chartered PLC** have been asked by the U.K. financial regulator to review possible business with South Africa's Gupta family, becoming the latest firms to be hit by the fallout from a corruption

By Margot Patrick in London and Gabriele Steinhauser in Johannesburg

scandal in Africa's most developed economy.

After a request from U.K. Chancellor of the Exchequer Philip Hammond, the **U.K. Financial Conduct Authority** said Thursday that it has been in contact with the two banks about their possible dealings with the family and "will consider carefully further responses received."

Standard Chartered said it shut down some accounts linked to the Guptas in 2014 after an internal investigation. HSBC declined to comment.

South African police and prosecutors have said they are investigating allegations of corruption, including potential kickbacks from international companies, which were brought to light by emails and other documents that appear to have been obtained from Gupta-controlled companies.

The documents have buttressed longstanding suspicions among many South Africans that the powerful business clan leveraged its connection to President Jacob Zuma and other government officials to amass great personal wealth.

The Guptas and Mr. Zuma have denied wrongdoing.

The scandal has ensnared international firms including **KPMG International**, **SAP SE** and **McKinsey & Co.**, and led to the collapse of the U.K. arm of public relations firm Bell Pottinger over its work for a Gupta holding company.

KPMG, which audited Gupta companies for 15 years, last

month removed the leadership of its South African branch after an internal probe found it fell short of its own standards during the 15 years it audited Gupta companies.

McKinsey this week said that it had disciplined some

staff for violating professional standards on a contract with a South African company that was owned by a close associate of the Guptas. SAP said it would release the findings of an internal investigation over alleged kickbacks to a Gupta company by the end of this month.

KPMG and McKinsey have denied any wrongdoing. SAP's

South African office denied the allegations of kickbacks when they first surfaced in media reports in July, but the statement was removed from the company's website days later when the software maker launched the internal probe. A spokesman has declined to comment on why the statement was removed.

Peter Hain, a former cabinet minister and a member of the House of Lords, confirmed on Thursday that he had written to Mr. Hammond last month about allegations by a whistleblower that HSBC and Standard Chartered may have inadvertently served as conduits for corrupt proceeds.

"We take allegations of financial misconduct very seriously, and have passed Lord Hain's letter on to the Financial Conduct Authority and relevant U.K. law enforcement agencies, including the National Crime Agency and Serious Fraud Office," a Treasury spokeswoman said.

Blackstone's Profit Increases as Healthy Markets Give a Lift

By MIRIAM GOTTFRIED

Blackstone Group LP's third-quarter profit rose as strong markets boosted the value of its portfolio and new capital flowed into its funds.

The private-equity firm's earnings climbed to \$384.6 million in the period ended Sept. 30, from \$312.9 million in the year-earlier period.

Economic profit, which reflects changes in the value of unrealized investments, rose to \$834.3 million from \$687 million, and its per share level of 69 cents exceeded the 54-cent consensus per share estimate of analysts polled by FactSet.

Institutions such as pension funds, endowments and sovereign-wealth funds have been shifting more of their capital to private equity, attracted by the potential for higher returns. Private capital funds raised \$391 billion from investors in the first half of the year, surpassing the previous record of \$384 billion in the first half of 2008, according to data provider Preqin.

The firm's assets under management rose to \$387.4 billion from \$371.1 billion in the prior quarter and \$361 billion a year earlier.

Blackstone brought in nearly \$20 billion of new capital in the quarter, propelling its management fees higher. Fees that the firm collects based on the performance of its investments rose 33% to \$893.8 million.

In total, fee-related earnings climbed 25% to \$306.7 million in the quarter as the portion of assets for which the firm earns fees rose to \$285.7 billion from \$267.8 billion a year earlier.

Robust markets for stocks, debt and real estate have bolstered the value of Blackstone's portfolio and have allowed it to unload assets at

high valuations. The firm sold about half of its remaining shares in **Hilton Worldwide Holdings Inc.** during the quarter and fully exited its investment in **Hilton Grand Vacations Inc.**, one of the three public companies it spun off from its original investment in the hotel chain. Blackstone's \$6.5 billion investment in Hilton has now produced about \$14 billion in profit, including the value of shares it hasn't sold.

Blackstone's distributable earnings, the share of profits that could be doled out to shareholders, rose to \$625.6 million, or 52 cents a share, from \$593.5 million, or 48 cents a share, a year earlier.

The firm said it would pay a 44-cent dividend for the quarter, compared with 41 cents for

\$20

Sum, in billions, of new capital Blackstone got during quarter

the year-earlier quarter.

Blackstone's success has come from catering to the institutions and the ultrarich, but the firm is pushing aggressively into products for retail investors with \$5 million or less as it seeks its next leg of growth.

Retail investments now represent 18% of Blackstone's total assets under management, and the firm is developing more products for individuals that offer greater liquidity than its traditional funds.

"As you move down the risk-and-return spectrum, the pyramid gets wider and wider," Chief Executive Stephen Schwarzman said on a call with analysts Thursday, describing the retail opportunity as "vast."

First Data Erroneously Posts News of Acquisition

By ALLISON PRANG

First Data Corp. said it mistakenly posted a draft of a news release Thursday morning that it would acquire credit-card processing firm **BluePay Holdings Inc.**, a deal it says hasn't been finalized.

The payment-processing company has since removed the release from its website and said the conference call mentioned in the release isn't going to happen.

First Data, however, did confirm that it is in talks to buy BluePay.

BluePay, based outside of

Chicago, is owned by private-equity firm **TA Associates** and its own management.

"There can be no assurance that a transaction will be finalized and, if so, what will be the terms and conditions of any such transaction," First Data said.

In July, New York-based First Data bought payments processor **CardConnect Corp.** for \$15 a share. The deal was valued at around \$750 million, including the repayment of debt and redemption of its preferred stock.

First Data's shares rose 1.2%, to \$18.45, on Thursday.

Feud Hits a Hot Initial Coin Offering

By PAUL VIGNA

One of the year's biggest initial coin offerings, a \$232 million token sale by Tezos, is embroiled in a management fight that is threatening the deal and highlighting the risks in this red-hot corner of finance.

Tezos's fundraising in July at that point was the largest initial coin offering, a new type of rapid fundraising that has captured imaginations and rivaled venture capital for technology startups. But a battle between the founders of the company and the head of the Swiss foundation they installed to give it more independence has put most trading of Tezos coins on ice, possibly until early next year.

That could alarm investors who were hoping that Tezos might catch on quickly. Sales of digital tokens like Tezos coins have concerned regulators and become a sign for some investors of a bubble in the cryptocurrency world.

The costly battle at the company will be an early test for the coin market, which has raised \$2.3 billion this year, about seven times the amount raised in all years before 2017.

The money has poured in due to enthusiasm for virtual currencies such as bitcoin and open-ledger "blockchain" technologies that are often tied to the offerings. The largely unregulated coin offerings in turn have helped push the value of bitcoin and some other virtual currencies to record highs.

But the Tezos deal highlights some of the drawbacks of initial coin offerings, also known as ICOs: untested management, opaque structures and little transparency into



Dynamic Ledger Solutions, run by Kathleen Breitman and her husband, raised \$232 million.

what anyone involved wants to do with the huge sums they are raising.

The fight at Tezos is between the husband-and-wife team that started the deal and the founder of the nonprofit foundation they tapped to control the project.

"There's a lot to regret here," says Kathleen Breitman in an interview this week. She and her husband, Arthur, run the primary company developing Tezos, which wants to improve blockchain ledger technology through software.

A lawyer representing the Breitmans on Sunday sent a nine-page letter to the foundation's board, demanding that its founder and president, Johann Gevers be removed, or they would withdraw their support from the project.

Mr. Gevers, in an email, wrote that "the Breitmans have attempted to bypass the Swiss legal structure and take

over control of the foundation, and have acted destructively, causing months of delays in the Tezos project."

He has alleged the Breitmans' involvement in his work "was incompatible with the needed independence of the foundation," according to a separate letter from a Breitman lawyer, which referenced a Sept. 21 meeting at which Mr. Gevers made the claim.

The Breitmans control **Dynamic Ledger Solutions Inc.**, which, according to Tezos's website, "owns all of the Tezos-related intellectual property."

The Breitmans contend they used a Swiss foundation to boost the company's independence and add checks and balances in its early period. Eventually, the plan is for the Breitmans to sell their company to the foundation for about \$20 million.

But how much control the

Swiss foundation has over the company's direction has led to a dispute that has put trading of Tezos tokens held by investors in limbo while also putting some of the technology on hold as well.

The Tezos tokens, nicknamed tezzies, have yet to begin formally trading, though some trades are taking place in a less liquid prelaunch market. The formal start of trading is tied to the release of the production version of the Tezos platform. That has been delayed by the fight and might not come until February, more than six months after the money was raised this past July, Ms. Breitman said.

The money that was raised in the deal is currently with the foundation in a bank account, Ms. Breitman says. The proceeds are in the process of being converted from virtual currencies into government-backed currencies.

MARKETS

Treasurys Rise With Catalonia Tensions

BY DANIEL KRUGER

U.S. government bonds gained Thursday as investors sought assets perceived as relatively safe after tensions heightened between the Spanish government and the Catalan independence movement.

The yield on the benchmark 10-year Treasury note fell to 2.323% from 2.339% Wednesday. The yield has fallen in four of the past six sessions. Yields fall as bond prices rise.

After Catalo-

CREDIT MARKETS

nia's leaders on

Thursday defied

an ultimatum

from Madrid by

failing to abandon their push for independence, Spanish Prime Minister Mariano Rajoy called an extraordinary cabinet meeting for Saturday, where the government is expected to invoke a never-before-used article of Spain's constitution to reduce some of the region's autonomy.

Investors also bought Treasurys as they focused on the potential for inflation to remain sluggish no matter whom President Donald Trump designates as his choice to lead the Federal Reserve. Potential picks include Fed governor Jerome Powell, White House economic adviser Gary Cohn, Stanford economics professor John Taylor and former Fed governor Kevin Warsh.

Messrs. Taylor and Warsh are seen by analysts as significantly more hawkish than Chairwoman Janet Yellen, who is also being considered.

Ms. Yellen herself has been more aggressive in trying to restore monetary policy to precrisis norms than many investors had expected. At their meeting last month, policy makers forecast that they could raise interest rates in December and three more times in 2018, even though the measure of inflation tracked by the Fed was 1.4% in August, below its 2% target.

Ms. Yellen has said she expects inflation to return to the central bank's target.

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, FOUR-MONTH TIPS

Applications	\$13,325,215,200
Accepted bids	\$5,125,070,200
"noncompetitive"	\$10,726,800
Auction price (rate)	100.838047 (0.908%)
Interest rate	0.875%
Bids at clearing yield accepted	51.28%
Cusip number	91281ORW0

The Treasury inflation-protected securities, dated Oct. 31, 2017, mature on Feb. 15, 2047.

Treasury Auctions

The U.S. Treasury Department will auction \$181 billion in securities next week, comprising \$103 billion in new debt and \$78 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 27, 2017, maturing Jan. 25, 2018. Cusip number: 912796NP0.

Also, \$36 billion in 26-week bills, a reopening of an issue first sold on April 27, 2017, maturing April 26, 2018. Cusip number: 912796LX5.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

♦ **Tuesday:** \$26 billion in two-year notes, dated Oct. 31, 2017, maturing Oct. 31, 2019. Cusip: 9128283A6.

Noncompetitive tenders are due by noon EDT Tuesday; competitive tenders, by 1 p.m.

♦ **Wednesday:** \$15 billion in two-year floating-rate notes, dated Oct. 31, 2017, maturing Oct. 31, 2019. Cusip: 912828B4.

Also, \$34 billion in five-year notes, dated Oct. 31, 2017, maturing Oct. 31, 2022. Cusip: 912828C2.

Noncompetitive tenders for the FRNs must be received by 11 a.m. EDT Wednesday and competitive tenders, by 11:30 a.m. For the five-year notes, noncompetitive tenders are due by noon; competitive, by 1 p.m.

♦ **Thursday:** \$28 billion in seven-year notes, dated Oct. 31, 2017, maturing Oct. 31, 2024. Cusip: 912828D0.

Noncompetitive tenders must be received by noon EDT Thursday; competitive, by 1 p.m.

