

THE WALL STREET JOURNAL.

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TUESDAY, OCTOBER 31, 2017 ~ VOL. CCLXX NO. 103

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What's News

Business & Finance

Sprint parent SoftBank has decided to suspend efforts to merge the wireless provider with T-Mobile US, after months of talks. **A1**

◆ **Lennar agreed** to buy CalAtlantic for \$5.7 billion, a deal that would create the country's largest home builder by revenue. **B1**

◆ **The U.S. saving rate** dropped to a 10-year low of 3.1% in September, down from 6.3% two years ago. **A2**

◆ **Apple is designing** iPhones and iPads for next year that would jettison Qualcomm components. **B1**

◆ **LyondellBasell has made** a takeover approach to Brazil's Braskem that could value the firm at over \$10 billion. **B6**

◆ **Akzo and Axalta** said they are in talks about a potential merger of equals of the coating and paints firms. **B6**

◆ **Clariant investors** who helped scuttle a proposed deal with Huntsman will seek three board seats. **B6**

◆ **Samsung delivered** record quarterly profit amid strong demand for its electronic components. **B5**

◆ **Staples is talking** with potential buyers in Asia about a sale of the retailer's operations in China. **B6**

◆ **Mondelez posted** rising third-quarter sales, as Americans ate more snacks. **B3**

◆ **Major stock indexes** lost ground, with the Dow falling 85.45 points to 23348.74. **B11**

◆ **Strayer and Capella** are merging in a deal that creates a nearly \$2 billion for-profit education firm. **B3**

World-Wide

◆ **Manafort and a business associate** were accused of not paying taxes on millions of dollars in income and an ex-Trump campaign adviser pleaded guilty to lying about his Russia contacts, as Mueller unveiled the first charges stemming from his election meddling probe. **A1, A4, A5**

◆ **Social-media agitators** allegedly tied to Russian-linked Facebook accounts helped organize and finance events during and after the U.S. presidential election. **B1, B4**

◆ **Catalonia's ex-leader** appeared by surprise in Belgium, as Madrid sought charges against him and other separatists. **A6**

◆ **U.S. Special Forces** captured a Libyan man believed to be part of the 2012 Benghazi attack that killed four Americans. **A7**

◆ **Kenya's president** was officially declared the winner of a repeat election. **A7**

◆ **A judge blocked** Trump from implementing a ban on transgender individuals serving in the military. **A3**

◆ **The FBI is probing** a decision by Puerto Rico's power authority to award a contract to a tiny Montana firm. **A3**

◆ **The Taliban said** a U.S. hostage is ill, as the militants seek to pressure the U.S. to negotiate his release. **A8**

◆ **Israel blew up** an underground tunnel that had infiltrated Israeli territory from the Gaza Strip. **A8**

◆ **Saudi Arabia said** it would let women attend sports events in stadiums. **A8**

CONTENTS Opinion..... A15-17
Business News... B3-6 Sports..... A14
Capital Column... A5 Streetwise..... B1
Crossword..... A12 Technology... B4-5
Head on Street. B11 U.S. News..... A2-5
Life & Arts.... A11-13 Weather..... A12
Markets..... B11-12 World News..... A6-8

4 4 2 3 5 >
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Please see SPRINT page A8

TUESDAY, OCTOBER 31, 2017 ~ VOL. CCLXX NO. 103

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Manafort Charged in Russia Probe



Paul Manafort, President Donald Trump's former campaign chairman, departed Federal District Court in Washington on Monday.

Mueller's Moves Signal Broad Scope

By JOE PALAZZOLO
AND JACOB GERSHMAN

The sweep of the tax and money-laundering charges against former Trump campaign manager Paul Manafort and his associate Richard Gates surprised some experts, who had been following the investigation of Mr. Manafort in the media.

"There's a ton that we don't know," said Paul Fishman, who was U.S. attorney in New Jersey from 2009 until this year.

Prosecutors alleged Mr. Manafort laundered \$18 million he received for political consulting work for Ukrainian politicians to avoid reporting it to U.S. tax authorities. He spent more than \$12 million in untaxed income on home improvements, antique rugs, luxury clothing, cars and landscaping from 2008 to 2014, according to the indictment.

The guilty plea by George

Papadopoulos, who served as a foreign-policy adviser to President Donald Trump during the campaign, may prove to be more significant than the indictment against Messrs. Manafort and Gates, revealing that Mr. Papadopoulos had been cooperating with federal authorities for months.

The unsealing of the Papadopoulos case shows that Mr. Please see INDICT page A5

Mueller ramps up; Trump campaign aide pleads guilty to lying about Russia meetings

BY ARUNA VISWANATHA
AND DEL QUENTIN WILBER

Special counsel Robert Mueller on Monday unveiled the first charges stemming from his probe into Russia's meddling in the 2016 elections, accusing two former Trump campaign officials of not paying taxes on millions of dollars in income and obtaining a guilty plea from a third who admitted he lied to federal authorities about contacts with Russian go-betweens.

The actions represent the most public moves to date from Mr. Mueller, a former Federal Bureau of Investigation director appointed in May to take over the probe into Russia's election interference and any potential collusion with President Donald Trump's campaign. Taken together, the moves make it clear that Mr. Mueller is entering a higher-profile phase of his investigation, and they suggest that more actions may be coming.

They also fix the spotlight back on the Russia questions that have dogged the White House at a time when Mr. Trump is attempting to sell a major tax overhaul that would give him a needed legislative victory in advance of midterm elections next year.

Please see PROBE page A4

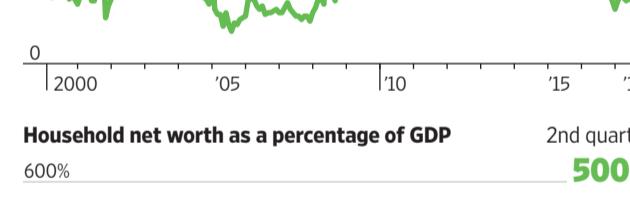
Charges Detailed

- ◆ Indictment describes Manafort's lavish life..... A4
- ◆ Plea agreement reveals new link to Russia..... A5
- ◆ A look at the three defendants..... A4

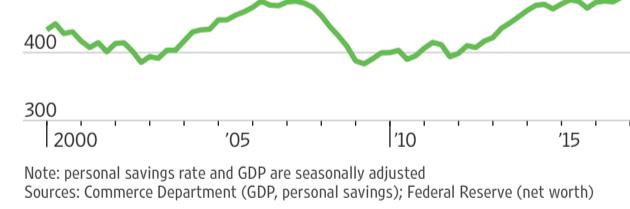
Saving Rate Drops to 10-Year Low

Americans are saving less as the economy and stock market heat up and as they increase spending on big-ticket items—a sign of optimism and prosperity but also a signal of potential risk. **A2**

Personal-saving rate



Household net worth as a percentage of GDP



Note: personal savings rate and GDP are seasonally adjusted
Sources: Commerce Department (GDP, personal savings); Federal Reserve (net worth)

Google's Washington Clout Faces a Reckoning

Populist backlash and reaction to Russian meddling shake giant

By JOHN D. MCKINNON AND BRODY MULLINS

WASHINGTON—Google's parent company, Alphabet Inc., made a big bet on Hillary Clinton winning the 2016 presidential election. Employees donated \$1.6 million to her campaign, about 80% more than the amount given by workers at any other corporation, and Executive Chairman Eric Schmidt helped set up companies to analyze political data for the campaign. Mr. Schmidt even wore a badge labeled "STAFF" at Mrs. Clinton's election-night bash.

His support of the losing side didn't go unnoticed among the victors. As President-elect Donald Trump was preparing for a meeting with tech executives at Trump Tower before his inauguration, he asked strategist Stephen Bannon whether Mr. Schmidt was "the guy that tried to help Hillary win the election," according to someone who heard the conversation. "Yes," said Mr. Bannon. "Yes, he is."

Google, one of the most powerful players in

Washington in recent years, is now facing the consequences of its lost political clout—and is moving mountains to regain it. During the Obama years, Google held sway with both parties in Congress and members of the administration. Mr. Schmidt often met with President Barack Obama at the White House through advisory boards and other events. The company defeated an antitrust probe by U.S. regulators and secured favorable rules on net neutrality, online liability and copyright issues.

Today, the search-and-advertising giant has come under attack from Republicans on all those fronts, as well as a new challenge over consumer privacy. Democrats, for their part, are rethinking their attitude toward regulating the company amid allegations that Russia used Google and other internet platforms in an at-

Please see GOOGLE page A10

- ◆ Russia accounts organized rallies on Facebook... B1
- ◆ 126 million people saw Russian content..... B4

Sprint to Halt Talks On T-Mobile Merger

For the second time in three years, Sprint Corp. is preparing to leave T-Mobile US Inc. at the altar after months of negotiations to bring together the two U.S. wireless providers.

By Ryan Knutson,
Drew Fitzgerald
and Dana Mattioli

The two sides have been exploring a deal that would combine the No. 3 and No. 4 U.S. carriers by subscribers, seeking to create a player big enough to challenge the market leaders in a rapidly changing telecommunications and media landscape.

But directors at Sprint's parent company, SoftBank Group Corp., met in Tokyo last week and decided to suspend the merger efforts, according to

No Bones About It: Animal Skeletons Are Hot for Halloween

* * * * *
Pet lovers turn furry familiars into a big-time decoration; a 6-foot horse for \$199

By ELLEN BYRON

Julia Sandvoss has used all the standard forms of scary décor in the haunted house she creates each year for Halloween: eyeballs, cobwebs, tombstones, spiders and the odd werewolf. This year she's bringing in more animals.

Not live animals, mind you. Just their bones.

"We're dog lovers, so they seemed like the perfect fit for our family," Ms. Sandvoss says, referring to six canine skeletons she's acquired to decorate the first floor of her home in St. Louis. Those sets of plastic bones, including ones that resemble a Chihuahua, a French bulldog and a Labra-

dor, will be accompanied by a mélange of rats and mice, an owl, a snake, a cat, a crow and a pony.

Humans looking to take their spooky game to the next level have come to a consensus. Fake skeletons of animals, these humans say, are the way to go.

Among the many categories of Halloween decorations at Home Depot Inc., skeletons of all types are the No. 1 sellers. "They overtook witches a year ago," says Kelie Charles, the retailer's holiday merchant.

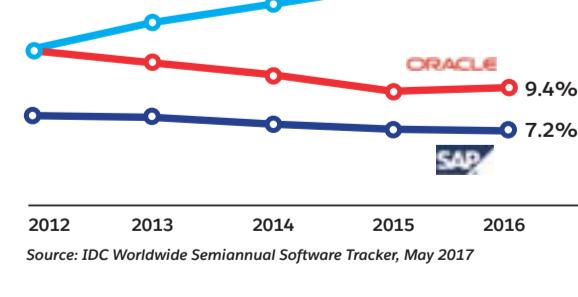
Home Depot's inventory in

Please see BONES page A10

♦ Scared towns rein in trick-or-treating..... A3

Salesforce. #1 CRM.

Salesforce ranked #1 for CRM based on IDC 2016 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, May 2017



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U.S. NEWS

Trump's Deregulatory Juggernaut Is Rolling



CAPITAL JOURNAL

By Gerald F. Seib

Why, you might ask, are the financial markets and the business community so happy with the Trump administration?

After all, a Trump presidency carries the risk of a trade war, which alarms investors and big-business leaders; in fact, the business community is actively working against the administration's threat to deep-six the North American Free Trade Agreement.

The GOP tax-cut plan the financial sector has been counting on is only being unveiled this week, and the administration has done nothing

so far to launch the promised rebuilding of infrastructure that business leaders crave.