Blue-Chip Stocks Edge Higher

Dow industrials rise fifth session in a row to another record; utilities show strength

BY RIVA GOLD
AND AKANE OTANI

U.S. stocks stalled as a stream of earnings and other company news swung shares.

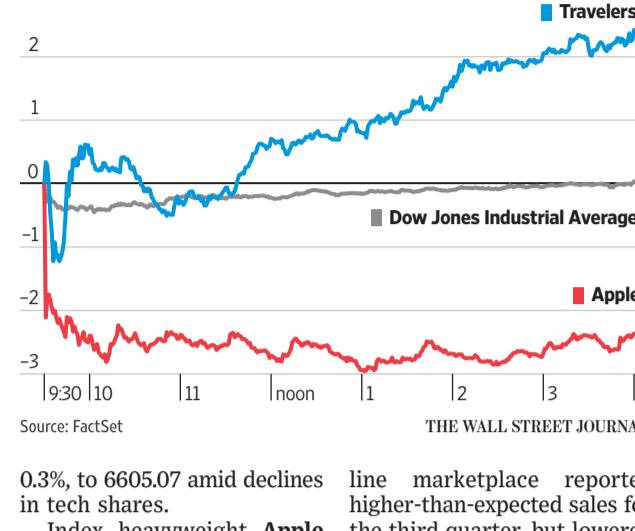
THURSDAY'S MARKETS
Major indexes fell at the opening, and the Dow Jones Industrial Average was down roughly 105 points at its session low before the blue-chip index recovered toward the close and notched a fresh record.

The Dow industrials ended the day up 5.44 points, or less than 0.1%, at 23163.04, after they closed above 23000 for the first time on Wednesday.

Thursday marked the fifth straight session of gains for the Dow industrials and the S&P 500, which rose 0.84 point, or less than 0.1%, to a record 2562.10. The Nasdaq Composite fell 19.15 points, or

Dow Ekes Out a Gain

A gain by Travelers Cos. helped counteract a decline by Apple, a day after the blue-chip index closed above 23000 for the first time.



0.3%, to 6605.07 amid declines in tech shares.

Index heavyweight Apple fell \$3.78, or 2.4%, to \$155.98—shaving about 26 points off the Dow—following reports that a new cellular feature on the Apple Watch was disabled in China.

Shares of eBay fell 68 cents, or 1.8%, to 37.29 after the on-

line marketplace reported higher-than-expected sales for the third quarter, but lowered its annual profit outlook for a second consecutive quarter.

An increase in the shares of Travelers Cos. helped the Dow industrials eke out a slight gain. Travelers rose 3.15, or 2.4%, to 133.17, adding roughly 22 points to the index, after

the insurance firm reported a profit for the third quarter despite fallout from hurricanes. It is one of the first big property-casualty insurers to report quarterly earnings.

Verizon Communications also buoyed the Dow, as its shares jumped 56 cents, or 1.2%, to 49.21 after the company said it gained wireless subscribers in the latest quarter, in part thanks to promotions around the latest iPhone.

United Continental Holdings posted its biggest percentage decrease since 2009, falling 8.21, or 12%, to 59.78. The stock was the S&P 500's biggest decliner Thursday.

United Continental, which has been in tough competition with low-cost carriers, reported quarterly results Wednesday that were largely in line with analysts' expectations. The company faced sharp questions from analysts on its earnings call Thursday. "We've dug ourselves historically into a little bit of a competitive hole," the chief executive said.

As stocks paused, assets that investors consider to be

relatively safe gained.

Government-bond prices rose, sending the yield on the benchmark 10-year U.S. Treasury note down to 2.323% from 2.339% on Wednesday.

Utilities companies, which investors consider bond proxies because of their relatively hefty dividends, added 1% in the S&P 500, building on their double-digit percentage gains for the year.

Elsewhere, the Stoxx Europe 600 declined 0.6% and Spain's IBEX-35 stock index fell 0.7% as political tensions flared in Spain.

Stocks in China extended declines after China reported slightly slower growth in the third quarter.

In early trading Friday, key Asian markets largely started softly. Benchmarks in Japan and New Zealand were both in the red after rising for the 13th-straight session on Thursday. The NZX 50 was off 0.1%, and the Nikkei was down 0.3%. Australian stocks rebounded after a weak opening, with the S&P/ASX 200 off 0.1%. Korea's Kospi climbed 0.3% with Samsung up double that.

Dispute Over Puerto Rico Debt Ramps Up

BY ANDREW SCURRIA

Billionaire hedge-fund manager Seth Klarman questioned the wisdom of expunging Puerto Rico's financial obligations in a letter to investors.

The message from one of Puerto Rico's most prominent investors was a response to intensifying calls for deep write-downs on the U.S. territory's \$73 billion in debt to free funds for mounting fiscal and humanitarian problems following Hurricane Maria.

An activist group has contacted institutions invested in Mr. Klarman's **Baupost Group** LLC to request they pressure the hedge fund into forgiving its portion of Puerto Rico's distressed bonds, according to his letter on Wednesday. Baupost owns \$911 million in bonds backed by Puerto Rico sales taxes.

Cancelling Puerto Rico's public debts or putting a moratorium on payments "may be well intentioned," Mr. Klarman said in his letter, but "it is impractical" and would undermine the obligation of bond issuers to repay their obligations that undergird credit markets.

Puerto Rican citizens and small cooperative banks on the island also hold government debt, he said, and eliminating those bonds would affect household savings.

Advocacy group Hedge Clippers sent letters this week to 18 universities, including Harvard, Yale and the University of Washington, to criticize Baupost's Puerto Rico invest-



Residents of San Isidro waited Tuesday as U.S. soldiers unloaded food and water in an area still without electricity or running water.

ments and to urge the endowments to divest, according to a Hedge Clippers spokesman.

Mr. Klarman's comments reflect a tension in Puerto Rico's restructuring strategy. Investors agree the island can't sustain its existing levels of debt, but disagree on whether and how a reduction in its obligations would affect its ability to borrow again.

Bondholders have argued in court that a deep restructuring would alienate the capital markets and cripple Puerto Rico's chance of accessing new credit. Others say that municipal investors will gladly invest

in Puerto Rico again once its obligations are reduced and its economy revives.

"If the repayment obligation underlying a debt was uncertain, the market would quickly shut down, potentially for even the most creditworthy issuers," Mr. Klarman's letter said. "Expunging the debt would almost certainly eliminate any ability the commonwealth would have to borrow money in the future at reasonable rates."

In May, a federal oversight board installed by Congress placed the territory under court protection, starting what

amounts to the largest-ever U.S. municipal bankruptcy.

Mr. Klarman's letter came two weeks after President Donald Trump sparked a rout in Puerto Rico bonds when he said the debt load may get wiped out to help the island economy recover from Hurricane Maria. The White House later walked back Mr. Trump's comments. Mr. Trump has no authority to unilaterally forgive Puerto Rico's debts.

Labor, environmental and immigrant-rights groups, joined by Sen. Elizabeth Warren (D, Mass.), held a rally near Capitol Hill on Thurs-

day for a congressional recovery plan that cancels Puerto Rico's debts or puts a moratorium on payments.

The oversight board's framework called for Puerto Rico to pay bondholders roughly a quarter of what they are owed over the next decade. That fiscal plan is being re-evaluated to account for the economic slowdown and population loss from the hurricane.

Gov. Ricardo Rosselló met with Mr. Trump and Federal Emergency Management Agency officials at the White House on Thursday to discuss a federal aid package.

LSE Chief to Step Down Next Year

BY BEN DUMMETT

London Stock Exchange Group PLC said Chief Executive Xavier Rolet would leave the company by the end of next year, bringing down the curtain on a tenure marked by a big bet on index services and a failed attempt to create a pan-European exchange.

The LSE said Thursday that it would start looking for a new chief executive and work closely with Mr. Rolet, who was appointed in May 2009, to ensure a smooth handover.

Despite the lengthy transition, the LSE's new CEO will likely take the helm amid Britain's messy divorce from the rest of Europe and the uncertain economic and political climate that it is creating. Meanwhile, the company's lucrative business of clearing trades in derivatives and other securities faces new competition.

This month, German clearinghouse Eurex, which is owned by **Deutsche Börse** AG, said it plans to set up a profit-sharing system with customers to try to win market share from the LSE's majority-owned **LCH.Clearnet** Group Ltd.

Still, Mr. Rolet is leaving the LSE in a position of strength, as one of the world's biggest providers of licensing indexes for institutional investors and developers of ex-

change-traded funds. This follows the 57-year-old's \$2.7 billion acquisition of index-services provider Frank Russell Co. in 2014. The deal represented a successful bet on low-cost funds that mimic benchmarks from higher cost mutual funds.

Vanguard Group, a leading provider of index funds, attracted nearly \$300 billion into its funds for the first nine months of this year, almost matching flows into the firm for all of 2016 and underscoring the demand for index products on which these types of funds are built.

The LSE's latest results highlight the benefits of Mr. Rolet's aggressive move into index services. The exchange operator Thursday reported an 18% jump in third-quarter revenue from the year-earlier period, to £442.7 million (\$584.5 million), led by gains in its information-services division, which includes indexes, as well as by a strong performance from its clearing operations.

The company said operating income for the third quarter rose 17%, to £486.1 million.

On Thursday, the LSE's shares fell 1.1%, to £38.78.

Under Mr. Rolet's leadership the market capitalization of the LSE has risen from about £800 million to almost £14 billion, the company said.

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Under Mr. Ro

MARKETS

Catalonia Crisis Weighs on Spain's Debt

Rising risk pushes up premium demanded for bonds; Southern European stocks hurt

By JON SINDREU

Catalonia's push for independence is weighing on Spain's short-term debt and hampering stock markets across Southern Europe.

Europe's bond markets have been mostly unruffled by the Catalan crisis, but investors are now asking for a higher premium to hold two-year Spanish sovereign bonds against German debt of the same maturity—a widely used measure of the credit risk of eurozone countries.

With Madrid and Barcelona still butting heads, some markets could see further selling.

On Thursday, as the Spanish government announced it would take steps to take control of the Catalan government and temporarily end regional autonomy, this premium rose to 0.501 percentage point, from 0.355 a month ago.

The spread on Spanish sovereign bonds against German debt is still small, but the increase is especially visible when compared with Italy's, another Southern European country that money managers usually see as similarly risky. With the Catalan crisis unfolding, Spain's two-year bonds now appear to be almost as risky as Italian bonds again.

Meanwhile, the Catalan crisis also pulled down the Stoxx Europe 600, which dropped further after the announcement, closing 0.6% lower on the day, with the Spanish IBEX-35 and the Italian FTSE MIB falling 0.7% and 1%, respectively.

Data by fund tracker EPFR Global show that, since the start of September, funds that invest in Spanish and Italian equities have had net outflows of 7.9% and 3.4% of their assets

Southern Europe Suffers Outflows

A push for independence by the Spanish region of Catalonia has hampered the performance of bonds and stocks not only in Spain, but in Italy as well.

Money has been leaving Spain

Net flows since the start of September, as a share of assets under management

Spanish debt now trades closer to Italy's

Yield premium on two-year sovereign bonds, compared with German debt of the same maturity

Southern European stocks are lagging

Percentage change over the past month

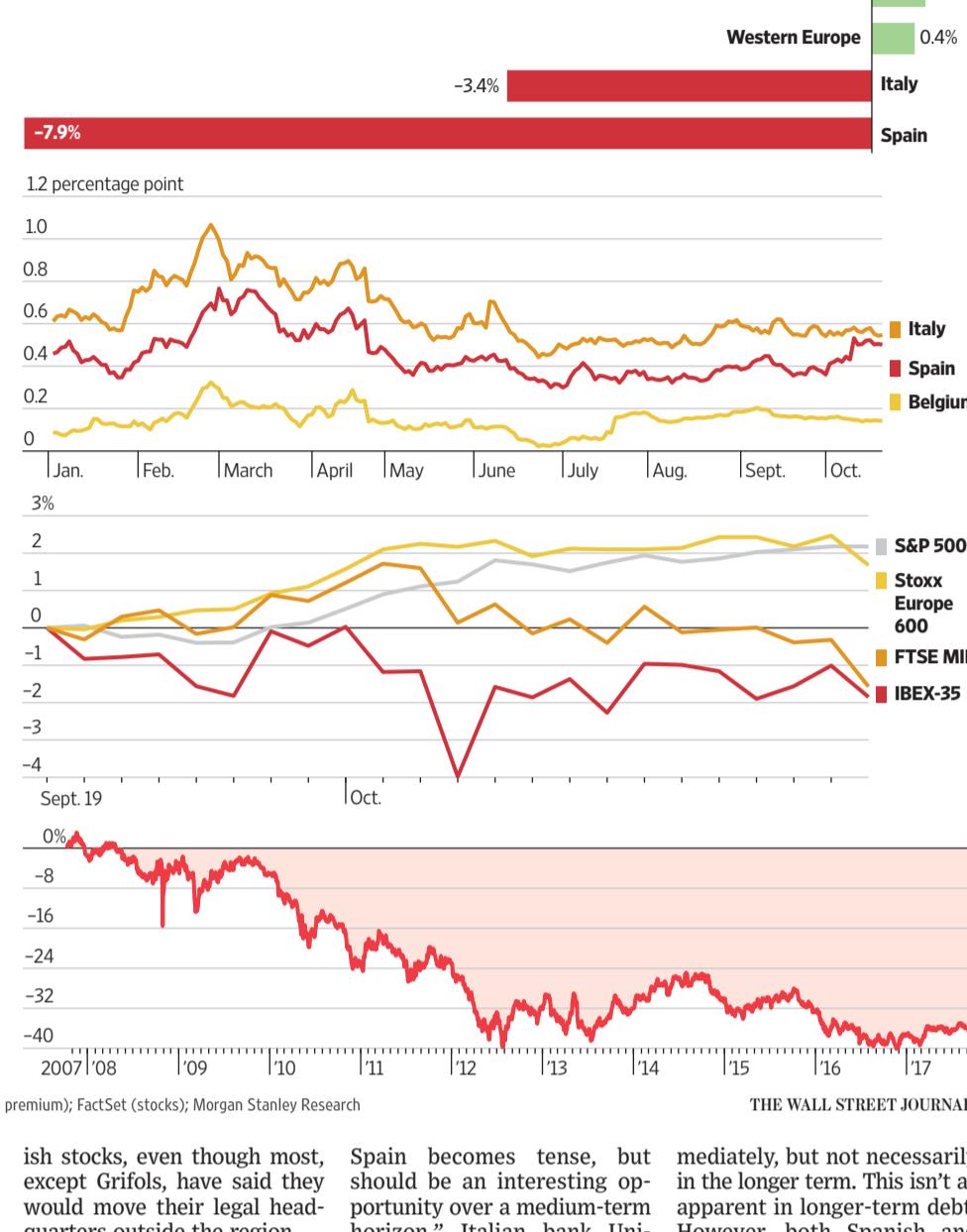
Southern European stocks' underperformance versus Northern European ones is now at 2012 levels

Performance of Spanish and Italian stocks combined versus German and French ones

Sources: EPFR Global (flows); Tradeweb (yield premium); FactSet (stocks); Morgan Stanley Research

under management, respectively, even as funds of global and European equities recorded net inflows.

Catalan companies such as real-estate firm **Inmobiliaria Colonial SOCIMI SA**, **Banco de Sabadell SA** and biotech **Grifols SA** led the losses among Span-



THE WALL STREET JOURNAL.

ish stocks, even though most, except Grifols, have said they would move their legal headquarters outside the region.

While the gap between Spanish and German 10-year bonds hasn't widened as much, it is "likely to come under pressure if the situation in

Spain becomes tense, but should be an interesting opportunity over a medium-term horizon," Italian bank UniCredit said in a research note.

Short-term debt often tumbles in response to political events, because investors see them threatening finances im-

mediately, but not necessarily in the longer term. This isn't as apparent in longer-term debt. However, both Spanish and Italian 10-year bonds are performing badly compared with Northern European countries.

Investors say that the European Central Bank's huge

bond-buying program—officials currently buy €60 billion (about \$71 billion) of eurozone debt every month—is keeping bonds in Southern Europe shielded from political risk. But some think Spain's debt would have performed better if it weren't for Catalonia's independence bid.

The Spanish economy had been outperforming its peers, and many analysts believe ratings companies would have soon upgraded its debt.

Myles Bradshaw, head of global aggregate fixed income at Amundi, said Spain has "the potential to trade more like Belgium."

On Tuesday, Moody's Investors Service said a worsening of the Catalan situation could affect Spain's credit rating in the future. "While we continue to believe that the probability of Catalan secession remains low, the very rapid escalation in tensions together with the ongoing political impasse suggest that it has risen somewhat in recent weeks," Moody's said in a report.

The impact has been bigger on stock markets, especially Spanish and Italian indexes, because investors fear the separatist spat could hurt the economic recovery in Spain and other eurozone nations.

Analysts at Morgan Stanley estimate that the performance of Southern European stocks relative to Northern European ones is now down to levels not seen since the eurozone's sovereign-debt crisis in 2012. Over the past month, the Spain's IBEX-35 and the Italian FTSE MIB have lost 1.7% and 1.3%, respectively, as the Stoxx Europe 600 and the S&P 500 rose 1.8% and 2.2%, respectively.

"As strong as the eurozone recovery currently looks...[we] think Catalonia and lack of further eurozone reforms could easily dent the recovery," said Carsten Brzeski, economist at Dutch bank ING, in a research note Thursday.

HEARD ON THE STREET

Email: heard@wsj.com

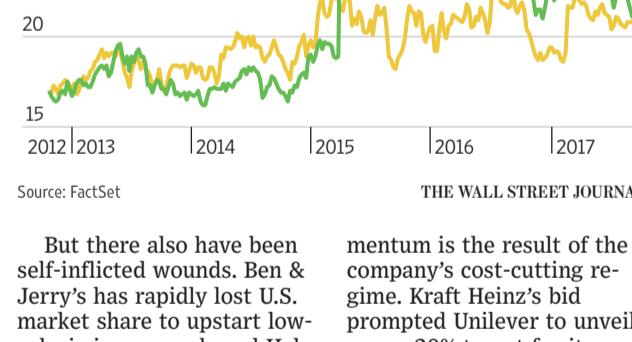
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Unilever's Cost Cuts Miss Mark

Food for Thought

Forward price/earnings multiples



a success or failure. However, it is notable that Kraft Heinz, which inspired it, isn't quite the role model it once seemed.

Organic sales have continued to fall and the lean-budgeting machine has run out of road. Its shares now change hands at a discount to Unilever's for the first time since Kraft was taken over by the cost cutters at Heinz in early 2015.

The simplest explanation for Unilever's weak third-quarter growth is that brand-building is a less predictable business than it used to be. As digital replaces prime-time TV, ads might go viral on social media or they might disappear into cyberspace. This new landscape has sprouted new brands, like Halo Top, that have taken bites out of big incumbents like Unilever, Procter & Gamble and Nestlé.

Whether or not cost-cutting is an appropriate solution, investors need to stop thinking of consumer-goods groups as the reliable growth engines of yesteryear.

—Stephen Wilmot

OVERHEARD

Nick A. Caporella needs to kick back and have a LaCroix.

So it seems from the press release the CEO of **National Beverage Corp.**, the maker of the popular flavored bubbly water, issued Thursday in response to "recent market volatility" that has sent the company's shares down 19% in the past month.

Mr. Caporella has an idea why. "Are perpetrators stimulating movement by stating falsehoods, creating rumors and deliberately manipulating FIZZ value? We think so!" FIZZ is the company's stock ticker.

"If you have the opinion," he continues, "that I, Nick A. Caporella, am angrily exercised while extremely fortunate to be guiding FIZZ, your opinion is quite accurate!" Indeed, it would be difficult for a reader to get a different impression—the brief press release contains more than a dozen exclamation points.

But National Beverage investors had a flat response—shares were down less than 0.1% on Thursday.

Box's Gains Stacking Up In the Cloud

Young tech companies like to move fast and break things. But **Box Inc.** has discovered the value of taking things slow and steady.

When Box went public in 2015, it looked like just another fast-growing, money-losing Silicon Valley fledgling about to get a brutal comeuppance from the market. And it did. After listing shares at \$14 and jumping above \$23 on the first day, Box shares folded fast as investors looked askance at the company's huge costs relative to the revenue it was booking for its cloud-based collaboration software. By the end of its first year on the market, Box was trading for less than \$10 a share.

The stock has since rebounded. The company has managed to beat its own revenue growth forecast each quarter since going public, while slowly reducing costs.

Cloud software providers often have to make big expenditures up front to convince large companies to switch over from legacy systems. Box, which is targeting the document-management segment, is no exception. When the company filed to go public in 2014, it was expecting about \$1.38 in sales-and-marketing costs for every \$1 of revenue. That ratio has fallen to about 61 cents per revenue dollar, for the 12-month period ended July 31.

The steady improvements have been noticed. About 83% of analysts covering Box now rate it as a buy. Box has jumped 48% for the year, a bit below a group of 55 cloud software stocks tracked by KeyBanc Capital Markets. That leaves room for further gains, provided the company keeps checking the right boxes.

—Dan Gallagher

American Express's Chenault Leaves Unfinished Business

Charge Back

American Express share price over the past five years



& Associates, which has steadily increased its stake in AmEx over the past few years.

Under Mr. Chenault, AmEx loosened its focus on travel and entertainment to service

more general spending. This meant lower fees per transaction but much higher volumes, Mr. Vetto said. It also expanded beyond charge cards that are paid in full every month, coming out with traditional balance-carrying credit cards. Perhaps most dramatically, it converted to a bank holding company during the financial crisis in 2008 and subsequently began taking deposits online from retail savers.

Mr. Chenault faced new challenges over the past couple of years, notably rising competition from huge banks. AmEx's partnership with Costco passed to Citigroup, which was willing to

offer more generous terms.

The company's response included deep cost cuts, a marketing push to reinforce the brand, enhanced rewards on its premium Platinum cards, and new partnerships, such as one with Hilton Worldwide Holdings. Investors liked the results, sending AmEx shares up 50% over the past year.

But fundamental challenges remain. For instance, as Chief Financial Officer Jeffrey Campbell acknowledged on the conference call, many competitors' cash-back cards simply offer customers better economic terms. Nonetheless, he said AmEx's cash-back cards are doing

fine thanks to a strong brand and good customer service.

The second challenge is the risk that credit cards themselves and the networks they run on could be disrupted by an evolving payments landscape. The fact that PayPal, with one-third of AmEx's annual revenue, now has nearly the same market capitalization shows

investors are starting to price in such a future.

Mr. Chenault's successor, Stephen Squeri, is an AmEx insider with 32 years at the company. To be successful, he will have to carry on Mr. Chenault's legacy of constant reinvention.

—Aaron Back

American Express Chief Executive Ken Chenault, beloved by the firm's investors, is going out on a high note. His successor will have to contend with fundamental questions about the company's business.

AmEx's business has shifted massively over the 16 years of Mr. Chenault's tenure, so much so that he cited "a long tradition of reinvention" at the company in some parting comments on an analyst conference call.

"He's a great long-term strategic thinker who marries that with disciplined and consistent execution," said Matt Vetto, portfolio manager at Douglas C. Lane



Billy Collins on
finding poetry in a
childhood home in
Queens, N.Y. M14

MANSION

*'Early impressions are hard to
eradicate from the mind. When once
wool has been dyed purple, who can
restore it to its previous whiteness?'*

—Saint Jerome

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, October 20, 2017 | M1



ALANNA HALE FOR THE WALL STREET JOURNAL (3); EDWARD LINSMIER FOR THE WALL STREET JOURNAL (TOP INSET)

NEW PLACE In San Francisco, Rebecca Schumacher and Guido Piccinini, below left and right, bought a corner at the Pacific, a 76-unit building, in the Pacific Heights neighborhood. Above, the living room and kitchen. Ms. Schumacher wouldn't disclose sales price, but a similar unit is listed for \$4.87 million, according to Redfin.

The Model of Luxury Living

To sell luxury condos faster and for more money, developers target affluent buyers with model units loaded with brand-name goods and high-end finishes.



BY ALINA DIZIK

WHEN POTENTIAL BUYERS tour a model luxury apartment in West New York, N.J., they can plop on the couch or grab sparkling water from the fridge. They can't, however, brush their teeth with the electric toothbrush or scrub the toilet with the marble-clad brush next to it—none of the plumbing fixtures work. But it's homey touches like these that make a model unit feel "lived in"—and help make a sale.