To some extent, then, the explanation for the love affair lies elsewhere, in something many in Washington either find boring or overlook entirely: deregulation.

While the Republican machine that emerged from the 2016 election may be sputtering on other fronts, it is proving to be a juggernaut on deregulation. And as a priority for the business community, deregulation ranks right up there with tax reform.

A new set of figures from the U.S. Chamber of Commerce tells the tale of how far and fast the president, his administration and the Republican-controlled Congress have moved.

The business group has been keeping a tally of deregulatory actions this year, and its scorecard lists 29 executive actions—executive orders by Mr. Trump or directives from his White House—to reduce regulatory requirements. In response, executive-branch

agencies have issued 100 additional directives that either knock down regulations or begin a process to eliminate or shrink them.

The chamber's count also lists almost 50 pieces of legislation that have been introduced or begun moving through Congress. And that count doesn't include perhaps the most aggressive step the Republican Congress has taken: It has pioneered the use of a little-known 1996 law, the Congressional Review Act, that allows lawmakers to repeal executive-branch regulations within 60 days after they are finalized.

Using that law, Congress has passed, and Mr. Trump has signed, legislation overturning 14 regulations promulgated by the Obama administration in its final days.

Then, just last week, Congress passed legislation repealing a rule put in place this year by the Consumer Financial Protection Bureau—created under Barack Obama's administration—that would have made it easier for consumers to sue banks in finan-

cial disputes. The legislation, one of the most significant wins for the financial industry in years, passed the Senate 51-50 when Vice President Mike Pence broke a tie.

None of this is as flashy as a controversy over a 6:30 a.m. tweet from the president attacking his enemies. But the deregulatory push may be the

Despite infrastructure and tax-cut delays, here's why business likes the president.

most consequential initiative the Trump administration has taken, perhaps rivaled only by the appointment of dozens of judges, who serve for life.

Certainly the business and financial worlds are noticing the deregulatory drive. The economy grew at a 3% rate in the third quarter, the government reported Friday, fueled in part by business spending on new equipment, which

rose at an annual 8.6% rate. That spending is one sign business leaders like the new environment.

Meanwhile, the stock market is hitting record highs on a regular basis.

Democrats, on the other hand, aren't pleased. They have begun complaining that the deregulatory rush is both dangerous to the public and the result of work by Trump administration officials with deep conflicts of interest, arising from their careers in affected industries or their personal financial interest in those industries.

This month, a group of House Democrats introduced legislation that would require agencies to report any conflicts of interest that would arise for the president or senior members of his administration when regulatory rules are being changed. President Trump is "undermining regulations in order to benefit himself, his family, and his close friends," said Rep. David Cicilline, a Rhode Island Democrat and one of the bill's sponsors.

Such legislation isn't going anywhere in a Republican-controlled Congress, of course.

Some of the administration's steps are small-bore—setting up a team to review federal and state rules to ensure that efforts to protect the sage grouse are complementary, for example. But others, particularly those launched by the Environmental Protection Agency, are big and broadly significant, including moves already taken to delay and potentially rescind Obama-era Clean Air Act and Clean Water Act rules.

Some of the deregulatory actions will unfold slowly: Just as legal requirements for public comment and review periods make issuing regulations a slow process, so too do they mean unwinding regulations can take time and, in some cases, invite court challenges.

Ultimately, though, there is little Democrats can do to stop the drive—a clear sign that elections do have consequences.

Wind and Rain Whip Northeast



BEACHED: High winds sent sailboats crashing onto the Dartmouth, Mass., beach. More than 1.5 million homes and businesses lost power and hundreds of schools in New England were closed. In Maine, Gov. Paul LePage declared a state of emergency.

U.S. WATCH

EPA

Environmentalists Fault Pruitt Order

Lawyers are digging in for longer and more expensive fights with the U.S. Environmental Protection Agency.

The new posture follows an order by EPA Administrator Scott Pruitt that environmental groups say will complicate settlements when plaintiff lawyers sue the agency for habitually failing to issue regulations on schedule. The directive, released this month, requires the agency to seek the participation of affected industries and states in settlement negotiations. Environmental groups say the policy will drag out what should be easily negotiated deals.

—Joe Palazzolo

LABOR DEPARTMENT

U.S. Appeals a Ruling In Overtime Case

The Trump administration on Monday appealed a federal judge's ruling that struck down an Obama-era overtime-pay rule, a move designed to preserve the Labor Department's authority to reshape the rule.

By filing the appeal, the department seeks to maintain Secretary Alexander Acosta's ability to establish overtime regulations, a Labor Department official said Friday. The appeal shouldn't be viewed as the Trump administration endorsing the threshold set in regulations issued last year, according to the official.

—Eric Morath and Josh Mitchell

CALIFORNIA WILDFIRES

Death Toll Rises to 43 as Teen Girl Dies

A teenage girl died in a hospital three weeks after she was severely burned in a fire that tore through Mendocino County, Calif., raising the number of those killed in the state's wildfires this month to 43.

Kressa Shepherd, 17 years old, died Sunday night at a Sacramento hospital, her aunt, Mindi Ramos, said Monday.

Her brother, Kai, 14, one of the youngest fire victims, died as her family tried to outrun the flames at their Redwood Valley home. Her parents, Jon and Sara Shepherd, remain hospitalized and have gone through several grafting surgeries.

—Associated Press

FORT BRAGG

Bergdahl Apologizes To Wounded Troops

In an unexpected and emotional statement, Army Sgt. Bowe Bergdahl apologized in court to all of the military personnel who were wounded searching for him and described the daily nightmares and flashbacks to his five years in captivity of Taliban allies he still endures.

Sgt. Bergdahl was the first defense witness. A judge will decide his punishment for endangering comrades by walking off his post in Afghanistan in 2009. His apology came after the judge ruled that President Donald Trump's criticism won't prevent the soldier from receiving a fair sentence.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Edemar Cid Ferreira, the former president of Banco Santos, bought Jean-Michel Basquiat's 1982 painting "Hannibal," a skull against an orange background, for an undisclosed sum in 2003. After Mr. Ferreira was convicted of money laundering in Brazil, the estate of Banco Santos auctioned "Hannibal" for \$13 million to an anonymous buyer at Sotheby's. A Life & Arts article Monday about Mr. Ferreira's art collection incorrectly said that the painting was created in 1981 and that Mr. Ferreira bought it in the late 1990s for less than \$100,000. The article also incorrectly said the bank's estate sold "Hannibal" to Japanese billionaire Yusaku Maezawa. An

image of an untitled Basquiat painting that belongs to the Broad Museum incorrectly accompanied the article. Readers can see an image of "Hannibal" at WSJ.com/Corrections.

Fifty-nine countries and regions participated in the WorldSkills 2017 competition in Abu Dhabi; the 2015 competition was held in São Paulo. A Page One article Monday about the world championship of vocational skills incorrectly said that 58 countries participated and that Rio de Janeiro hosted in 2015.

Sharatchandra Bhise earned a certificate from a 15-month business course at New York University. In some

editions Monday, a Money & Investing article about Mr. Bhise and HNA Group Co. incorrectly characterized the program as a three-month course.

In California, people who buy health insurance on the state's exchange must pay a minimum \$1 premium. A U.S. News article Saturday about the Affordable Care Act incorrectly said some people in the state are eligible for zero-premium plans.

The metallic dome of the Louvre Abu Dhabi weighs 7,500 metric tons (8,250 short tons). An Off Duty article Saturday about the museum incorrectly said the dome weighed 7,500 pounds.

In the recipe for zucchini olive oil cake, 1½ cups of all-purpose flour should be mixed with the whole-wheat pastry flour and other dry ingredients in step No. 3. The Oct. 21 Off Duty recipe didn't make clear when the all-purpose flour should be added.

The valuation as a multiple of annualized revenue for office-leasing company WeWork Cos. is 20.2 times, compared with 0.9 times for competitor IWG PLC. Valuation per square foot for WeWork is \$2,020 and \$52 for IWG. A graphic with a Page One article Oct. 20 about WeWork incorrectly swapped the labels for the two measurements of valuation.

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U.S. NEWS

FBI Eyes Puerto Rico Power-Grid Deal

Investigation concerns \$300 million contract to tiny Montana firm for repairs on the island

BY ANDREW SCURRIA

The Federal Bureau of Investigation is investigating a decision by Puerto Rico's power authority to award a \$300 million contract to a tiny Montana energy firm to rebuild electrical infrastructure damaged in Hurricane Maria, according to people familiar with the matter.

Agents from the FBI's San Juan field office are looking into circumstances surrounding the deal that the public power monopoly known as Prepa signed with Whitefish Energy Holdings LLC, according to the people familiar with the matter.

Puerto Rico Gov. Ricardo Rosselló canceled the contract Sunday, saying it had become a distraction from the U.S. territory's efforts to restore the devastated grid. Only 30% of the island's power customers have had electricity restored.

The Federal Emergency Management Agency, multiple congressional committees and local auditors also have raised concerns.

"Whitefish is committed to full cooperation with any inquiry or investigation," a company spokesman said Monday. "The procurement of the PREPA contract was at all times fully appropriate."

A spokeswoman for Gov. Rosselló said he "welcomes any investigation by the federal authorities and he has been clear: there should be an investigation on this matter,



Whitefish Energy workers stood on towers this month in Barceloneta, Puerto Rico, working to restore power lines damaged last month by Hurricane Maria.

and if there is any wrongdoing, the persons responsible should be prosecuted to the full extent of the law."

A spokesman for the FBI couldn't be reached.

The House Committee on Natural Resources said Monday it would hold hearings over the next three weeks on the storm recovery and on transparency in the reconstruction process.

Ricardo Ramos, executive

director of Prepa, had defended the Whitefish pick and said the contracting process was done according to the utility's regulations for handling emergency situations.

Whitefish, a startup firm based in the remote hometown of Interior Secretary Ryan Zinke, had roughly 350 subcontracted workers and 2,500 tons of heavy equipment on the ground for restoring elec-

trical lines destroyed in the Category 4 hurricane. But the firm's small size and limited track record, as well as terms of the contract, ignited concerns around Puerto Rico's management of the flow of federal disaster relief dollars to the island.

Mr. Zinke, an acquaintance of Whitefish Chief Executive Andy Techmanski, issued a statement last week denying he

had any involvement in the company securing the deal.

On Friday, FEMA said it had questions about how Whitefish's prices were negotiated and was working with Prepa and its legal advisers to determine how the contract was procured as well as how the utility determined the prices.

The controversy now threatens to cost Puerto Rico's governor control of the power

utility, which this summer entered a court-supervised bankruptcy proceeding. He is vying for control of Prepa with the federal oversight board installed by Congress to supervise Puerto Rico's economic planning.

The oversight board took steps last week to install a retired Air Force colonel as a "chief transformation officer" to take over Prepa's operations.

Judge Blocks President's Transgender Military Ban

BY BRENT KENDALL
AND GORDON LUBOLD

WASHINGTON—A federal judge blocked President Donald Trump from implementing a ban on transgender individuals from serving in the military.

U.S. District Judge Colleen Kollar-Kotelly ruled preliminarily on Monday that Mr. Trump's ban, announced on Twitter in July and formalized in a presidential memorandum in August, is likely unconstitutional. She issued an injunction that bars its implementation for now while legal proceedings continue.

The 76-page decision came in response to a lawsuit brought by current and aspiring members of the armed services. Judge Kollar-Kotelly, a Bill Clinton appointee, said the policy likely violated the Constitution's guarantee of due process under the law.