"You want customers to daydream a little bit. Everyone always buys what they see," says Alexander Hovnanian, developer of Nine on the Hudson, a 13-story luxury-condo project to be completed this year, with units ranging from about \$675,000 to \$6 million.

Please turn to page M6



RETHINKING ROOMS They created a formal dining area—with a table that seats eight—out of one of the condo's three bedrooms.

THE HIGH-RISE OF THE CENTURY

INSIDE

Built in the 1960s to showcase the capacities of aluminum, Century City attracted a bevy of movie stars and was a favorite of Ronald Reagan. Now billions are being invested to attract more Los Angeles natives to high-rise living.

BY KATY MC LAUGHLIN

MOVIE STAR Burt Lancaster had a condominium in Century City, as did Ruth and Elliot Handler, co-founders of the Mattel toy company. Ronald Reagan, while he was president, maintained his "Western White House" there. Today, celebrities including actor Matthew Perry and chef Nobu Matsuhisa look over Los Angeles from their Century City properties in the sky.

For most, luxury living in Los Angeles evokes visions of sprawling estates. But since the 1960s, Century City has offered an alternative, exemplifying each decade's notion of the ultimate in high-rise living. Today, with billions of dollars of investment coming to the area, developers are attempting to sell Century City's glamorous past even as they launch new properties with lavish amenities, views and prices.

"My grandparents saw the apartment and bought it on the spot," said Joshua Flagg, of the late Edith and Eric Flagg, who purchased a penthouse in Century Tow-



MICHAEL CEFEROWSKA FOR THE WALL STREET JOURNAL

PAST AND PRESENT The Century Plaza Hotel, right, is being redeveloped; the ultra-luxury Century is immediately to its left.

ers in 1976. Ms. Flagg was a Holocaust survivor and fashion designer whose eponymous company made women's sportswear. Mr.

Flagg, today estate homes director of Rodeo Realty in Beverly Hills, said he grew up visiting the building and remembers neighbors like

the Handlers.

Century City, a roughly 180-acre neighborhood between Beverly Hills and Santa Monica, was designed

in the 1960s as a showcase for high-rise construction and modern, urban living. In 1960, movie studio 20th Century

Please turn to page M8



SWEDDE DEAL
A mansion once home to army officers M4



SHORT LEASE
Making sense of London leaseholds M3

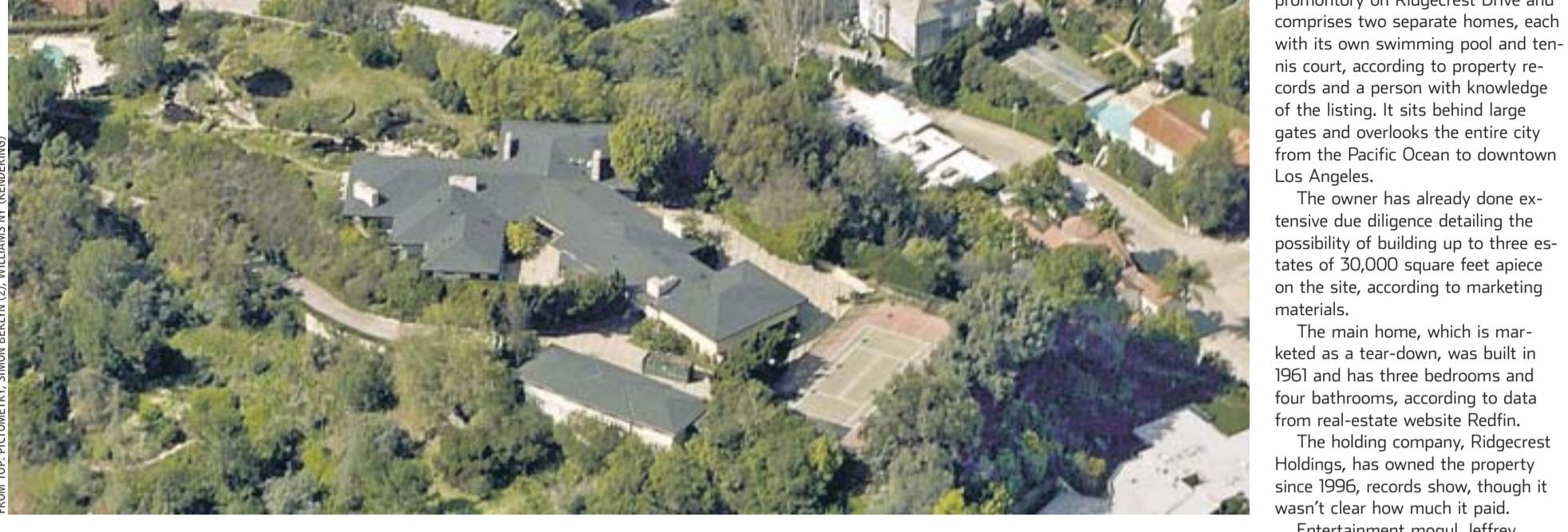


SERVICE PLEASE!
What to look for in a mortgage servicer M5

MANSION

PRIVATE PROPERTIES

Saudi Royal Seeks \$85 Million in Beverly Hills



A 6.7-acre Beverly Hills compound owned by a member of the royal family of Saudi Arabia is being quietly shopped for \$85 million, according to two people with knowledge of the deal.

Joyce Rey of Coldwell Banker Previews International, who has the listing, said she is dealing with the director of the holding company that controls the property and couldn't

comment on the identity of the owner. People with knowledge of the deal said the seller is a second-generation member of Saudi Arabia's ruling family, the House of Saud.

A spokesperson at the Consulate of the Kingdom of Saudi Arabia in New York didn't immediately respond to a request for comment.

The property is located on a

promontory on Ridgecrest Drive and comprises two separate homes, each with its own swimming pool and tennis court, according to property records and a person with knowledge of the listing. It sits behind large gates and overlooks the entire city from the Pacific Ocean to downtown Los Angeles.

The owner has already done extensive due diligence detailing the possibility of building up to three estates of 30,000 square feet apiece on the site, according to marketing materials.

The main home, which is marketed as a tear-down, was built in 1961 and has three bedrooms and four bathrooms, according to data from real-estate website Redfin.

The holding company, Ridgecrest Holdings, has owned the property since 1996, records show, though it wasn't clear how much it paid.

Entertainment mogul Jeffrey Katzenberg, the former CEO of DreamWorks Animation, lives next door, at a property he bought for about \$35 million in 2009, records show.

—Katherine Clarke

IT'S A STEAL: A NEW YORK PENTHOUSE FOR SALE ASKING 'ONLY' \$37.5 MILLION

A penthouse apartment on East 57th Street will come on the market for \$37.5 million. While that's hardly inexpensive, it's far less than penthouses at nearby condo towers on the strip known as Billionaire's Row.

The pricing comes amid a slowdown at the highest echelons of New York real estate. "Our developers have always been strategic and realistic about pricing," said Pamela D'Arc, the building's sales director.

The six-bedroom, seven-bathroom unit, at 252 East 57th Street, consumes the entire 65th floor. It comprises 8,139 square feet of interior space, with a massive living and dining area for entertaining spanning the north facade and a master suite tucked away on the south side. The views include the George Washington Bridge to the north and the Verrazano Bridge to the south.

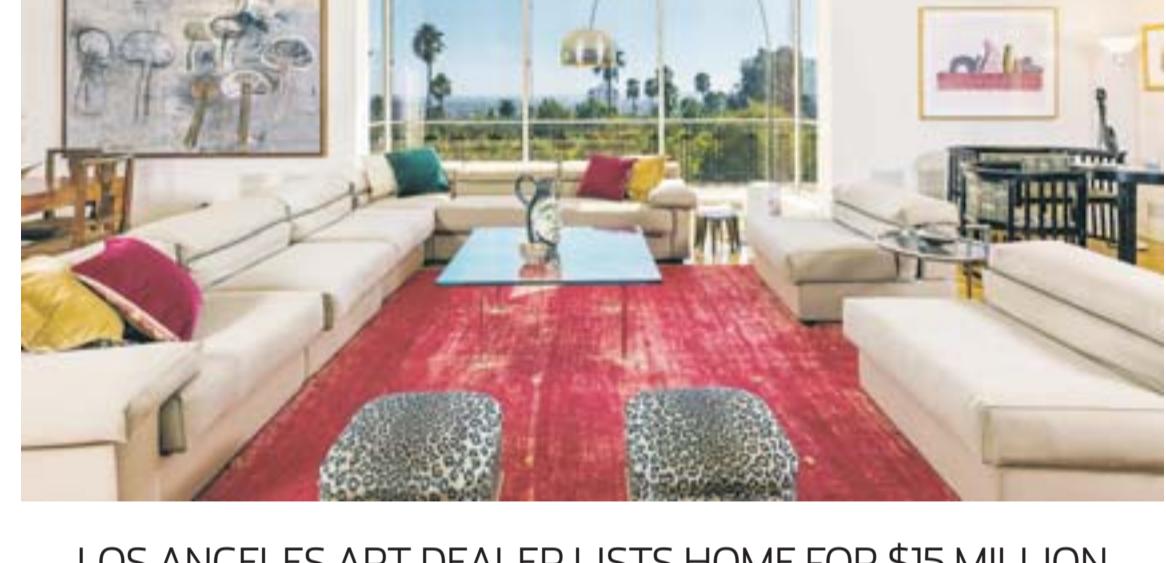
The condominium tower, seen in a

rendering below, was developed by World Wide Group and Rose Associates. It was recently completed, and residents have already begun moving in. The developers held off on listing the penthouse until it was completed, Ms. D'Arc said.

The building's location between Second and Third Avenues has made it a more affordable alternative to towers directly south of Central Park, which include One57 at 157 West 57th Street and 220 Central Park South, where the penthouses are priced in the hundred of millions.

Hedge-fund executive Bill Ackman paid \$91.5 million for the penthouse at One57 in 2015, records show.

Ms. D'Arc said sales have progressed relatively quickly at the building, and units are more than 70% sold. Buyers include shoe mogul Steve Madden, who paid \$12.2 million for a unit. —Katherine Clarke



LOS ANGELES ART DEALER LISTS HOME FOR \$15 MILLION

Margo Leavin, a well-known Los Angeles art dealer, is listing her Hollywood Hills home for \$15 million.

The 8,500-square-foot contemporary house sits on 1.8 acres in La Brea Terrace, a gated community in the hills. The five-bedroom, seven-bathroom house features views of Hollywood and downtown Los Angeles from an array of floor-to-ceiling windows. It has a large pool and a spa, an expansive lawn and an outdoor kitchen.

"It's an authentic 1941 Moderne, around the same period as Art Deco," said listing agent Brett Lawyer of Hilton & Hyland, who said Ms. Leavin bought the house in 1992. The curved walls and terraces exemplify the style, he said.

Ms. Leavin opened her eponymous art gallery in 1970 and closed it in



2013, according to the Getty Research Institute. In the early years, she became known for representing pop artists and alternating between East Coast and locally-grown artists. In 2016, Ms. Leavin sold the West Hollywood building that housed her gallery as well as four other contiguous buildings for \$40 million, according to

people familiar with the transaction. According to public records, the buyer was a limited-liability company associated with Megan Ellison, founder of Annapurna Pictures. She is the daughter of Oracle co-founder Larry Ellison.

In July last year, the University of California at Los Angeles's School of the Arts and Architecture announced that Ms. Leavin donated \$20 million to rebuild and expand its art studio facilities.

La Brea Terrace is a gated road that loops around in a half circle, just east of Runyon Canyon Park, a 130-acre patch of wilderness in the Hollywood Hills. The location is highly coveted, said Mr. Lawyer, for its privacy and proximity to both nature and Hollywood. Ms. Leavin, 81, declined to comment. —Katy McLaughlin

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MANSION



FROM TOP: JOHN D WOOD; SOTHEBY'S INTERNATIONAL REALTY; STRUT & PARKER

BELGRAVIA On a coveted street, this two-bedroom apartment is listed for about \$862,000. Estate agent John D. Wood says the price reflects the fact that there are only six years left on the lease.

THE MARKET

In London, a Short Lease on Luxury

Buyers must move out in a few years—or pay a large sum to stay on—at some of the city's properties

BY RUTH BLOOMFIELD

IN LONDON'S sought-after Eaton Square, a two-bedroom apartment usually sells for at least \$2 million. But just listed is an elegant two-bedroom in one of the square's coveted townhouses, with an asking price of about \$863,000.