The judge said courts owe deference to the president in the military context, but that judges still have authority to decide if service members' basic rights have been violated. She said several factors supported the challengers' claims that the ban wasn't based on legitimate concerns about military effectiveness but instead was driven by a desire to express disapproval of transgender people.

Judge Kollar-Kotelly said the Trump administration's stated reasons for the ban "appear to be hypothetical and extremely overbroad."

"As far as the court is aware at this preliminary stage, all of the reasons proffered by the president for excluding transgender individuals from the military in this case were not merely unsupported, but were actually contradicted by the studies, conclusions and judgment of the military itself," the judge wrote.

The White House referred questions to the Justice Department, which said: "We disagree with the court's ruling and are currently evaluating the next steps. Plaintiffs' lawsuit challenging military service requirements is premature for many reasons, including that the Defense Department is actively reviewing such service requirements, as the president ordered." The Pentagon didn't respond to a request to comment.

Scared Straight: Towns Rein In Halloween

BY VALERIE BAUERLEIN

HOLLY SPRINGS, N.C.—How old is too old to trick-or-treat? This suburb of Raleigh has an answer, and it is 13 years old.

The town council passed a resolution this month asking its residents to reserve trick-or-treating for those 12 and under, to go door-to-door for candy only in their own neighborhood, and to turn off all porch lights by 9 p.m.

Officials say the rules are meant to protect the public. Halloween fans say they're Grinch-y.

Holly Springs Mayor Dick Sears said he has been flooded by phone calls, emails and social-media comments objecting to the rules. The town's account administrator chastised one critic who urged the egg-rolling of town leaders' homes, saying, "A call to violence, whether serious or facetious, is inappropriate."

Mr. Sears defended the res-



SPENCER PLATT/GETTY IMAGES

Some towns are putting age limits or curfews on trick-or-treating in the name of safety, prompting a social-media backlash.

olution as a way to maintain safety in the community of 33,000. The guidelines have been around for several years, but this year was the first time they caught notice on social media. Besides, as guidelines they aren't enforceable. "I'm not sure why it's aroused such interest," he said.

Sharon Myers, a retired nurse in Holly Springs who plans to dress as a witch on Tuesday, has an explanation: "Halloween brings the little kid out in people." She said she would hand out Snickers and Butterfingers to all-comers, regardless of age.

The nearby town of Fuquay-

Varina has taken the opposite stance and is encouraging all comers for its candy giveaway. "Fuquay-Varina does not regulate Halloween," said town Police Chief Laura Fahnstock.

Holly Springs is hardly alone in seeking to impose order on the rituals of Halloween in the name of safety.

In Middletown, N.Y., the mayor is enforcing a 9 p.m. curfew from Oct. 27 to Nov. 1, with no one under 18 allowed out without parents or a written permission slip. Nevada's Clark County is running an "Inside by 9" public-service announcement with a smiling witch telling children, "There's no place like home for trick-or-treaters."

Some cities have had restrictions in place for years, with few complaints. Belleville, Ill., passed a set of limits in 2008 after older residents raised concerns about tall, masked kids knocking on their doors at 10 p.m. or later. Now

police send teenagers home if they find them out late or dressed up when they should know better, Mayor Mark Eckert said.

"When I was a kid, we didn't need the city to tell us," Mr. Eckert said. "We had parents who said, 'Hey, you're done. You're almost 6 feet tall, you're in junior high, you can stay home and help your mother.'"

But times have changed, and local leaders say they must take action.

"We shouldn't have to legislate things like this, but sometimes the government needs to step in," he said.

Back in Holly Springs, Eric Granger, a 32-year-old father of toddler twin boys, said he trick-or-treated until he was about 15 years old. He said he would give candy to every kid however old, even though his personal philosophy is that "once you can drive, you shouldn't trick-or-treat."

Insurers Leave ACA Markets; Some Premiums Will Jump

BY STEPHANIE ARMOUR

Dozens of insurers are leaving the Affordable Care Act's federal insurance exchange, and consumers who don't get premium help will see some rates for popular plans jump by more than 30% next year, according to a Trump administration report released Monday.

The data, which come just before Wednesday's launch of open enrollment under the ACA, is likely to add to debate over whether the Obama-era law is failing, or whether it is being sabotaged by congressional Republicans and President Donald Trump.

Millions of people are expected to sign up for private health coverage during the sign-up season, at a time when the president and many congressional Republicans are pledging to repeal the health law.

The number of insurers participating on the federal exchange, known as HealthCare.gov, will drop to 132 in 2018 from 167 this year, according to the Department of Health and Human Services analysis. As a result, about 30% of consumers will have only one insurer to pick from, up from 20% this year.

Premiums will climb, but

not everyone will pay more. Most consumers are eligible for federal tax credits that help with premiums. The value of a credit increases with the cost of premiums for one of the exchange's most popular plans.

That means that, despite the rise in rates, many people who get the credits will actually pay less, depending on the type of plan they select, the report says.

Democrats and Republicans battle over the blame for weakening markets.

One implication is that the federal government will spend more, because the value of tax credits will rise, health analysts say.

The roughly seven million people who buy private insurance on and off the exchanges but aren't eligible for tax credits will see sharp increases.

The average monthly premium for one of the most popular, middle-price plans on the exchange—a key metric for premiums around the country—will increase by 37% for a

27-year-old consumer across states that rely on Washington to run their exchanges, according to the HHS report.

"Most consumers receive tax credits, so they're sheltered," said Matthew Fiedler, an economic studies fellow at the Brookings Institution, a research group. "But it's significant for the federal government and unsubsidized consumers."

The report comes as Democrats and Republicans engage in a pitched battle over who should shoulder blame for the weakening markets.

Mr. Trump on Sunday tweeted, "As usual, the ObamaCare premiums will be up (the Dems own it), but we will Repeal and Replace and have great Healthcare soon after Tax Cuts!"

Democrats and some health analysts say insurers have left the exchanges because Republicans have created uncertainty over the future of the health law with their promises to repeal it.

They also say Mr. Trump's decision this month to end subsidy payments to insurers is responsible for the premium increases.

The payments offset insurers' costs of providing out-of-pocket financial help to some low-income consumers.

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THE MUELLER INVESTIGATION

Alleged Wire Payments

Paul Manafort allegedly arranged wire payments from foreign entities to several different kinds of businesses from 2008 to 2014 so that he could avoid paying taxes on the income, according to the indictment. Total payments to vendors of \$500,000 or more:



Source: Department of Justice

THE WALL STREET JOURNAL.



BILL HENNESSY/REUTERS

Former Trump campaign manager Paul Manafort, left, and his former business partner Richard Gates during a hearing on Monday.

Manafort Led 'Lavish' Lifestyle

BY BYRON TAU

WASHINGTON—Former Trump campaign manager Paul Manafort was living a "lavish" lifestyle financed by a network of foreign corporate entities and accounts designed to help him avoid paying taxes on income he earned while lobbying for the pro-Russian government of Ukraine between 2006 and 2016, according to a 31-page indictment made public Monday.

Wire transfers by Mr. Manafort included nearly \$1 million to an antique rug store in Alexandria, Va., out of accounts in Cyprus, about \$850,000 on men's clothing, more than \$650,000 in landscaping and about \$275,000 on four Range Rovers and a Mercedes-Benz, the indictment said.

Other accounts or corporations were used to buy property—including a condominium in the Soho neighborhood of Manhattan and a \$3 million brownstone in Brooklyn that he bought using wire transfers from foreign entities. The charging document alleges that Mr. Manafort then generated fresh money by mortgaging some of those properties or using them as rentals, the record shows.

Mr. Manafort financed his spending through foreign accounts based in Cyprus, the Caribbean nation of St. Vincent

and the Grenadines and the U.K., and prosecutors say he and his former business partner, Richard Gates, gave false information to their accountants and attorneys in order to try to conceal the money.

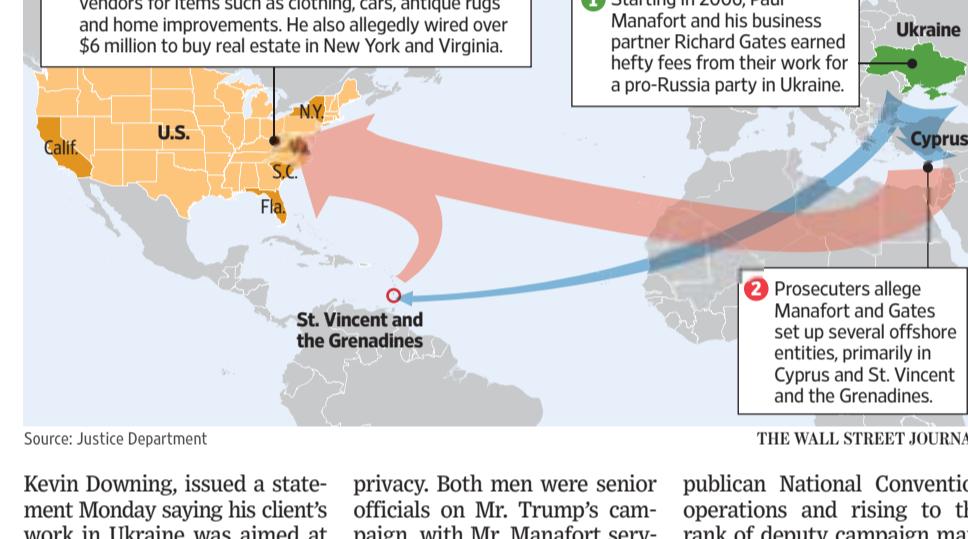
A veteran Washington political operative who helped guide President Donald Trump to an upset win in the Republican primaries, Mr. Manafort was indicted on Monday in what prosecutors allege was a scheme to conceal a major influence-peddling and lobbying operation performed on behalf of the government of Ukraine.

Mr. Manafort, 68, and Mr. Gates, 45, were arraigned in U.S. District Court on Monday, pleading not guilty to a dozen charges stemming from lobbying they performed between 2006 and 2015 for the ruling party of Ukraine as well as subsequent attempts to allegedly hide the payments from that work. Those charges include two counts of conspiracy to avoid income taxes and launder money, a number of lobbying and banking violations, and allegations of making false and misleading statements to investigators.

The White House distanced itself from Mr. Manafort and said news of the indictments would have no effect on the president's ability to govern.

Mr. Manafort's attorney,

Prosecutors allege Paul Manafort illegally avoided taxes on income that he moved from overseas accounts to the U.S. through purchases of personal items and real estate.



Source: Justice Department

THE WALL STREET JOURNAL.

Kevin Downing, issued a statement Monday saying his client's work in Ukraine was aimed at building stronger ties between it and the U.S. He said the claim that "maintaining offshore accounts to bring all your funds into the United States, as a scheme to conceal from the United States government, is ridiculous."

Through a spokesman, Mr. Gates said he "welcomes the opportunity to confront these charges in court" and asked for

privacy. Both men were senior officials on Mr. Trump's campaign, with Mr. Manafort serving on the campaign between March and August of 2016, taking over as campaign manager in June. He has said he wasn't paid for his work. Federal Election Commission records don't show any campaign payments to Mr. Manafort or any of his known entities.

Mr. Gates joined the campaign around the same time as Mr. Manafort, helping run Re-

publican National Convention operations and rising to the rank of deputy campaign manager. He also helped organize the president's inauguration, after Mr. Trump's victory in November.

He received \$70,000 in payments related to political work for the Trump campaign through a business entity listed in the indictment, FEC records show. The Republican National Committee's coordinated spending account with the Trump

could face as long as 20 years in prison if convicted on one count of conspiracy to launder money alone.