The catch? The buyer will need to give it up in just over two years.

The property, like most of central London's historic apartments, is being sold on a "leasehold" basis for a fixed period of time. In many cases, these leases last a comfortable length of time—a lease of 80 years or more is considered a safe buy in the British capital.

But in December of 2019, this apartment will have to be returned to its freeholder, the Grosvenor Estate. The estate manages the land portfolio of the Duke of Westminster, whose holdings include Eaton Square and most of the surrounding Belgravia neighborhood.

If the apartment's buyer hopes to stay longer, he or she will need to spend another \$1.13 million to buy a new 20-year lease.

To buyers unaccustomed to Britain's leasehold system, which applies to most period flats and some houses, the deal might sound like madness—throwing away hundreds of thousands on a property only to give it up in the immediate future or pay a huge bill to retain it.

But according to Tim Macpherson, partner and head of London residential at Carter Jonas estate agents, for "an admittedly narrow

group of buyers" a short lease can be preferable to a long one.

"If you take Eaton Square, which I would say is the best square in Europe, certainly in England ... [buying a short lease apartment] makes living there far, far more accessible than it would otherwise be," he pointed out.

European buyers who are accustomed to renting rather than owning a home are often willing to take on short-lease properties, said Mr. Macpherson, particularly if they only plan to be in the British capital for a few years.

The Eaton Square apartment's asking price works out to around \$33,200 per month, which is at the high end for a rental apartment in the Belgravia neighborhood.

Seniors are another group interested in short-lease property. David Adams, director of Humberts estate agents, based in Mayfair, is currently helping an older client who specifically wants a short-lease property. "My purchaser is of an age where she doesn't see the need to buy a lease which outlives her," he explained.

Simon Godson, a director of JLL, recently sold a three-bedroom apartment on Cadogan Gardens, Knightsbridge, to a woman "of a certain age" who was downsizing from a large house. The \$3 million apartment's lease has around 25 years left to run. Rather than try to extend it, the buyer plans to live in the property for as long as she needs to, and then will let her children and grandchildren decide what to do with it.

Mr. Adams says some property developers have also started to



EATON SQUARE

A two-bedroom apartment in the building above, listed for \$863,000, has a lease of about two years; a two-bedroom on Cranley Gardens, left, listed for \$1.984 million, has 31 years left on its lease.

buy up short-lease properties in order to cut their entry costs. Not only are the properties cheaper to buy, but the buying taxes are lower. The Stamp Duty levied on second-home owners buying a £2 million property (about \$2.66 million) in England and Wales is now £213,750, or about \$284,000. By buying a less expensive short-lease

property, this bill is cut dramatically. A £600,000 (about \$797,000) second property is subject to £38,000 tax, or about \$50,000.

Buyers have to pay Stamp Duty if they choose to extend their lease, but developers will often try to upgrade the property and find a new buyer before the lease needs to be renewed.

Other short-lease buyers are 30- and 40-somethings whose property ambitions are loftier than their budgets. This class of buyer, said Mr. Godson, looks for homes with 30 or 40 years left on a lease, in the hopes that in the future inheritances or pay rises will allow them to extend it.

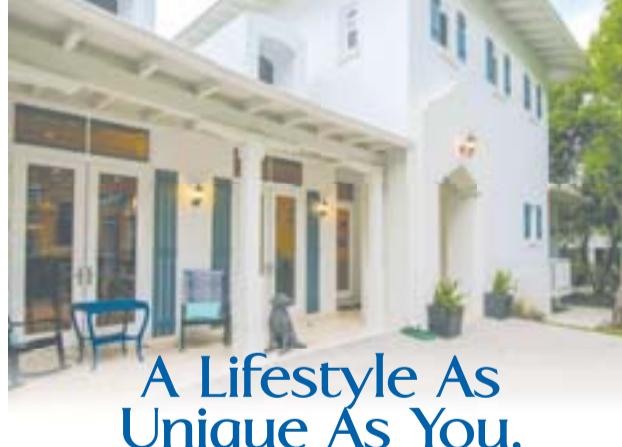
James Wyatt, a chartered surveyor and director of Parthenia Valuations, warns that banks are often reluctant to lend on short lease properties; he said the majority of purchases are in cash or via private banks.

And leaseholders must pay an annual fee—called ground rent—to their landlords. This can be a nominal £100 a year or reach into several thousand pounds.

Mr. Wyatt classifies a short lease as anything under 80 years. The process of extending a lease typically takes around nine months to complete and costs around \$13,000 in professional fees.

There is another option for leaseholders. They have the legal right to buy out the freehold of their property, but they must get at least half the other leaseholders in their building to follow suit, which can prove extremely difficult to organize.

Mr. Macpherson said that it is not only the elderly, temporary, or aspirational who take an interest in this most unusual of property sectors. "It can be incredibly wealthy people for whom it is not tax-efficient to bring all that money in at once," he said. "It is a little like a delayed payment plan. You pay some of the cost up front and some later down the line."



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MANSION

LIVING HISTORY

A Swedish Mansion, Once an Officer's Perk

Bosgarden Manor, with a renovated 4,000-square-foot, 18th-century mansion, is for sale

BY J.S. MARCUS

A SWEDISH ESTATE that has been home to a nobleman, army officers, wealthy farmers, a politician and a car executive over the centuries is on the market.

Bosgarden Manor, east of Gothenburg, is a property of nearly 4 acres that includes a main residence, a guesthouse and stables. It is listed for 8.9 million Swedish kronor, or about \$1.1 million.

The 4,000-square-foot, three-story mansion that dates back, in part, to 1752, is the centerpiece of the estate. Originally intended as spacious lodgings for an officer in the local army regiment, the building later housed generations of gentlemen farmers before falling into disrepair in the mid-20th century.

The manor house got a makeover in the 1990s, when a retired car executive and his fashion-designer wife turned it into a luxurious country home.

Anders Paulsson, an executive at Volvo, and designer Nina Paulsson-Amark, bought the estate in 1998 from a family that had done some restoration work.

"It was livable," says Ms. Paulsson-Amark, of the main house when she and her husband first saw the property, "but it was more like an ordinary farmhouse."

The two, who had relocated from a 20th-century villa in Gothenburg's exclusive Örgryte neighborhood, embarked on a dramatic upgrade of Bosgarden Manor,

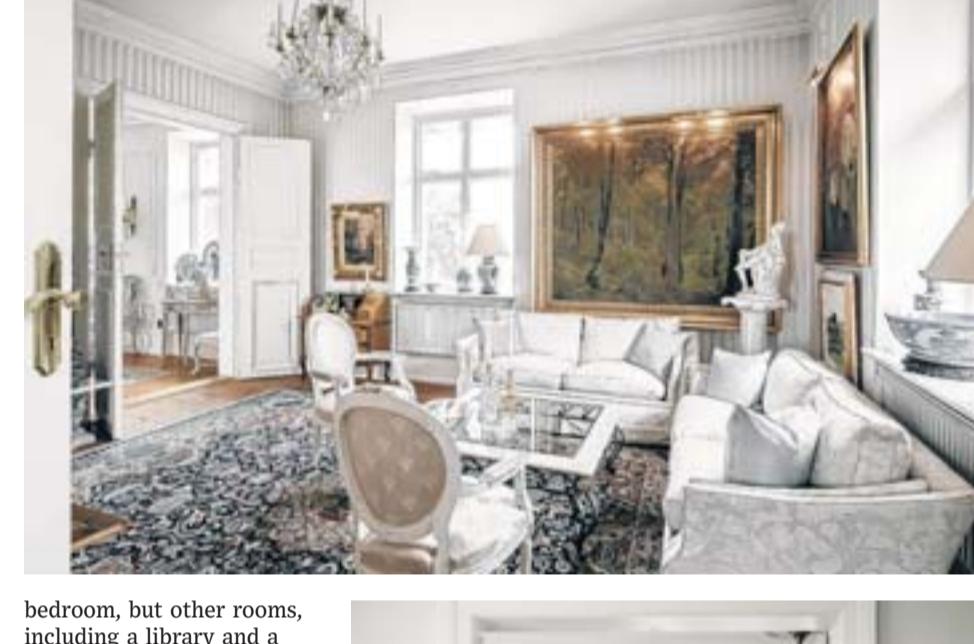


FOR THE AGES The property has a mansion, above center, dating to 1752; stables, on left; and guesthouse, on right. The three-story home has one bedroom. Right, a sitting room. Below, the foyer. The estate is listed for about \$1.1 million.



preserving some historic details—such as the home's towering tile stoves—and installing an array of high-end add-ons. They put in a new designer kitchen from Sweden's Kvänum, and turned a 300-square-foot guest room into a master bath.

The home now has one



bedroom, but other rooms, including a library and a study, can be converted, says Ms. Paulsson-Amark. She is selling the property following the death of her husband this year.

The estate is on a parcel of land that once belonged to 14th-century Swedish nobleman Bo Jonsson Grip. His vast holdings included a good portion of Sweden and all of Finland.

The estate later became the property of a convent before it was transferred to the Swedish Crown after the Protestant Reformation and Sweden's dissolution of monasteries in the 16th century. In the 18th century, says Swedish historian Brita Planck, the property was awarded as a bonus to the lieutenant colonel of the prestigious Älvborg army regiment. The property, with a likely array of tenant farmers, provided income for the officer, who could live there during his service.

Baron Carl Sparre (1723-1791) was the home's first resident. He oversaw the building of the main house in the 1750s. He belonged to "one of Sweden's oldest aristocratic families," says Dr. Planck, a senior lecturer at the University of Gothenburg. His career culminated in the governorship of Stockholm.

Dr. Planck has studied Sparre's correspondence with his wife, which refers to the manor house as a site of domestic bliss. Following his wife's death in 1780, he embarked on a scandalous liaison with Julie Eckerman, a Swedish courtesan and reputed Russian spy.

Dr. Planck believes the home may have started as a one-story, with upper floors and bedrooms added later. She cites the difference in height between the ground floor, where ceilings are under 10 feet, and the grander second floor, where they are almost 11 feet. A third-floor attic is lined with large stones—a 19th-century version of a firewall.

Starting around the middle of the 19th century, the property, still formally in possession of the Swedish Crown, was rented to increasingly wealthy farmers, says Dr. Planck.



RESTORED Nina Paulsson-Amark, top, in her home. The dining room, above, has paintings she collected during her travels.

"In the 19th century, the aristocracy was going down in Sweden, and the farmers were going up." Sweden began exporting grain, especially oats, and "farmers became really rich."

Crown-owned estates could be rented for a nominal fee, with the lessees taking all the profits. From 1910 to 1942, Carl Bengtsson, a farmer and banker, rented the estate. He went on to become a member of the upper chamber of the Swedish parliament while residing there.

Today, the home is decorated with paintings from across the continent. "I'm an aesthete," explains Ms. Paulsson-Amark, when asked about her vast and varied art collection. "I buy everywhere."

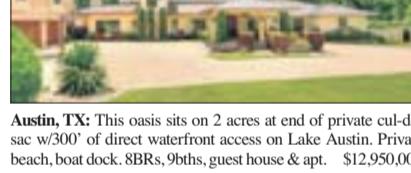
A few years after buying the property, the couple built a gazebo for their annual August crayfish parties, a Swedish tradition involving glasses of schnapps, funny hats and platters of countless crayfish harvested from local lakes and streams.

Ms. Paulsson-Amark considers the second-floor salon, with its plush white furniture, her go-to spot. In the afternoon she serves coffee there, and in the evening she goes there to unwind.

"When we entertained, we assembled in the downstairs salon," she says, "but we always ended up here."

Stefan Essunger of Skeppsholmen Sotheby's International Realty is handling the sale.

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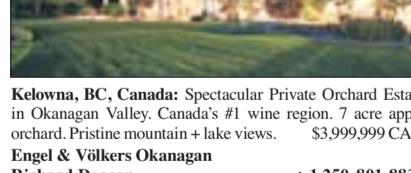
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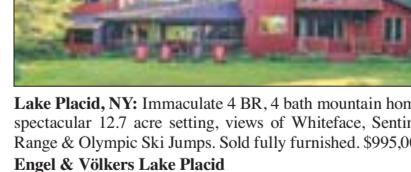
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MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

EMPHASIZE THE 'SERVICE' IN SERVICERS

How to reduce the stress of dealing with a mortgage servicer, the firm that collects mortgage payments on behalf of lenders and investors

Some mortgage servicers have a bad reputation for service: In a survey released earlier this year, unhappy mortgage customers said their servicers were more focused on profit than on their customers.

Mortgage servicers are the firms that collect mortgage payments on behalf of the mortgage owner or investor. They also handle related services, such as paying taxes and insurance on mortgaged properties. Some lenders retain the servicing of their loans, even if they sell them to investors as mortgage-backed securities. Others lenders use independent servicers to manage their mortgages.

Even customers who have substantial mortgage experience can find dealing with a servicer to be a frustrating experience.

Craig Martin, senior director of the mortgage practice at J.D. Power, a market-research company, battled with his servicer for a month to get private mortgage insurance removed when his loan-to-value ratio fell below the 80% threshold. "It was only through my wife's doggedness that we got answers," he says. His savings: \$100 per month.

In the J.D. Power 2017 U.S. Primary Mortgage Servicer Satisfaction Study, Detroit-based Quicken Loans ranked highest in mortgage-servicer satisfaction, followed by Regions Mortgage and Huntington National Bank. Specialty lenders USAA and Navy Fed-



CHRIS GASH

eral Credit Union actually earned higher scores than the top-ranked servicers but weren't eligible for ranking because they don't serve the general public. The survey was conducted in March and April, with results based on the experiences of 7,374 mortgage-servicing customers.

"Quicken is one of the best at communications," Mr. Martin says. "They come across as very connected to the customer and very customer-focused." Quicken also uses technology that is con-

sumer-friendly—tools like videos to welcome new servicing customers or explain mortgage escrows.

The J.D. Power survey found that customers hate having their time wasted. Overall satisfaction dropped when customers felt their time was being wasted; 66% of those who believed their time was wasted said they waited five minutes or more to speak with a customer-service representative.

Having a useful digital presence is key, too—satis-

faction was higher among those who visited the servicer's website three or more times in 12 months. Mobile tools were associated with significantly higher satisfaction as well.

Mike Malloy, vice president of servicing for Quicken Loans, says that Quicken uses technology to make servicing easier and more understandable to its customers.

For example, each year clients receive a personalized video containing an escrow analysis so they better

understand how tax and insurance escrows affect their mortgage payment.

Mr. Martin, of J.D. Power, says the top-ranked servicers treat borrowers as if they are customers—even though the servicer's customer is technically the owner of the mortgage. These servicers benefit, though, by establishing a relationship with borrowers, who are then more likely to give them mortgage business in the future.

Here are a few considerations to make the relation-

ship with your servicer more pleasant.

- **Stay engaged.** Don't be afraid to ask questions or seek out opportunities to benefit financially, whether it's paying off your loan faster or seeking assistance in the event of a potential delinquency.

- **Be diligent.** Mistakes happen. Payments are misapplied, or taxes or insurance aren't paid. Check your mortgage account every month to make sure your account has been credited properly and that taxes and insurance have been paid on time. Keep meticulous records of any conversations you have with employees of the servicer, particularly if they are about a delinquency.

- **Stay local.** Borrowers have no control over who their servicer is; the servicer works for the owner of their mortgage. However, since jumbo mortgages are typically held in lender portfolios, borrowers who are particularly sensitive to customer service may opt to work with a lender that will not only originate the loan but also service it.

"A lender who simply makes a mortgage and sells it immediately is very different than somebody who wants to maintain a relationship with you," says Ira Rheingold, executive director of the National Association of Consumer Advocates, a nonprofit in Washington, D.C. "But reputation is really important to a lender who retains servicing because they want you to come back to them if you want a home-equity loan or to refinance."



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MANSION

THE MODEL OF LUXURY LIVING

Continued from page M1

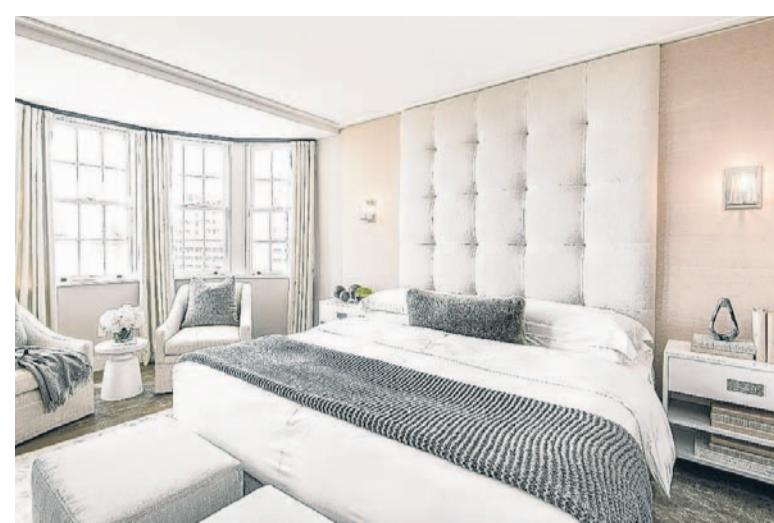
To close the deal in a competitive condo market, developers carefully curate model units in ways that go far beyond mere staging. Custom-designed closets, one-of-a-kind artwork, designer light fixtures and brand-name luxury goods are strategically chosen to sell the promise of a lavish lifestyle that comes with a luxury apartment. At times, the model units are created in showrooms far from building sites still abuzz with construction cranes and crews.

Condos typically sell faster or for more money when potential buyers can see completed models and not just computer renderings viewed online, says developer Andy VanHorn, who adds he spent "hundreds of thousands" of dollars to outfit three units at the historic Wardman Tower in Washington, D.C. Before 32 units in the landmark building were completely restored in 2016, prospects could see a model unit with herringbone floors, Thermador kitchen appliances and spa-like master bath—features that help up the selling price, says Mr. VanHorn, executive vice president of JBG Smith. "As models are delivered, people pay more." Prices at Wardman Tower range from \$2.5 million to \$9 million.

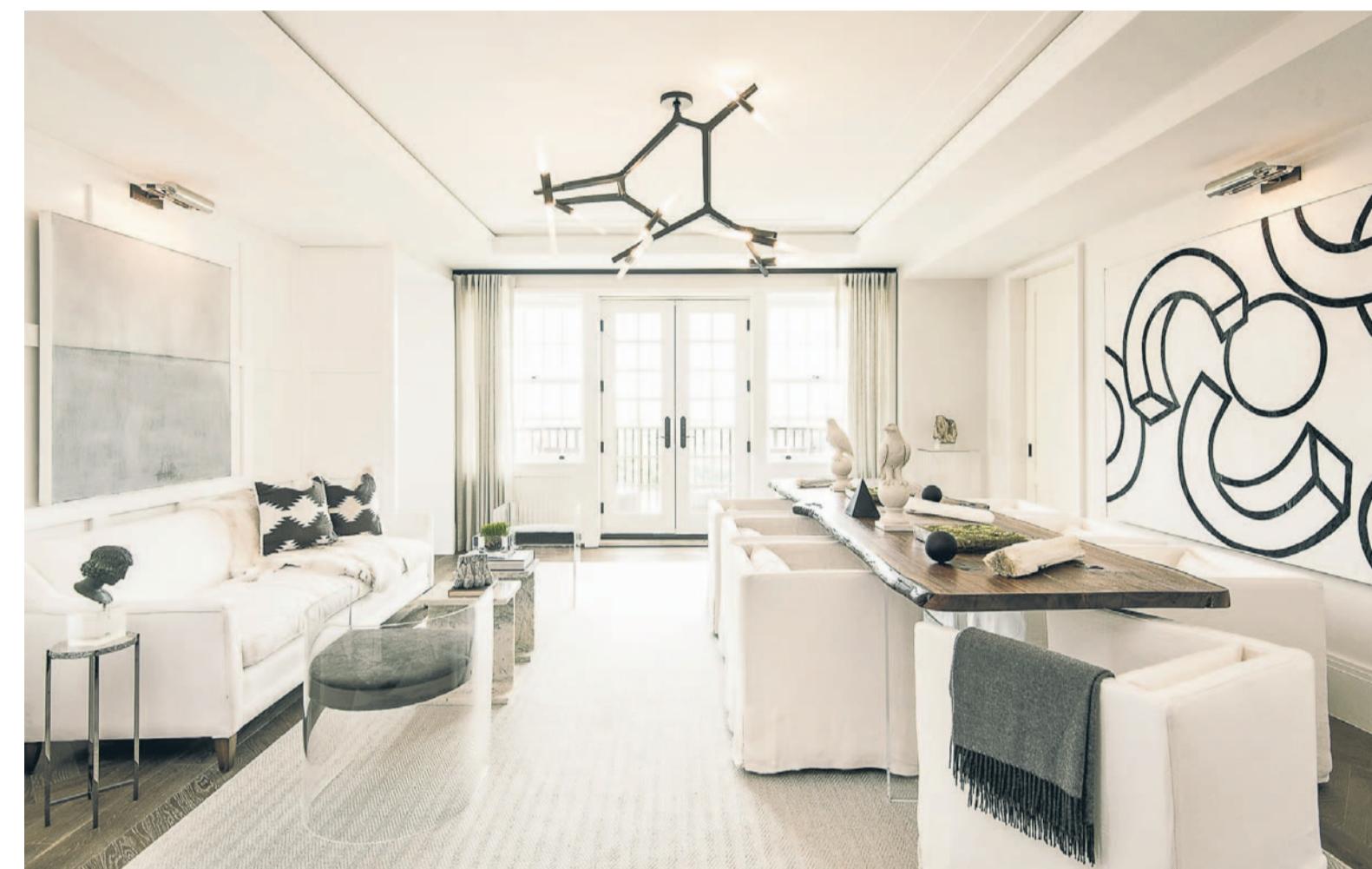
To target specific demographics, developers make sure to create various dcor styles, often working with multiple interior designers. In smaller units, pared-down modern furnishings with brighter colors typically appeal to younger buyers, while larger units often use more traditional interiors to draw in buyers who are downsizing from a larger home, says Highlyann Krasnow, principal at the Design High, a New York interior-design firm specializing in new construction.

"We make some assumptions," says Ms. Krasnow, who adds that the process can take six months and can cost \$100,000 or more.

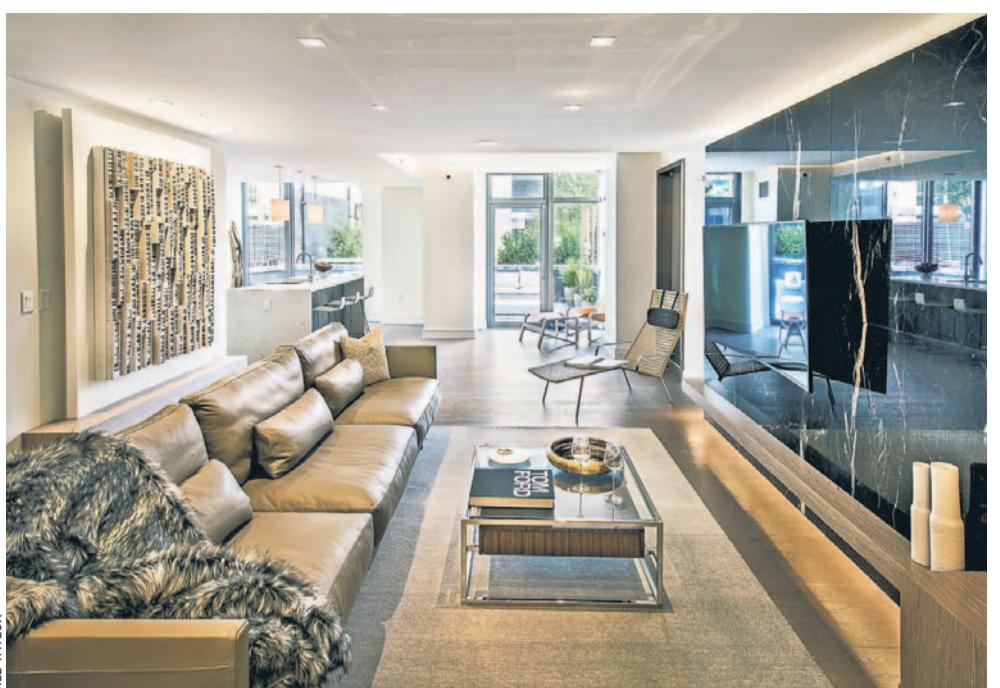
In some cases, the units may be sold as completely unfinished raw space, with the models just an example of what can be done. In other cases, the model unit gives buyers a



RESTORED In Washington, D.C., developer Andy VanHorn says he spent 'hundreds of thousands' of dollars to outfit three model units at the historic Wardman Tower, above left. Above right and below, a bedroom and living room in model units. Prices range from \$2.5 million to \$9 million.