The charges drew warnings from Democrats that Mr. Trump, after having fired Mr. Comey, shouldn't move to fire Mr. Mueller or influence his investigation, a point that has been echoed by some Republicans in the past.

"The president must not, under any circumstances, interfere with the special counsel's work in any way," said Senate Minority Leader Chuck Schumer (D., N.Y.).

The White House said Mr. Manafort's indictment wasn't related to the White House or the campaign but was about separate matters. In Mr. Papadopoulos's case, the White House said it was about the activities of a low-level player, though Mr. Trump in March 2016 cited Mr. Papadopoulos as one of five people advising him on foreign policy.

"It doesn't have anything to do with us," said White House press secretary Sarah Huckabee Sanders, adding that the president continues to reject any suggestion that he or his campaign worked with Russia to influence the campaign.

The case against the 30-year-old Mr. Papadopoulos provides the most detailed look yet at Mr. Mueller's inquiry as it relates to alleged collusion between the Trump campaign and Russia. The documents highlighted that Mr. Papadopoulos met with Mr. Trump and his foreign-policy advisers and told them he had connections that could help arrange a meeting between Mr. Trump and Mr. Putin.

"It seems clear that Papadopoulos...is cooperating and Mueller's team is building on that cooperation," said Steven Levin, a former federal prosecutor. "Clearly, the special prosecutor wants to obtain evidence and charges against campaign supervisors with Papadopoulos' assistance."

campaign paid Mr. Gates's Bade LLC three times from September 2016 to January 2017 for what is listed in FEC records as "political strategy services."

Between 2006 and 2012, Mr. Manafort and Mr. Gates engaged in a multimillion-dollar lobbying campaign on behalf of Ukrainian President Viktor Yanukovych, who was seeking to burnish his image as a Europe-oriented leader despite close ties with Moscow.

As part of that work, the two men hired two well-known Washington, D.C., lobbying firms in 2012 to help. The firms weren't named in the legal document but have previously been identified in filings as the Podesta Group and Mercury LLC. The two firms registered to lobby for a nonprofit entity called the European Centre for a Modern Ukraine rather than the government of Ukraine.

The Podesta Group didn't respond to a request for comment but the firm has said in April that it believed it had complied with all lobbying laws. It belatedly registered under the Foreign Agents act that month.

A partner for Mercury said in a statement: "Mercury has and will continue to fully cooperate with the Office of the Special Counsel in its investigation."

—Julie Bykowicz contributed to this article.

PROBE

Continued from Page One

Former Trump campaign manager Paul Manafort was taken into custody on charges that he laundered more than \$18 million between 2006 and 2016 to pay for what prosecutors described as a "lavish lifestyle"—including rugs, landscaping, cars and clothing—without reporting the income to the Internal Revenue Service. That income was from work he did for a pro-Russia party in Ukraine headed by the country's former president, Viktor Yanukovych.

Mr. Manafort and business associate Richard Gates were also charged with conspiring against the U.S. and failing for years to register their lobbying activities on behalf of the Ukrainian government. Mr. Manafort, a veteran political operative, has done extensive work overseas.

Separately, according to court documents unsealed on Monday, Trump campaign foreign-policy adviser George Papadopoulos has pleaded guilty to lying to the FBI about his contacts with people connected to Russian officials.

Mr. Papadopoulos admitted he spoke to a professor during the campaign who told him the Russians possessed "dirt" on Democratic presidential candidate Hillary Clinton in the form of "thousands of emails," according to court documents. He earlier had told the FBI those contacts only occurred before he joined the campaign. Mr. Papadopoulos also acknowledged he made repeated efforts to arrange a meeting between the Trump campaign and Russian government officials, including through a woman he believed was Russian President Vladimir Putin's niece, the documents said.

The Trump administration has faced questions about the Kremlin's alleged meddling in



Paul Manafort



Richard Gates



George Papadopoulos

A longtime GOP lobbyist and consultant, Paul Manafort joined Donald Trump's presidential campaign in March 2016 to fend off a possible delegate revolt against the New York businessman from supporters of Sen. Ted Cruz (R., Texas).

He was soon promoted to campaign chairman and chief strategist. Mr. Manafort led the campaign through the GOP convention in Cleveland and was instrumental in the vice-presidential selection.

Mr. Manafort was fired after the convention amid news reports that he had received undisclosed payments from Viktor F. Yanukovych, a former Ukrainian president and a pro-Russia politician.

The documents released on Monday suggest Mr. Mueller is pursuing multiple avenues of investigation. His team, which includes 16 attorneys versed in public-corruption, fraud and national-security matters, as well as more than two dozen FBI agents, has been present-

ing evidence before a federal grand jury in Washington since July.

Mr. Mueller also has been investigating whether Mr. Trump obstructed justice in his firing earlier this year of James Comey as FBI director, according to people familiar with the matter. Mr. Mueller was appointed special counsel just after the president's firing of Mr. Comey.

In an appearance before a federal magistrate judge in Washington, attorneys for Messrs. Manafort and Gates entered pleas of not guilty. The judge set bail at \$10 million for Mr. Manafort

and \$5 million for Mr. Gates. A hearing has been scheduled for Thursday before Judge Amy Berman Jackson.

After Monday's hearing, a lawyer for Mr. Manafort, Kevin Downing, offered a fiery defense, saying there was "no evidence that Mr. Manafort or the Trump campaign colluded with the Russian government." He accused the special counsel of using a "very novel theory" to prosecute Mr. Manafort for failing to register as an agent of a foreign power between 2008 and 2014, and for allegedly making false and misleading statements on such forms.

Messrs. Manafort and Gates

Podesta To Leave Lobbying Firm

BY REBECCA BALLHAUS AND BRODY MULLINS

Democratic lobbyist Tony Podesta is leaving the Washington firm he founded as the Podesta Group finds itself caught up in an investigation by Special Counsel Robert Mueller, according to people familiar with the move.

Mr. Podesta told employees of his lobbying firm that he planned to step aside, according to the people. His announcement came on the same day that Paul Manafort and Richard Gates, two former campaign aides to President Donald Trump, were indicted and taken into custody.

Mr. Manafort faces charges that he laundered more than \$18 million in funds from his work for a pro-Russia party in Ukraine through offshore accounts. Mr. Gates is charged with helping Mr. Manafort transfer funds and spending more than \$3 million himself. They have pleaded not guilty.

The indictment of Messrs. Manafort and Gates, which was unsealed on Monday, lists two companies—"Company A" and "Company B"—that the two former Trump campaign aides allegedly solicited to lobby on behalf of the pro-Russia party in Ukraine. Those companies are Mercury LLC and the Podesta Group, respectively, according to people familiar with the matter.

Mr. Podesta declined to comment, and a representative for the firm didn't respond to requests for comment. Politico first reported the plan for Mr. Podesta's departure Monday.

THE MUELLER INVESTIGATION

Mueller Case Makes New Link to Russia

By SHANE HARRIS

WASHINGTON—A plea agreement by a former foreign-policy adviser to Donald Trump's presidential campaign represents the most substantive link to date between the campaign and Russian attempts to influence the election through stolen emails, meetings and other measures.

The foreign-policy adviser, George Papadopoulos, acknowledged interacting with a professor who had close ties to the Kremlin and claimed that Russian officials could provide the Trump campaign with "dirt" on Hillary Clinton in the form of "thousands of emails," according to court documents unsealed on Monday.

Mr. Papadopoulos pleaded guilty earlier this month to lying to the Federal Bureau of Investigation about his meetings with the professor and with a female Russian national he believed was related to President Vladimir Putin. Federal officials said in the plea agreement released Monday that he has been cooperating in the investigation since his arrest July 27.

White House press secretary Sarah Huckabee Sanders

said Monday that Mr. Papadopoulos had a "very minor" role in the Trump presidential campaign as a volunteer, and that his guilty plea had to do with false statements, not campaign actions.

However, Mr. Trump listed Mr. Papadopoulos as one of his main foreign-policy advisers in a meeting with the Washington Post editorial board in March 2016. And Mr. Papadopoulos's plea agreement indicates he communicated frequently about his Russian contacts with multiple Trump campaign advisers described in the document as having a "high-ranking" and "supervisor" roles.

Two of those people are Paul Manafort, the former Trump campaign manager, and Richard Gates, his deputy, according to a person familiar with their email communications with Mr. Papadopoulos. Messrs. Manafort and Gates were named Monday in indictments on money-laundering charges by the special counsel investigating Russian interference in the 2016 election.

Mr. Papadopoulos told investigators and campaign officials that he understood the Russians he was talking to had ac-



SAUL LOEB/AGENCE FRANCE PRESSE/GETTY IMAGES

Special Counsel Robert Mueller unveiled charges on Monday.

cess to people in high positions, including to Mr. Putin and to top officials in Russia's Ministry of Foreign Affairs. From these contacts, Mr. Papadopoulos pursued a mission as a liaison between the campaign, which he told investigators he understood wanted better relations with Russia, and Moscow, which he said he was told wanted to cultivate Mr. Trump.

It isn't clear from the plea agreement what emails the Russian officials claimed to possess. But U.S. intelligence

officials have concluded that Russian government operatives stole emails from the Democratic National Committee and Mrs. Clinton's campaign chairman. Those emails were then posted online in the summer of 2016 as part of a Russian government operation to damage her campaign.

According to Mr. Papadopoulos's account, he became aware of the potentially damaging emails in April 2016. That was a month after Russian hackers stole emails from

Mrs. Clinton's campaign chairman, John Podesta, U.S. investigators have determined.

Russia has denied meddling in the election. Mr. Trump has repeatedly denied any knowledge of Russian efforts to damage Mrs. Clinton or help his campaign.

Former federal prosecutors said that Mr. Papadopoulos's plea agreement is a sign that Special Counsel Robert Mueller's team is aiming to obtain evidence against higher-ranking campaign members.

Mr. Papadopoulos told investigators that he was conducting "shuttle diplomacy" on the campaign's behalf with officials from several countries, but omitted his contacts with the "professor" and efforts to establish contact with Russia's foreign ministry, the document states.

Mr. Trump was present when Mr. Papadopoulos described his efforts to reach out to Russia. In late March 2016, after he had become a foreign-policy adviser to the campaign, Mr. Papadopoulos attended a "national security meeting" in Washington, D.C., with Mr. Trump and other foreign-policy advisers to the campaign, according to his

plea agreement.

When he introduced himself to the group, he told them "he had connections that could help arrange a meeting between then-candidate Trump and President Putin." The Trump campaign shared a photo of the meeting on Instagram.

Mr. Papadopoulos sent multiple emails to other members of the campaign about his "outreach to Russia" and was encouraged by a campaign supervisor to make a trip to Russia to meet with officials. The campaign supervisor isn't named in the document.

Mr. Papadopoulos admitted lying about the timing of his efforts. In an interview with FBI agents in January 2017, he acknowledged that he had met with the professor, who also isn't named in the plea agreement and is only said to be "overseas," but said their communications took place before Mr. Papadopoulos joined the campaign.

Mr. Papadopoulos later admitted he had met the professor for the first time in mid-March 2016, after he had learned he would be a senior foreign-policy adviser to the campaign.

Papadopoulos admitted he lied to federal agents about his contacts with a Kremlin-connected academic who told him the Russians had "dirt" on 2016 Democratic presidential nominee Hillary Clinton.

Mr. Mueller has taken heat from Trump allies in recent months for, among other things, casting too wide a net in his investigation.

But Monday's revelations revealed that the probe "didn't start with Bob Mueller," said Mr. Fishman. The financial records necessary to weave together the charges against Messrs. Manafort and Gates and the complexity of other evidence show Mr. Manafort had been under investigation long before Mr. Mueller inherited the probe, he said.

INDICT

Continued from Page One

Mueller "has the ability to flip people without word leaking out," said Richard Hasen, a law professor at the University of California at Irvine. "This can promote further cooperation with his probe," he said.

The one-two timing of the indictment and the guilty plea quickly became a point of intrigue among legal experts.

Some suspected that Mr. Mueller didn't want the first public move in the investigation to be completely disconnected from Mr. Trump's campaign. So, they believe, he chose to unseal simultaneously the Papadopoulos plea,

'MANAFORT and GATES generated tens of millions of dollars in income as a result of their Ukraine work. In order to hide Ukraine payments from United States authorities, from approximately 2006 through at least 2016, MANAFORT and GATES laundered the money through scores of United States and foreign corporations, partnerships, and bank accounts.'

Excerpt from United States of America v. Paul J. Manafort, Jr. and Richard W. Gates III

which is closer to the heart of his mandate to investigate potential collusion between Russia and Mr. Trump's presidential campaign.

Russian officials have denied meddling in last year's election, and Mr. Trump has denied any collusion by him or his associates with Moscow.

The charges against Messrs. Manafort and Gates gave heft to Mr. Mueller's probe, alleging a massive tax-fraud case against the two men, said Solomon Wisenberg, a longtime white-collar defense lawyer in Washington. But "nothing on the face of it relates to Russian interference in the 2016

election," he said.

Prosecutors allege that Messrs. Manafort and Gates, in their work for Ukraine, conspired to evade reporting requirements for lobbyists who represent foreign powers, and to avoid paying U.S. taxes on their profits through the use of shell companies. Both men

have pleaded not guilty.

Hours after the indictment became public, a federal judge in Washington, at the request of Mr. Mueller's team, unsealed a plea agreement that spoke directly to long-simmering allegations of collusion between Mr. Trump's campaign and Russia.

In the plea agreement, Mr.

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HOW THE RICH LIVE

PREMIUM TECH PRODUCTS ON DISPLAY AT THE LUXURY TECHNOLOGY SHOW

R AND Luxury's Holiday 2017 Luxury Technology Show held at the Metropolitan West on Oct 4 once again displayed the latest, best-in-class products and services to affluent consumers and members of the press and media.

These VIP guests, retail executives, media and entertainment industry professionals had the opportunity to experience the latest innovations from the presenting sponsors Dassault Systemes and ShadeCraft, and the debut of the all-new 2018 Lexus LS 500.

The affluent elite were also treated to signature cocktails, fine wine and hors d'oeuvres from Scarpetta, Godiva, Vidalco International, Cusqueña Beer, and True Vodka while interacting with tech's most future-looking innovators, services and products.

The LTS continues to expand its audience of affluent VIPs with its

focus on high-end, unique products only within the grasp of the wealthy elite.

This year's event got even crazier with Kanye West's producer playing a Moog synthesizer ... Now excuse me while I join the indoor pool party with my sports jacket on

CNET

"The New York event earlier this year was a sold-out success with hundreds of Media, Influencers and VIP guests. This holiday showcase was another exciting experience with the addition of multiple exclusive premieres from our sponsors," states Bradford Rand, CEO of RAND Luxury, Cyber Security Summit & Luxury Technology Show. "New York City is a magnet for luxury trend-setters and press. All of our guests had the unique opportunity to review and acquire the latest in elite electronics, many of which are not even available yet in the marketplace!"

Brand ambassadors from a wide variety of industries were on site to highlight their latest technology. Product categories included wearable & lifestyle technology, wireless speakers, home theater & automation, smart devices, transportation, home improvement, and much more. Just a few of the premieres unveiled at the 2017 LTS include:

Dassault Systemes 3DEXCITE showed off the HTC Vive luxury DS Virtual Vision Immersive Configurator. An experience built on exceptional digital, Dassault Systemes showcased a fully 3d experience - available at your fingertips, in real-time. 3DEXCITE gives anyone the ability to put their product in any city or landscape on earth at any time, in any climate.

ShadeCraft is a robotics and tech startup based in Los Angeles, California, with a mission to improve people's lives outdoors. ShadeCraft's flagship product, SUNFLOWER, is the world's first

robotic shading system that tracks the sun and boasts a full set of features that include GPS, Bluetooth and WIFI connectivity, a high-definition camera, voice activation, speakers to stream audio, and controlled lighting – all powered by solar energy.

Lexus - Lexus made its official New York unveiling of the all-new 2018 Lexus LS 500. Longer and lower than the model it replaces, the all-new LS debuts a strikingly sleek and bold design with a coupe-like silhouette punctuated by the unique Lexus design language.

Time to bask in the glittering glow ... at the Luxury Technology show.

High-Def Digest

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WORLD NEWS

Spain Seeks Charges Against Separatists

Madrid seizes control of Catalonia in smooth process, as movement's leader goes to Belgium

BARCELONA—Catalonia's former leader appeared by surprise on Monday in Belgium, where some politicians have supported the Spanish

By Jeannette Neumann, Marina Force and Natalia Drozdak

region's independence, as Madrid sought charges against him and other separatists for rebellion, sedition and misappropriation of public funds.

Still, the first working day in Catalonia under Madrid's direct rule was calmer than expected, as most separatist leaders stayed away from work after Madrid ordered them to step down and their parties agreed to participate in a new December election. Spain's Interior Ministry greeted the new head of the Catalan regional police force, the Mossos d'Esquadra, a prized symbol of the region's autonomy, without incident in Madrid.

Spaniards had been waiting to see whether Carles Puigdemont, the president of Catalonia until Saturday and leader of the separatist push, would try to show up to work in defiance of Spain. After Catalo-



Prosecutors seek to charge ex-Catalan Vice President Oriol Junqueras, right, in Barcelona on Monday.

PAU BARRENA/AGENCE FRANCE PRESSE/GETTY IMAGES

nia's parliament declared independence for the northeastern region, Spain's central government seized temporary control of it over the weekend, ousting Mr. Puigdemont and about 150 separatist-allied officials, including the regional police chief.

Television crews on Monday paced anxiously around the headquarters of the Catalan government, where the Spanish flag still flies alongside the Catalan one. There was no sign of Mr. Puigdemont, who had only posted a cryptic photo in the morning

of the regional government headquarters in Barcelona, the capital of Catalonia.

Mr. Puigdemont had unexpectedly traveled to Belgium, a person familiar with the matter said, as Spain's state prosecutor announced details about the criminal charges he sought against the Catalan leader and his government.

Belgium's junior minister for asylum, Theo Francken, said on Sunday that it was "not unrealistic" to grant the former Catalan leader asylum in Belgium. Mr. Francken is a member of a party that advo-

cates for greater autonomy for Flanders and he has openly supported the Catalan separatist movement. Belgian Prime Minister Charles Michel, however, quickly denied the government was considering asylum for Mr. Puigdemont, saying it wasn't "on the government's agenda."

On Monday, one ousted Catalan cabinet member posted a photo of himself on Twitter working at his desk and some lawmakers said they were working to build the new Catalan republic they proclaimed on Friday even though

Economy Maintains A Relatively Fast Pace of Expansion

MADRID—Spain's economy likely expanded 0.8% in the third quarter, putting the eurozone's fourth-largest economy on track to show growth of more than 3% this year, the national statistics agency reported in preliminary data released Monday.

If confirmed, the third-quarter rate represents a slight slowdown from the 0.9% rate of expansion in the second quarter. Economists expect growth to slow in 2018. Spain's economy is expanding faster than that of most major eurozone countries.

—Jeannette Neumann

government whose authority many of them say they no longer recognize.

"How can you justify participating in these elections if you've just declared independence?" said Andrew Dowling, a specialist on Catalan and Spanish history at Cardiff University. Mr. Puigdemont's appearance in Belgium also undermines the separatist movement's proclamation, he added. "What kind of independence is it if your president and his cabinet go into exile?"

An opinion poll published Sunday showed pro-union parties would hold a small lead in the ballot. Other recent surveys, though, have shown the snap election would yield similar results to the last regional election in 2015, when separatist parties won 48% of the vote and a majority of seats in parliament.

Over the weekend, Catalan leaders were stripped of their official cars, bodyguards and official portraits were removed from the walls of public buildings, a Madrid government official said.

Spain's state prosecutor José Manuel Maza on Monday sought charges against 14 former members of Catalonia's regional government, including Mr. Puigdemont.

If Catalan leaders are found guilty of sedition, they could face up to 15 years in prison. If they are found guilty of rebellion, they could face up to 30 years in prison.

Reminders of Divided Past Haunt Pro-Union Enclave

BY JEANNETTE NEUMANN AND MARINA FORCE

BADIA DEL VALLÈS, Spain—When Catalonia's parliament declared the region independent from Spain, Angeles Mazón, a 63-year-old housewife, broke down and cried.

"I feel as though we're in another civil war," Ms. Mazón said in this staunchly pro-union town outside Barcelona. In her view, the decision of Catalonia's parliament—which was controlled by separatists—to proclaim independence after two million of around five million registered Catalans voted in favor of secession in an unauthorized referendum has triggered fissures reminiscent of one of Spain's most divisive times.

"They're two million but we're seven million in Catalonia!" Ms. Mazón said. Faced with such dramatic circumstances, Prime Minister Mariano Rajoy was right to take the extraordinary step on Friday of seizing temporary control of Catalonia and ousting separatist leaders, she said.

"I would have liked for everything to have remained the same and for the takeover not to happen," said Miguel Fermín, a 67-year-old former city council member in a nearby town. But "the Spanish government needed to find a solution."

Separatist leaders say they had a mandate to declare independence after the controversial referendum and argue Catalonia would thrive



A Catalan demonstrator in Barcelona against secession as a confrontation grows between the federal and regional governments.

Catalonia. The working-class town of 13,500 on the outskirts of Barcelona, a stronghold for the center-left Socialist Party, was built by Spain's national housing ministry in the late 1960s, the final years of Francisco Franco's four-decade dictatorship.

Many in the town accuse separatist leaders of pursuing what they describe as the pipe-dream promises of an independent republic, which have triggered political and economic turmoil in Catalonia and the rest of Spain.

On Saturday, Catalan separatist leader Carles Puigdemont gave the first sign that pro-independence forces will try to disobey Madrid's direct rule, potentially deepening the turmoil.

Mr. Puigdemont refused to acknowledge Madrid had ousted him as Catalonia's president under the sweeping powers granted to the prime minister under Article 155 of Spain's constitution.

That didn't go over well with some in Badia del Vallès. Mr. Puigdemont "is not my president because what he has done is illegal," said Pamela Josuna, a 35-year-old clerical worker. "I respect the application of Article 155 because there was no alternative."

Others were befuddled. "Right now I don't know who my president is," Eduardo Guillén said. "I don't know if I live in a Catalan Republic or in Spain, because everybody says a different thing," the 38-year-old transport worker said.

Argentine Leader Floats Policy Proposals

BY TAOS TURNER

BUENOS AIRES—President Mauricio Macri asked Argentines to back a broad array of new policies aimed at overhauling the tax code, social-security system and public institutions to attract investment and make the economy more competitive.

Mr. Macri, in a speech to governors, business leaders and top legislators on Monday, said Argentina needs to enact policy changes throughout the federal government and provinces.

Buoyed by an unexpectedly strong performance in midterm elections last week, Mr. Macri said he would ask Congress to lower taxes and cut the federal deficit. He also said he would ask legislators to make it easier for companies to create jobs and employ workers.