AKSEZ DESIGN GROUP/JBG SMITH (3)



BILL TAYLOR

DAYDREAMS
A model unit at Nine on the Hudson, a 13-story luxury condo project in West New York, N.J., to be completed this year, with units ranging from about \$675,000 to \$2.4 million. 'You want customers to daydream a little bit. Everyone always buys what they see,' says developer Alexander Hovnanian.

such as surround sound or motorized window shades. Furniture and wall colors are somewhat neutral to appeal to a wider swath of potential buyers. 'Even if that's a little boring for you, you are not offended by it,' she says.

Developers say models help smooth over a unit's potential shortcomings, including odd or small layouts, street noise or lack of natural light, says Mr. VanHorn. This year, the Wardman developer turned an extra-wide prewar-style corridor into a "gallery" with multiple seating areas and custom art pieces to help buyers imagine how to furnish the \$9.9 million penthouse unit. The model helped highlight the vintage layouts, where "not everything is exactly perfect," he says.

Choosing the right brands to display in the models is key, says Maile Aguila, senior vice president of residential sales at Swire Properties. This Hong Kong-based developer is behind Brickell City Centre, a mixed-use development in Miami. Potential buyers need to be familiar enough with the designs to feel as if they are walking into their home, says Ms. Aguila. When completed, many of the 390 residences at Brickell City Centre will have interiors created by the Brazilian furnishings brand Artefacto, which is familiar to the area's South American buyers, she says. Many of the units are purchased furnished, she adds, and typically add roughly 12% to 15% to the sale price. Units at Brickell City Centre range from about \$650,000 to \$6 million.

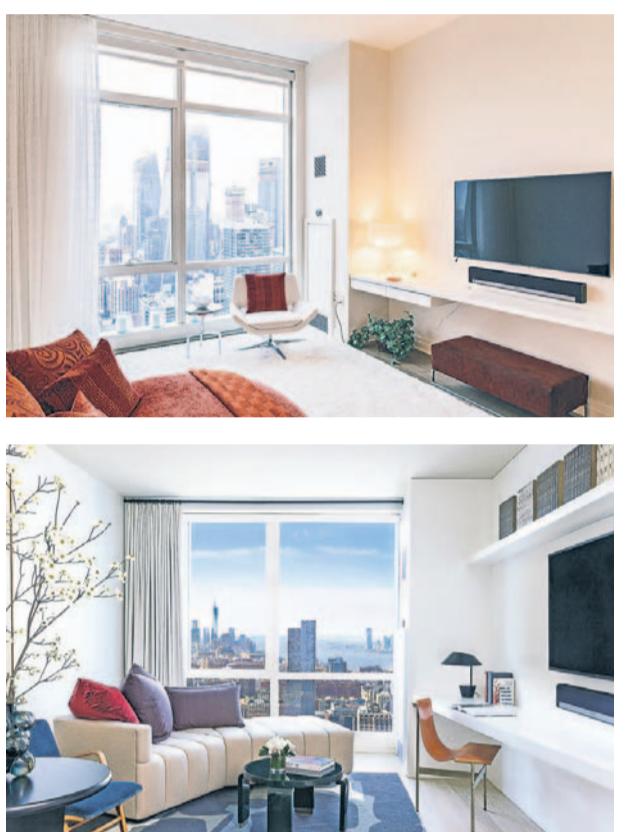
Rather than looking at the unit on paper, the experience of seeing and feeling the various finishes evokes an emotion that's going to enter into the buying decision," he says. While model-unit purchases are not tracked by real-estate services, 31% of buyer's agents say that staging a home increases its value by 1% to 5%, according to a 2017 survey of 1,894 agents by the National Association of Realtors.

For Alan Pellegrini, chief executive of an aerospace company, walking through a model at Westlight, a 71-unit luxury condo building in Washington, D.C., helped him realize that he would be cramped in the unit he had in mind. He paid "a couple hundred thousand" to swap the two-bedroom he already had under contract for a similar condo in the same building but with a den that he plans to turn into a library. "When you see the model, it shows the potential," he says. Mr. Pellegrini, 54 years old, declined to disclose the price he paid for his unit, but two-bedroom apartments in Westlight range from \$1.26 million to \$2.7 million.

After 12 years in a single-family home, Rebecca Schumacher and Guido Piccinini weren't sure they "literally stole the exact ideas."



FROM LEFT: DOROTHY HONG FOR THE WALL STREET JOURNAL; 22: BILLY GILBERT



COPYCAT Claudine Prowse paid \$2.3 million for a one-bedroom unit at Manhattan View at MiMA, a 147-unit luxury building in New York's Hudson Yards. The model unit, bottom right, inspired the design of her living room, top right, with a computer desk next to the TV.

look at the fixtures and finishes that will be available in all of the units in the building. Some buyers opt to purchase furnished models. In smaller units, carving out a

dining area from the main living space increases interest, even if condo owners skip the formal space, Ms. Krasnow has learned. She often uses light-colored marble

in kitchen and bathroom areas, even though "it's not the most durable."

In each project, she works to highlight the room layout, the use of high-end flooring or extras,

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MANSION

THE HIGH-RISE OF THE CENTURY

Continued from page M1

tury Fox sold land used as back lots for movie sets to the Aluminum Company of America, now two companies, Alcoa and Arconic.

Alcoa wanted to demonstrate aluminum's utility in high-rise construction, according to a book about the area from 1959 to 2009, published by the Century City Chamber of Commerce. The goal, the book said, was a "glimmering Alcoa showpiece," with high-rise office and residential buildings, wide boulevards, pedestrian bridges and landscaped plazas, which is precisely how Century City looks today. There are 21 office high-rises and five residential high rises today, said Nancy Wood, Chamber president.

Alcoa's first residential high rises, the two Century Towers, were completed in 1964. Designed by architect I.M. Pei, the towers attracted people with their proximity to the Hillcrest Country Club and amenities such as a pool, gym and tennis court. Over the years, many entertainers, including singer Karen Carpenter, actor Michael Douglas and David Janssen, star of the 1960s television show "The Fugitive," lived there. Mr. Janssen's widow, Dani, lives in the building to this day, she confirmed.

Burt Lancaster, who died in 1994, purchased two units in 1974 and combined them, according to records provided by Orange Coast Title Company. He hired architect Hal Levitt to design the property in Moroccan style, said Diana Cook, president of California Dreaming Realty, who is listing it as a \$7,850-a-month rental.

The current owner, investor Michael Rosen, put the property on the market last year for \$2.995 million. After it failed to sell following a price reduction to \$2.65 million, he decided to rent it for a year or two, Mr. Rosen said, adding that he never altered Mr. Lancaster's finishes.

In the 1980s, President Ronald Reagan lent glamour and power to Century City by frequently staying



FROM TOP: MICHAŁ CZERWONKA FOR THE WALL STREET JOURNAL (3); CARLOS SCHIEBECK/AFP/GETTY IMAGES



CENTURY CITY LOCALS,
THEN AND NOW



Ronald Reagan



Karen Carpenter



Matthew Perry



Burt Lancaster



Michael Douglas



Candy Spelling



Nobu Matsuhisa



FROM TOP: EVERETT COLLECTION (5); NOAM GALAI/GETTY IMAGES; MATTHEW STOCKMAN/GETTY IMAGES



WHITE HOUSE WEST Ronald Reagan in his Century City office in 1989.

at the Century Plaza Hotel, part of which later became the St. Regis Hotel, said Joanne Drake, chief administrative officer at the Reagan Foundation. He hosted his two victory parties at the Century Plaza, which the press dubbed the "Western White House," said Ms. Drake.

In 2005, the St. Regis was purchased by the Related Companies, a New York-based developer, which tore it down and put up the Century, completed in 2010.

Sales, which commenced at the height of the real-estate crisis, were initially slow. In addition, Mary Ann Osborn, who was the director of sales for the Century when it opened, said buyers were so nervous about high-rise living she saw some of them 12 or 14 times before they made an offer.

Some early buyers in the building

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MANSION



FROM TOP: DBOX/NEXT CENTURY PARTNERS (RENDERING); TEN THOUSAND

FRESH START A rendering of the Century Plaza Hotel Residences and Tower Residences, a redevelopment of the Century Plaza Hotel by developer Woodridge Capital Partners. The \$2.5 billion project includes a 394-room Fairmont Hotel, which will also house 63 condos. Behind the hotel there will also be two 43-story towers with a total of 268 condos.

have now seen their investments nearly double, said Bachir Oueida of Douglas Elliman, who said he has sold 24 units and rented out 14 in the building. Last year, Mr. Oueida listed a 9,300-square-foot penthouse; it sold in June to the actor Matthew Perry for \$20 million, according to people familiar with the transaction. Representatives for Mr. Perry declined to comment.

Candy Spelling, widow of television producer Aaron Spelling, lives in an 18,000-square-foot duplex penthouse. She paid \$34.8 million in 2010, according to public records.

Commercial real-estate executive Gary Weiss, 60, and his wife, Tari, 57, a software-company founder, moved from a large home in the San Fernando Valley to the Century in 2014. They paid \$4.33 million for a 3,250-square-foot

unit, which they renovated.

The Weisses walk their Maltese, Chloe, to Beverly Hills, and stroll Century City for shopping and dining. Mr. Weiss eats a couple of times a week at the Century's ground-floor restaurant, Hinoki & the Bird. At lunch, three-quarters of the clientele are talent agents at Creative Artists Agency, which is around the corner, said the restaurant's manager Chris Cutjapan. Their typical order: kale salad with salmon, he said.

From their apartment, the Weisses look out onto the site of the future Century Plaza Hotel Residences and Tower Residences, a redevelopment of the Century Plaza Hotel by developer Woodridge Capital Partners. The \$2.5 billion project will include a 394-room Fairmont Hotel, which will also house



ABOVE IT ALL Rents at Ten Thousand go up to \$65,000 a month.

63 condos. Behind the hotel will be two 43-story towers with a total of 268 condos, said Ms. Osborn, now managing director of sales and marketing for the residences. The project should be complete by mid-2021, and prices per square

foot should exceed those at the Century, Ms. Osborn said. The Century runs at about \$1,800 per square foot, said Mr. Oueida, which means a 1,000-square-foot unit at the Century Plaza would theoretically cost over \$1.8 million.

Century City still suffers from a reputation for being a collection of cold skyscrapers lacking neighborhood amenities like public parks, street life and nightlife.

Westfield, one of the world's largest shopping mall owners, has recently invested \$1 billion in an effort to change that reputation. It is in the final stages of a redevelopment of its Century City Westfield Mall, originally built in the 1960s, said Bill Hecht, chief operating officer in the U.S. The mall has "smart parking," where cars are tracked and billed via their li-

cense plates, and private lounges; and will have a branch of Mario Batali's Italian food market, Eataly.

Betting on growing acceptance of ultra-luxury vertical living, Miami-based developer Crescent Heights built and opened a 40-story rental building in January called Ten Thousand. Rents range from \$9,000 to \$65,000 per month said Jennifer Monir, regional director of business development. Ms. Monir said the building is "not fully leased but close."

The building offers amenities including a robot "butler" named Charley that brings items up to the apartments, and resident-tracking beacons. As a resident moves toward the bar, for example, the bartender is alerted and can start mixing up their favorite dirty martini, Ms. Monir said.

Luxury Defined



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Penthouse Perfection, 829 Park Avenue | Premier prewar white-glove co-op, PH duplex renovated by SilverLining, solarium, 2 terraces, 10 rooms, 4 BR/4.5 baths, 12 ft ceilings, 2 FPs, corner LR, formal DR, media/game room, WEIK, over 15' ceilings in master suite with dressing/sitting, 10-zone CAC, gym. | \$19.5M | WEB# 5194107 | Co-Exclusive



Grand 20-Ft Wide Architectural Masterpiece, 68 East 91st St 5 BR/5 bath state-of-the-art renovation, historic ivory facade, single-pane windows, 20 ft ceilings in LR, 23 ft south facing garden and 20' terrace off entertainment room, 2 working fireplaces, multi-zone Central AC, 5,000 bottle wine cellar. \$14.5M | WEB# 5137355



West Village Condo with Private Parking, 160 West 12th Street | Apartment 98 Brand new Greenwich Lane condo w/ private parking space and storage bin, 3 BR/3.5 baths, 11 ft ceilings, open city views, gym, pool, garden, movie theater, catering kitchen, dining room, lounge, children's playroom, garage. \$8.275M | WEB# 5181027



Historic Treadwell Farms 1875 Townhouse, 215 East 61st St Brand new state-of-the-art renovation, 5 stories plus a finished basement, 5BR/6.5 bath, 5 WBFPs, huge EIK, elevator, 35 ft garden, terrace off master BR, multi-zone Central AC, finished rooftop terrace. \$14.79M | WEB# 5127227 | Co-Exclusive



Full Floor Flatiron Loft, 15 West 24th Street, 5th FL | Prewar co-op off Madison Square Park, 3/4 BRs, 3.5 baths, 11 ft ceilings, grand south facing living room, dining, media room, EIK, CAC, key-locked elevator. \$4.495M | WEB# 5230228



Sun-Flooded Sutton Duplex, 25 Sutton Place South, 18/19K, High floor 4 BR, 3.5 bath in premier white-glove co-op on the river, 3,160 sq ft, 10 rooms w/ 2 LR, formal DR, WEIK, study, garden overlooking river, gym, garage, playroom. \$3.995M | WEB# 5243996



Vivien Wolf designed Manhattan House Penthouse Collection, 200 East 66th St PH D2102, 4 BR/4 bath, 2 WBFPs, WEIK, top-of-the-line finishes, 702 sf terrace, Estate spa and gym, yoga studio, roof terrace, lounge, children's playroom, garage. \$7.95M | WEB# 3821058



High Floor Corner XXX Mint Home, 215 West 88th St, Apt 9F, Prewar white-glove condo, renovated south-facing 3 BR/3 bath, study, WEIK, Fireplace, high ceilings, central AC, gym, rooftop terrace. \$3.975M | WEB# 5167690

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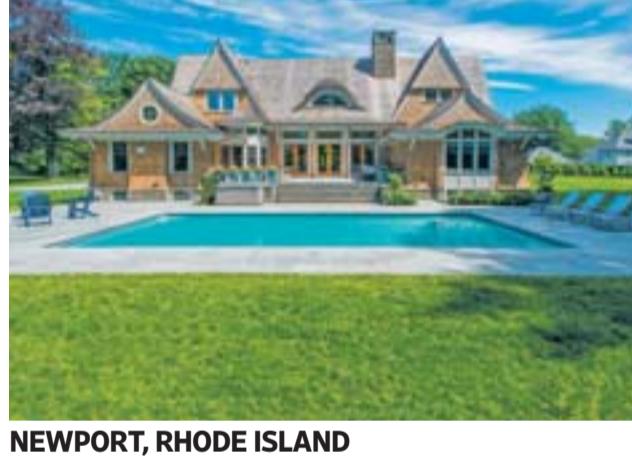
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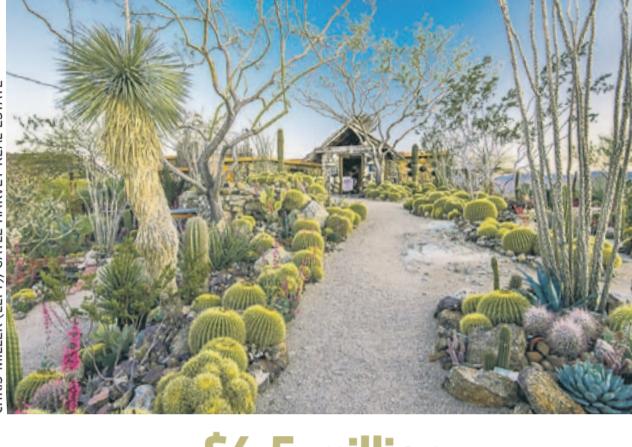
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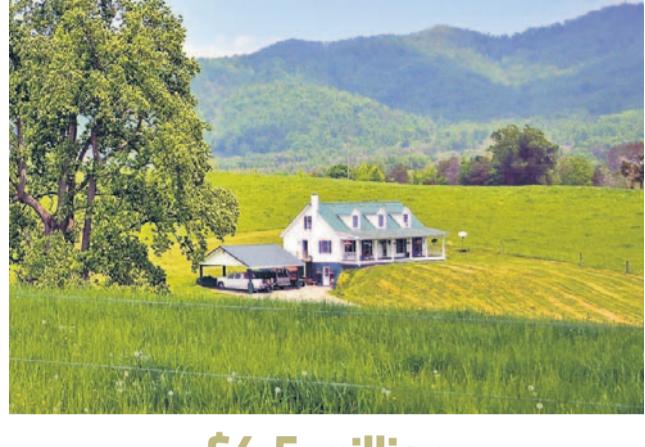
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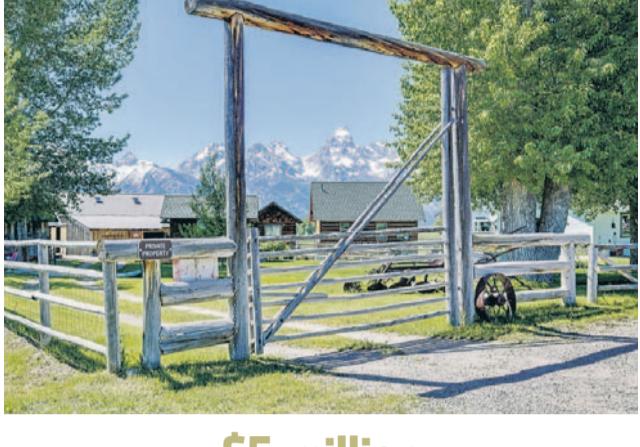
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Madison, Va.

Three bedrooms, two bathrooms

Graves Mill Farm, on 664 acres, is adjacent to the Rapidan Wildlife Management Area and a short hike to Shenandoah National Park. It has been a working farm with livestock and has about 300 acres of grazing land. It also has miles of trails for hiking and horseback riding. The property, which includes a lake, has an updated Cape Cod-style home, as well as a farmhouse and cottage.

Agent: Gayle Harvey Real Estate

**\$5 million**

Kelly, Wyo.

Three bedrooms, one bathroom

Surrounded by Grand Teton National Park, this 1-acre property was the only land kept by the Moulton family when they sold their land to the government for preservation. The 1936 home was originally a one-room cabin but has been renovated. Five small cabins, built starting in the 1930s, are rented out in the summer. The barn is used as a dance hall.

Agent: Chad Budge, Budge Realty Group

— Stacey Altherr

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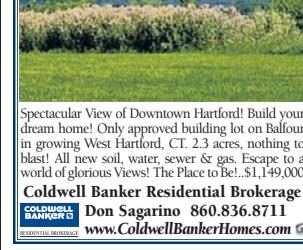


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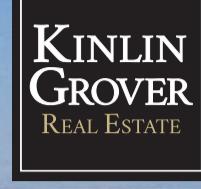
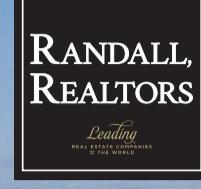
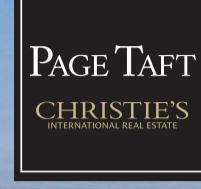
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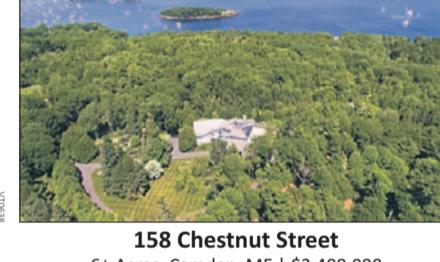
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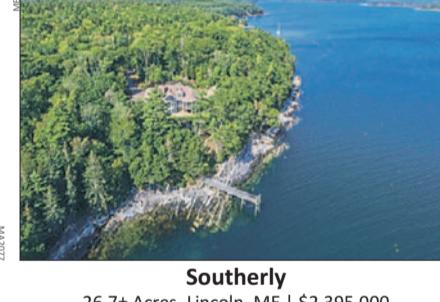
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MANSION

HOUSE CALL | BILLY COLLINS

A Life That Incited Poetry

The former U.S. Poet Laureate grew up in Queens; why he still has a money clip and his father's union pin

I wrote my first poem in the early 1950s when I was 10. I was in the back seat of my parents' car as my father drove up New York's FDR Drive. I saw a large sailboat on the East River and asked my mother for a pen. I wanted to write down how I felt.

I don't remember exactly what I wrote, but it probably was about the incongruity of a bright white boat sailing around in the gray city.

My parents were both 40 when they had me in 1941. I was a miracle baby, since they didn't expect to have a child. But I never viewed my parents as old. They always looked and acted much younger than their age.

I grew up in the Jackson Heights section of Queens, N.Y., until I was 13. We lived in several buildings, but the one I remember best was on 78th Street and 34th Avenue. The building took up an entire block and had beautiful garden apartments.

We lived on the top floor of the five-story building, in a two-bedroom apartment. I was an only child and liked to spend time in our sun room. The room was bright all day. I'd look out the window watching for experiences that would trigger a poem.

In my room, I kept lots of lead soldiers made in England that my father had given me. I also had plastic model cars and trucks. I liked to burn them and watch the black smoke rise with particles



hanging in the air and see the plastic melt and reform.

My father, Bill, was a Runyon-esque character. Before I was born, he traveled the country working as an electrician and then landed a job at the New York Daily

News. He met my mother in the hospital after he was injured at work. She was his nurse.

After I was born, my mother's brother in Montreal got my father a job in New York at his insurance company.

At first, my father worked there alone. He was a very good-looking guy and

something of a dandy. He was athletic and always looked sharp.

He used to call me Champ, which was probably good for my self-esteem. He'd say, "Champ, always carry your cash in a money clip so you can get it out fast and pay for drinks."

His philosophy was to be a sport and pay for your friends as much as possible. To this day, I still carry my cash in a Tiffany money clip.

My mother, Katherine, was called Kay. She was born and raised on a farm in Ontario and attended nursing school in To-

ronto. Then in the late 1920s, she traveled around the States. She was great looking.

My father worked hard and eventually transitioned from life insurance to aviation insurance. By then, his office on John Street in Manhattan had become a real office.

The company's British chairman and his wife enjoyed poetry and contributed to the Modern Poetry Association in Chicago. As a result, Poetry magazine arrived in my father's office, and he'd bring home the latest issue each month.

In school, I had been exposed to traditional poets—they all had three names. The new poets in Poetry were people like Howard Nemerov, Karl Shapiro, Maxine Kumin and Denise Levertov. They wrote in a fresh, conversational style.

In 1954, when I was 13, we moved to White Plains, N.Y. I lost all my friends, but I gained a Cape Cod house with a basketball court on the driveway and cars.

In college and grad school, I wanted to be an English professor. Poetry was something I wrote on the side. My first book of poetry,



CHAPTER AND VERSE Billy Collins, above, at his home in Winter Park, Fla., and, left, at about age 3, at the Douglaston Golf Course in Queens, N.Y.

"The Apple That Astonished Paris," was published in 1988, when I was in my 40s. From then on, poetry became my focus.

Today, I shuttle between homes in New York and Winter Park, Fla., where I direct a speakers series at Rollins College. In Florida, my fiancée and I live in a one-story, Key West-style home with white hurricane shutters and a little pool in back. There's no lawn, just tropical foliage.

Inside, we have three bedrooms and a big long room with a piano and books. The sun never really screams through the windows. At 4 p.m. it comes in obliquely through the shutters, making my office look like Marlon Brando's in "The Godfather."

The most prized item I have

that belonged to my father arrived in a package some years after he died in 1995. It was a pin from the International Brotherhood of Electrical Workers recognizing 75 years of membership and service. Despite his insurance-company success, my father had been paying his union dues.

I keep the pin in a cuff-link box. Seeing the pin brings back memories of him. Paying those dues was something he kept to himself. Now it's our secret.

—As told to Marc Myers

Billy Collins, 76, was the U.S. Poet Laureate from 2001 to 2003 and is the author of 11 collections of poetry, including his latest, "The Rain in Portugal" (Random House), now in paperback.

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