"If we don't have a basic consensus on the path forward for our country's development, our plans for public institutions will not be sustainable and there will be no invest-

ment," Mr. Macri said.

Although he offered broad policy outlines, he gave few details, saying he wants other leaders to forge a consensus on the finer policy points. He proposed creating a committee of experts to find ways to overhaul the social-security system. His cabinet chief, Marcos Peña, later said at a press conference that it could take several years for the committee to offer policy recommendations.

Meanwhile, Mr. Peña said, the administration will move to crack down on abuse of the retirement system and ensure benefits are adjusted in line with inflation.

Mr. Macri criticized provincial governments and his predecessor, Cristina Kirchner, who oversaw a large expansion of the federal workforce. He said Argentina has been hiring far too many state workers and that the public sector needs to go on a diet.

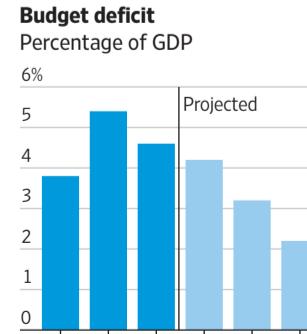
"We need to begin walking an austere line," Mr. Macri said, pledging to slash red

Trimming the Fat

Argentine President Mauricio Macri has proposed measures to attract investment and make the economy more competitive.

Budget deficit

Percentage of GDP



Source: Argentina's government

THE WALL STREET JOURNAL

tape and cut spending.

The president didn't say how he would cut spending, but Treasury Minister Nicolás Dujovne is expected to discuss tax measures on Tuesday.

Mr. Macri also excoriated Congress for wasting taxpayer

money. As an example, he said Argentina's congressional library has more than 1,700 employees, more, he claimed, than most of the world's great libraries. Chile's congressional library has fewer than 250 employees, he said.

"We have to balance spending at all levels of government. This is nonnegotiable," Mr. Macri said.

Such talk of austerity measures could spark opposition from critics and average Argentines, many of whom support an expansive role for the state. Mr. Peña sought to play down concerns that the government will slash popular social programs.

"Next year, social spending will reach a historic record," Mr. Peña said. "There's no reason to go around stirring up the ghosts of fear."

A member of the president's cabinet said Mr. Macri would call on Congress to work over the holiday break in December to pass key legislative initiatives.

Confidence in Europe's Economy Tops Forecast

BY PAUL HANNON

Businesses and households in the 19 countries that use the euro are more upbeat about their prospects than they have been for almost 17 years, a sign that the currency area's economic recovery is set to continue at a robust pace despite renewed threats to its political stability.

The European Commission said Monday its economic sentiment indicator, which aggregates business and consumer confidence, rose to 114.0 in October from 113.1 in September to reach its highest level since January 2001. Economists surveyed by The Wall Street Journal had expected a much smaller rise.

The strengthening of confidence suggests the eurozone economy will continue to enjoy a more robust pace of growth in the final months of what has already been a surprisingly strong year. More-

confident businesses tend to invest more, while optimistic households spend more freely.

The pickup in sentiment also suggests that businesses and consumers were undaunted by the prospect of a reduction in the stimulus provided by the European Central Bank. Policy makers announced Thursday they will buy €30 billion (\$35.4 billion) a month of mostly government bonds from January, down from the €60 billion they buy now.

Businesses and consumers demonstrated equanimity in the face of political uncertainty. German sentiment rose to its highest level since April 2011 in the wake of elections that saw the nationalist Alternative for Germany party win nearly 13% of the vote and a place in parliament for the first time. In Spain, where leaders of wealthy Catalonia are pushing for independence, the measure of sentiment hit its highest level since the end of 2015.

WORLD NEWS

Benghazi Attack Suspect Is Caught

BY NANCY A. YOUSSEF

WASHINGTON—U.S. Special Operations Forces captured a Libyan man believed to be part of the Sept. 11, 2012, attack on a U.S. diplomatic compound in Benghazi that killed Ambassador Christopher Stevens and three other Americans, U.S. defense officials said Monday.

Mustafa al Imam was among the armed men who stormed the U.S. compound and set several buildings ablaze, a U.S. defense official said. There is no evidence that he was connected to the terror group suspected of being behind the Benghazi attack, Ansar al Sharia, the U.S. defense official said.

The Justice Department said that Mr. Imam, 46, has been charged in a three-count criminal complaint with killing a person in the course of an attack on a U.S. federal facility; providing material support to terrorists; and discharging and brandishing a firearm during a crime of violence.

The U.S. military is transporting Mr. Imam to the U.S. where the Justice Department will prosecute him in federal court in Washington, the official said. The suspect is expected to arrive within days. Mr. Imam is the second suspect to be captured in the attack.

The Federal Bureau of Investigation and Justice Department led the investigation, and U.S. forces in Libya captured the suspect late Sunday, defense officials said. The U.S. military wouldn't say how many troops were involved or where the suspect was captured. They said no shots were fired.

U.S. officials wouldn't say specifically what role they believe Mr. Imam played in the attack, in which scores of armed men stormed the compound and razed several buildings, including one housing Mr. Stevens and Steven Smith, an information management officer.

After attackers set the building on fire, Mr. Stevens and Mr. Smith hid in what was supposed to be a safe room, but became separated from others in the building as they all sought to escape outside.

One of the security guards assigned to the compound told officials at the time that he repeatedly returned to search for the men, but Mr. Stevens and Mr. Smith eventually died of smoke inhalation.

Looters who arrived at the compound after the attack found Mr. Stevens and transported him to Benghazi Medical Center, where he was pronounced dead, officials have said.

Two other men, Central Intelligence Agency contractors Tyrone Woods and Glen Doherty, died at a CIA compound about a mile away in a subsequent attack that evening.

In 2014, U.S. forces in Libya captured Abu Khattala, who also is suspected of participating in the attack and who went on trial in federal court in Washington this month.

President Donald Trump praised those involved in the operation, and promised that the slain Americans wouldn't be forgotten. He also appealed to Libya to push forward with international plans to form a single, unified government.

Kenya President Wins Rerun Vote

BY MATINA STEVIS-GRIDNEFF

KISUMU, Kenya—Uhuru Kenyatta was officially declared the winner of Kenya's repeat presidential election, but the announcement offered little closure after a messy and deadly polling season in East Africa's leading economy.

Just 39% of registered voters turned out Thursday, handing Mr. Kenyatta a second five-year term with 98.3% of the vote, after opposition leader Raila Odinga boycotted the contest.

"Today, I as a Kenyan celebrate the resilience of the nation, but I also celebrate the resilience of our democracy," Mr. Kenyatta said in his televised acceptance speech from Nairobi on Monday. "Any other country experiencing the turns and twists of [the] recent electoral process would have burst asunder."

Polls weren't held in four opposition-stronghold counties in the west, including Kisumu, Mr. Odinga's ancestral home, where opposition protesters have clashed with police in recent days.

At least 14 people have been killed countrywide in election-related violence since last week, people familiar with the situation said.

As Mr. Kenyatta gave his acceptance speech, dozens of young men gathered in central Kisumu, burning tires and chanting pro-Odinga slogans.

"As a country, we are transitioning through one of the most difficult and legally uncharted waters of having to conduct two presidential elections within two months," said Wafula Chebukati, the chairman of the Independent Electoral and Boundaries Commission, before declaring Mr. Kenyatta the winner.

"Some of the members of



People in Kisumu on Monday watched a live broadcast announcing that incumbent President Uhuru Kenyatta had won a new term.

our staff lost their lives and property in the last presidential election; innocent children, women and men lost their lives...all in the midst of political competition," he added.

The polarization in the wake of the polls kindled small pockets of tribally motivated violence in western Kenya and in a neighborhood of Nairobi, raising the specter of ethnic clashes in a country that saw large-scale postelection violence following the December 2007 vote.

The U.S. Embassy said it was "profoundly concerned by the outbreaks of violence" and called for Kenyans to "come together at this critical moment to reject the politics of hatred."

Mr. Kenyatta acknowledged that legal battles over the poll could lie ahead.

"My victory today is likely to be subjected to a constitutional test through the courts. And as I have demonstrated repeatedly, I will submit to this constitutional path no matter its outcomes," he said.

The vote went ahead after a

Deep rifts remain in the East African nation despite Uhuru Kenyatta's victory.

series of twists that deepened a rift between the two main parties and hindered the chances of unifying the nation.

In September, the Supreme Court annulled Mr. Kenyatta's victory from Aug. 8, citing widespread irregularities, and

scheduled a new vote.

However, Mr. Odinga and his supporters boycotted it, claiming the government planned to rig the poll and become an "electoral dictatorship."

In recent days, Mr. Kenyatta's camp has ramped up the rhetoric against Mr. Odinga. In a television interview, his deputy, William Ruto, compared the veteran politician, who was once his ally, to warlord Joseph Kony.

The tribal undertones of the tense environment are hard to ignore. In Kisumu, opposition supporters said they wanted to secede and form a new state. Mr. Kenyatta comes from the dominant Kikuyu tribe; Mr. Odinga from the Luo tribe.

In Kisumu town, on the banks of Lake Victoria, locals claimed that Luos and their al-

lies had been marginalized and cut out of Kenya's growing prosperity.

Mr. Odinga said he would speak on Tuesday to pave a way forward for his party, known as the NASA coalition, which he says is now a "national resistance movement."

"We are silent but we are not peaceful, we are awaiting directions from our general," said 40-year-old George Agumba, referring to Mr. Odinga.

In the past decade, Kenya has emerged as a relatively stable democracy and a strong economy, while other countries on the continent have struggled on both fronts. Its capital, Nairobi, is home to multinational companies' offices, a budding technology hub and financial services that serve the entire East African region.

Rwanda Leader's Critics Allege False Charges

BY NICHOLAS BARIYO



U.S. Commits Funds To a Force Fighting Terrorism in Africa

UNITED NATIONS—The U.S. said it would commit as much as \$60 million to a multinational force in West Africa to combat the growing regional terror threat, a move that comes after four Americans were killed in an extremist attack in the same area.

Secretary of State Rex Tillerson announced the funding and United Nations Ambassador Nikki Haley told the U.N. Security Council on Monday

that the money would be secured from Congress and the U.S. would offer financial support to five countries that make up the force.

The force is set to have 5,000 soldiers drawn from five African countries—Niger, Mali, Burkina Faso, Chad and Mauritania—and will require \$400 million in the first year of operation, starting in the spring.

The European Union also has pledged around \$60 million for the effort and the French and German governments each said they would provide about \$9 million, officials said.

—Farnaz Fassihi and Ben Kesling

Opposition leader Diane Rwigara was brought to court this month.

spokeswoman denied that allegations of white-collar crimes and other charges were being used to silence critics. "Rwanda Revenue Authority is mandated to collect taxes from everyone," she said. "No one is treated differently, irrespective of their political views."

In power since 2000, Mr. Kagame is credited with turning around an economy shattered by the 1994 genocide. But international criticism over rights violations is being joined by warnings that the crackdown on opposition businesses could threaten the newfound prosperity.

In a congressional hearing last month, Donald Yamamoto, the acting U.S. assistant secretary of state for African affairs, said in interviews.

A Rwandan government

warned that harassment put at risk Rwanda's eligibility for the African Growth & Opportunity Act, which gives it duty-free access for some goods to the American market.

"It is almost as though [Mr. Kagame] himself does not believe that nearly 100% of the population is behind him," Jared Jeffery, a Rwandan analyst with NKC African Economics, said of the government crackdown.

Ms. Rwigara's legal problems escalated shortly after she announced plans to run for the presidency in May. Fake nude photos of her were circulated on the internet. Activists blamed the government for arranging a smear campaign, an allegation officials denied. Weeks later,

Ms. Rwigara was disqualified from the race after the government said she failed to present enough signatures from voters to back her bid. An activist political group representing her denied the allegation.

Then the Revenue Authority stepped in, claiming her family's tobacco business, **Premier Tobacco Co.**, hadn't paid taxes in five years and hitting it with a \$6 million tax bill. Authorities froze business bank accounts. Police confiscated some \$150,000 in cash during a search at the family home. For several weeks, Ms. Rwigara was required to visit police for daily interrogations before finally being arrested and then released.

But later in September, officials charged Ms. Rwigara with inciting an insurrection, leading to her being jailed again until her trial.

At a bail hearing in Kigali on Oct. 13, a furious Ms. Rwigara told the court that she had been kept in solitary confinement with handcuffs on.

Many political observers viewed Ms. Rwigara as one of Mr. Kagame's most formidable challengers. Like Mr. Kagame, she is a member of the Tutsi ethnic group that was targeted in the genocide, making her immune to charges of genocide denial that authorities have used to silence other opponents.

"Crippling her family business remains the only viable option," Mr. Jeffery said. "But it could come at a big cost for the country."

WORLD WATCH

SOUTH KOREA

Agreement Seeks To Restore China Ties

China and South Korea moved Tuesday to put a long-running geopolitical dispute behind them, committing to restore military, political and economic ties more than a year after Seoul's decision to install a U.S. missile-defense battery roiled relations between the two neighbors.

The agreement will likely come as a relief in Washington, which has struggled to keep a unified front among North Korea's neighbors in dealing with the rising nuclear missile threat from Pyongyang.

As recently as last year, Seoul and Beijing had cultivated close political and economic ties,

part of the South Korean government's attempts to get China to squeeze its allies in Pyongyang harder.

But China's opposition to South Korea's decision to install the Terminal High-Altitude Area Defense, or Thaad, missile-defense battery, soured relations between the two countries.

—Jonathan Cheng

CANADA

U.S. Nafta Proposals Are Called 'Troubling'

Canada's Minister of Foreign Affairs Chrystia Freeland said the U.S. has presented some "troubling" proposals in talks to renegotiate the North American Free Trade Agreement.

Ms. Freeland, speaking Monday at the Toronto Global Fo-

rum, cited U.S. proposals on chapter 19 arbitration panels, which allow countries to bypass national courts in tariff disputes, and a sunset clause that would automatically terminate the trade pact if the parties don't renew it every five years.

She added that the U.S. and Canada have made progress on less-controversial matters, such as eliminating red tape that can hinder Nafta trade.

Ms. Freeland also said that Canada believes a diplomatic solution is possible on North Korea and said she has recently spoken with U.S. Secretary of State Rex Tillerson and South Korean officials to discuss a way forward.

It is important that South Korea is part of the dialogue," Ms. Freeland said.

—Sara Schaefer Muñoz



DISPOSSESSED: Rohingya Muslim refugees from neighboring Myanmar waited to receive humanitarian aid at Palong Khali refugee camp, near Cox's Bazar, Bangladesh, on Monday.

WORLD NEWS

Saudis Open Stadiums to Women

Kingdom will allow female sports fans at events, easing another gender stricture

BY MARGHERITA STANCATI

The Saudi government said it would allow women to attend sporting events in stadiums for the first time in the latest step to loosen the country's strict social rules.

The change will take effect starting early next year in major stadiums in three cities—Riyadh, Jeddah and Dammam—according to a government announcement late Sunday.

The shift marks another small but symbolic step toward greater gender equality in the kingdom, where tribal customs and an austere interpretation of Sunni Islam have long combined to create an ultraconservative society where women in particular are harshly restricted. The monarchy is gradually loosening some strictures as it moves to open the country's oil-dependent economy to the outside world.

Crown Prince Mohammed bin Salman, King Salman's 32-year-old son, who is steering Saudi Arabia through its transformation, vowed last week to return the country "to the tolerant, moderate Islam" of the past. That was the most explicit acknowledgment so far of the kind of social change the Saudi leadership is seeking.

In September, King Salman lifted the world's only ban on women driving, starting from June 2018. While many religious hard-liners criticized the decision, the pushback wasn't



The government made an exception to the stadium ban last month, when it allowed women access to a celebration in Riyadh for the anniversary of the founding of modern Saudi Arabia. At sporting events, women will be restricted to the 'family section.'

widespread.

Women's position in Saudi society has improved in recent years. They sit in the Shoura, a legislative body appointed by the king, and as of last year also in the popularly elected municipal councils. More of them are entering the workforce, something the government is encouraging under its plan to encourage private-sector growth.

Many of the harshest restrictions remain in place. For example, women are still legally required to have a male

guardian—typically a father, husband or even a son—whose permission they need to travel abroad or marry, for instance.

In stadiums, women and men won't be allowed to mix freely. As is currently the case in most public places, women will be restricted to the "family section," an area reserved for women and their family members that is separate from the "singles," or men-only, area.

The stadiums will have separate entrances and ticket

counters for women and their relatives, Saudi Arabia's General Sports Authority said.

Many women cheered the change even if they didn't plan to take advantage of their new freedom.

"I don't like soccer and I don't think I will go to the stadium," said a tweet from the account of a Twitter user who identifies herself as Saudi in her Twitter feed. "But I'm very happy with the decision. I don't like women being banned from anything if there

isn't a logical reason."

Others lamented the step.

"Faith is lost. Judgment Day is coming," said a tweet from the account of Abdul Aziz al-Zailai, who identifies himself in his profile as from Saudi Arabia.

Saudi Arabia isn't the only country where women are barred from entering stadiums. The kingdom's regional rival Iran also bans women from sporting events.

—Nazih Osseiran contributed to this article.

Taliban, in Push for Deal, Say U.S. Captive Ill

BY CRAIG NELSON
AND HABIB KHAN TOTAKHLI

KABUL—An American professor held hostage by the Taliban for more than a year is seriously ill and his condition is deteriorating rapidly, the militant group said, as it presses the Trump administration to negotiate his release.

The professor, Kevin King, and an Australian colleague, Tim Weeks, were kidnapped in the Afghan capital Kabul in August 2016 by five gunmen wearing government military uniforms as they traveled in a sport-utility vehicle near the campus of the American University of Afghanistan, where both taught English.

In its statement Monday, the Taliban, Afghanistan's largest insurgent group, said Mr. King, 60, was suffering from what it described as a dangerous kidney and heart condition.

"We have periodically tried



ASSOCIATED PRESS

Kevin King, a teacher held by the Taliban, is shown in a video image released by the group in June.

to treat and care for him but since we are facing war conditions and don't readily have access to health facilities, therefore we are unable to deliver complete treatment,"

the group said.

The Taliban urged the U.S. to quickly meet the conditions for his release, and said it wouldn't be held responsible for Mr. King if his illness becomes in-

curable or he dies in captivity. A Taliban spokesman, Zabiullah Mujahid, said he wasn't allowed to discuss the group's demands.

The Taliban have previously said they would release

their foreign hostages in exchange for the freedom of Anas Haqqani, brother of the leader of the Taliban-affiliated Haqqani network who is imprisoned in Kabul.

The U.S. Embassy in Kabul declined to comment on the Taliban's demands or the group's claims about Mr. King's health.

Mr. King's family couldn't be reached to comment.

Unlike Islamic State, which regularly executes its hostages and videotapes the act for distribution on the internet, the Taliban have accepted ransom payments for the release of captives and carried out prisoner swaps.

Afghan authorities said Monday they believe Messrs. King and Weeks are being held in Pakistan, which the U.S. and Afghanistan have accused of providing sanctuary to Taliban leaders and fighters, including those of the Haqqani network.

FROM PAGE ONE

SPRINT

Continued from Page One
to people familiar with the matter. Officials at T-Mobile were caught off guard by the development, said others familiar with the matter.

SoftBank's founder and chairman, Masayoshi Son, is concerned about giving up too much control in the potential transaction, said the people familiar with the break-down in the talks. The two sides also have been unable to agree on a valuation for Sprint's shares, they added, though the talks could be revived at a later date.

Sprint CEO Marcelo Claure is also on SoftBank's board.

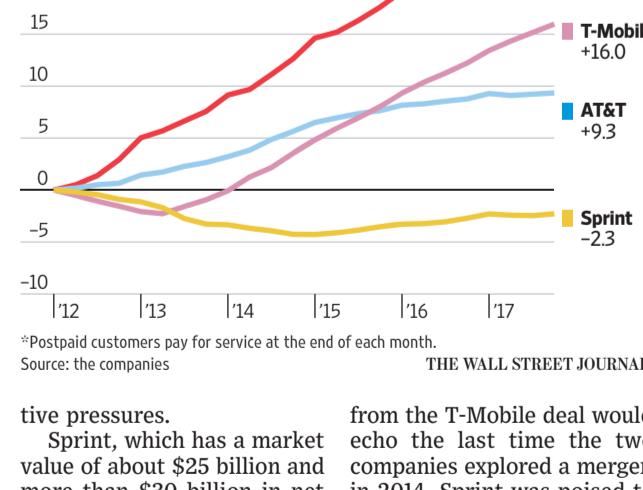
SoftBank, which owns more than 80% of Sprint, had been in negotiations with T-Mobile's parent Deutsche Telekom AG on an all-stock deal that would give the German firm control over the combined U.S. company.

Sprint shares tumbled Monday after the Nikkei newspaper in Japan reported that SoftBank planned to break off negotiations with Deutsche Telekom. Sprint shares fell 9% to \$6.34, while T-Mobile dropped 5.4% to \$59.58 in Monday afternoon trading.

Shares of Verizon Communications Inc. and AT&T Inc., the two biggest U.S. carriers, slipped Monday, as investors were hopeful the merger would have reduced competi-

The Big Four of Wireless

Cumulative change in quarterly postpaid* wireless subscribers since 2012



*Postpaid customers pay for service at the end of each month.

Source: the companies

other devices are a major business opportunity and connectivity of those devices will be critical, said people familiar with the merger talks who know about the thinking of the SoftBank board.

While Mr. Son had agreed to give up control in principle, he had been looking for ways to maintain some additional influence now or in the future, said the people familiar with the SoftBank board's thinking.

Without a merger, Sprint will need to ratchet up spending on its network because, analysts say, they have spent far less than their rivals. In recent months, some Sprint managers have considered scaling back major internal investments because T-Mobile was expected to run the combined company, according to Sprint employees.

If a deal had been reached, its antitrust approval in Washington was far from assured. Republican regulators under the Trump administration are thought to be more open to consolidation that those in the Obama years, but horizontal mergers that eliminate a competitor, especially in already concentrated markets, typically face significant scrutiny.

"Sprint needs this merger so much more than T-Mobile does," Recon Analytics Inc. researcher Roger Entner said, adding that if they come back to it later, "T-Mobile and Deutsche Telekom will in all likelihood be in a stronger position."

Israelis Destroy Militants' Tunnel

Israel blew up an underground tunnel that had infiltrated Israeli territory from the Hamas-controlled Gaza Strip, killing at least seven Gazan militants and wounding more than a dozen, the Israeli army and Palestinian health authorities said Monday.

By Rory Jones in Tel Aviv and Abu Bakr Bashir in Jerusalem

The tunnel was "detonated" in a controlled explosion, the army said, without providing further details. It was the third such passageway into Israel discovered by the Israeli army since 2014, when it fought an air and ground war with Hamas, in part to destroy the militants' network of tunnels.

Officials from both Hamas and Islamic Jihad, a Palestinian militant and political group based in the West Bank and Gaza, said that they had lost operatives in the explosion. Islamic Jihad also vowed to retaliate against Israel, saying the tunnels existed to defend the Palestinian people.

The incident is likely to increase tensions in Gaza, as the West Bank-based Palestinian Authority moves forward with a long-awaited reconciliation process that would see it take back control of the enclave from Hamas, a move opposed by some extremist fighters in the strip.

The Israeli army since 2014 has developed and begun constructing an underground barrier around Gaza to detect and destroy cross-border tunnels. The army said it used the new technology to find the tunnel destroyed on Monday.

Hamas in 2014 mounted assaults on Israeli forces through a labyrinth of tunnels. The subsequent Israeli offensive in Gaza led to the deaths of 2,205 Palestinians and 71 Israelis and the destruction of 18,000 Palestinian homes, according to the United Nations.

The Palestinian Authority in the coming days is expected to take control of border crossings into Gaza and return its security forces to the strip, before organizing presidential and parliamentary elections with Hamas.

Hamas and the dominant Fatah party of authority President Mahmoud Abbas have for weeks been negotiating a rapprochement after a 10-year rift.

A key obstacle to the talks remains whether Hamas will give up its arsenal of weapons and dismantle its militant arm, known as the Izz al-Din al-Qassam brigades. The militant wing manages and maintains Hamas's underground network.

Continued from Page One



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BONES

Continued from Page One

cludes a dachshund, a greyhound, a wolf, a triceratops and a tyrannosaurus rex. The retailer's horse skeleton—which sells for \$199—stands 6 feet tall, has 18 pairs of ribs just like a real one and comes with a battery-powered speaker that emits a hideous panting neigh. "I didn't want it to sound like it was a pony you pet on a farm," Ms. Charles explained. "I wanted it to sound like it was chasing you."

Oddly enough, the more they love an animal, the more inclined people are to exhibit its bones. One of the leading markets for Home Depot's horse skeletons, Ms. Charles notes, is Kentucky—a state that holds those animals in high esteem. "It's a symbol of a dead animal, but I don't think people look at it that way at all," she says. "It's an extension of what they love."

Martha Stewart, the global home-decorating authority, set up a pair of Home Depot horse skeletons on her farm in Bedford, N.Y., for Halloween last year. Her real horses shied away as she rode past them, she said. Her five dogs are also scared of them. "The neigh is really frightening," she says.

Ms. Stewart has collected skeletons "for years" and scatters about 20 human ones outdoors each Halloween. She enjoys their versatility, lounging them on patio chairs, cross-legged around light fixtures and perched in trees with their arms outstretched. Faux skeletons with a creamy bone hue, intact teeth and anatomical accuracy are best, she says.

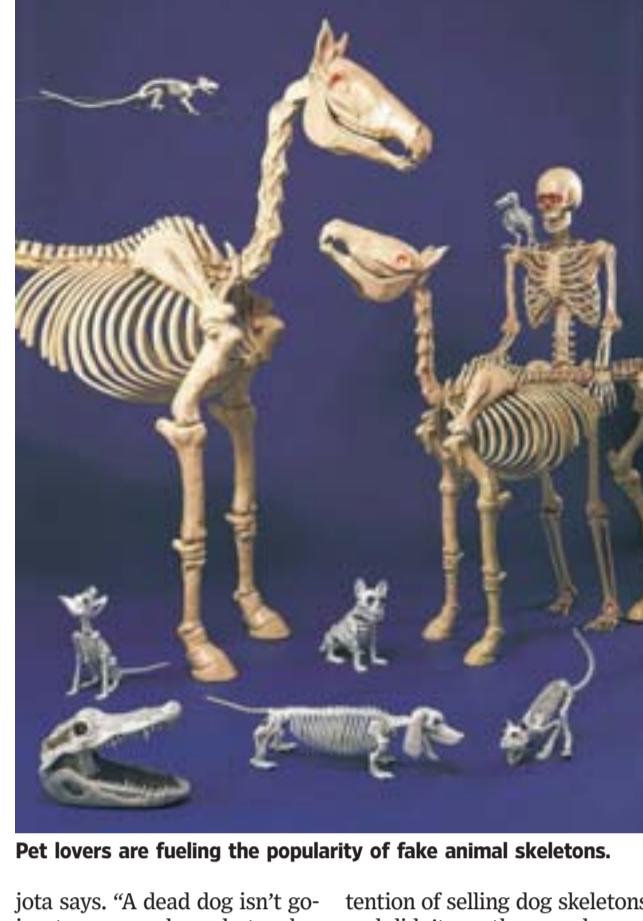
"I like the mouth a little bit open," she says.

Does Ms. Stewart worry about frightening young trick-or-treaters? Not really. "The scarier the better."

Michaels Cos., a crafts retailer, expanded its skeleton merchandise over the past three years at the expense of witches. "Spooky has become more important than the more juvenile parts of Halloween," says Idalia Farrajota, Michaels' senior vice president of merchandising and trend.

Shoppers seeking scare factor buy rat and bat skeletons, while pet lovers are most drawn to dog and cat skeletons, says Ms. Farrajota. She passed on cat skeletons in "passive poses" in favor of one that featured a few broken ribs and a crouched pose. "He's a little aggressive, isn't he? He's going to jump up and get you," she says.

A dangling black leash around a dog skeleton's neck adds spookiness, too, Ms. Farra-



Pet lovers are fueling the popularity of fake animal skeletons.

jota says. "A dead dog isn't going to go anywhere, but a dog with a loose leash might," she says.

Barb Emmett, owner of Godfrey's Welcome to Dogdom store in Mohnton, Pa., has no in-

tention of selling dog skeletons and didn't use them as decorations at her store's Howloween Pawty on Saturday, which offered canine guests a costume contest and homemade treats. "I love dogs so much. They're

all fur and living bodies," says Ms. Emmett. "I'm not a rest-in-peace kind of decorator."

Sales of Halloween decorations at Grandin Road, a unit of Cornerstone Brands Inc., are now nearly equal to its Christmas décor, fueled in part by the rising popularity of its animal skeletons. It began selling a dog skeleton in 2013 that quickly sold out. "We feel we are ahead of the trend and over the years we've added more styles," says Kelly Lambert, Grandin Road's head merchant designer for Halloween.

Large animal skeletons are especially popular, including a dog that is 30 inches long, a bat with a wingspan of nearly two feet and a "Black Skeleton Spider" that stretches across 40 inches.

"This year we focused on giving our jeweled rat a more glam and upscale look that's great for a party," Ms. Lambert says. The result is a hand-painted, jewel-encrusted rat skeleton.

Not all of Grandin Road's skeletons are limited to Halloween. In July it introduced a \$49 set of four small human skeletons holding yoga poses, which sold out in a week. "A customer who likes skulls would keep that out year round," Ms. Lambert says.

The yoga skeleton at Michaels is a top seller, too, says Ms. Farrajota. "It ties to the

wellness trend, Zen and serenity," she says. "We're already planning more for next year."

For consumers looking for anatomical precision, health-care-education product maker Anatomical Worldwide sells real animal skeletons including a \$1,123 dog and a \$1,039 cat. So far, the company hasn't seen a bump in these veterinary models around Halloween. "The average enthusiast probably isn't going to be interested in spending \$8,000 on an actual horse skeleton," says Liz Huff, director of operations.

But the company does see a rise in sales each fall for its \$200 Budget Bucky, a 5-foot, 6-inch-tall human skeleton cast from an actual skeleton. It features removable arms and legs, a movable jaw, three removable lower teeth and full articulation of every joint, including fingers and toes.

"It has anatomical markings, realism and proportions that simply aren't going to be part of those skeletons at big-box retailers," says Ms. Huff, who says Bucky is used by amusement parks and Hollywood special-effects designers as well as consumers wanting to upgrade Halloween decorations.

"Whether it's a burned corpse, zombie or something suspended in ballistics jelly, Bucky is a pretty amenable guy," she says.

ganized a "day of action" for July, in which websites would post information about unfriendly policies and call on users to contact Congress.

Before the planned day of action, aides to Speaker Paul Ryan, Republican Leader Kevin McCarthy and other Republicans met with officials from Google, Facebook, Amazon.com Inc. and other tech representatives. During the generally friendly meeting, a Ryan aide issued a polite warning: If the internet companies carried through with their protest, it could endanger relationships with Republicans in Congress and other legislative priorities, according to people familiar with the meeting. Among the bills mentioned at the meeting was Ms. Blackburn's privacy bill, according to the people.

The day of action went ahead but had little impact on GOP lawmakers' plans. Some activists said participation by big tech firms appeared muted.

Perhaps the most emotionally charged issue to haunt Google involves online sex trafficking. Google and other internet firms have broad immunity under federal law from many types of lawsuits over items that other people post on their platforms—even advertisements that offer children for sex.

In May, Republican Sen. Rob Portman of Ohio teamed up with Democratic Sen. Richard Blumenthal of Connecticut to work on a measure that would curb the immunity when it comes to sex trafficking. The bill would allow victims to hold internet companies liable for such content on their platforms in some circumstances.

Google officials, worried any carve out from the immunity law would open the door to more exceptions and lead to a rash of frivolous lawsuits, sought to get Mr. Portman to back off his legislation. The company dispatched a lobbyist who used to work for Mr. Portman to meet with the senator's chief of staff.

At the meeting, on July 19, a Google lobbyist told the Portman chief of staff the company opposed the legislation and would defeat it, according to lobbyists who spoke to the Portman aide about the meeting.

The Portman aide countered that Google could hurt its reputation by opposing it. The Google lobbyist said Mr. Portman would be seen as a villain trying to regulate the internet.

The meeting left a bad taste, Mr. Portman's chief of staff later told the lobbyists.

Messrs. Portman and Blumenthal introduced the bill the next month with more than 20 co-sponsors. A spokesman for Mr. Portman's office didn't comment on the meeting and said he was confident that the Senate would pass the bill.

More recently, Google has changed its strategy. Susan Molinari, Google's vice president for public policy, said recently in a blog post that Google has "a long standing commitment to eradicating human trafficking." She said it had proposed amendments to Mr. Portman's legislation that would give victims and survivors the right to civil litigation and enable prosecutors to hold bad actors accountable for their crimes.

GOOGLE

Continued from Page One
tempt to influence the 2016 presidential election.

For the past two decades, Washington has taken a largely hands-off role in regulating the internet, helping winners such as Google and Facebook Inc. grow to spectacular size and influence. Today, the rise of populist movements in both parties has forced a reckoning around the concentration of economic power in big businesses. Populist conservatives are particularly hostile to big tech, given its size and pervasive influence, as well as its support for immigration rights and other causes that clash with their economic nationalism.

"For the populist right, this is a major, major issue of the 2018 election," Mr. Bannon said in an interview. "We're going to make it a big deal. I can already tell it resonates."

Election Support

Employees of Google and Alphabet, its parent, made the company the top corporate source of campaign donations to Hillary Clinton's 2016 presidential campaign, stepping up donations from the Democratic candidate in the previous two elections.

Hillary Clinton, 2016

Alphabet/Google* \$1.6 million

Microsoft \$904,000

Apple \$654,000

Morgan & Morgan \$628,000

J.P. Morgan Chase \$558,000

Barack Obama, 2012

Microsoft \$816,000

Google \$804,000

Kaiser Permanente \$593,000

Deloitte \$458,000

Time Warner \$448,000

Barack Obama, 2008

Goldman Sachs \$1 million

Microsoft \$855,000

J.P. Morgan Chase \$848,000

Google \$818,000

Citigroup \$755,000

*Alphabet was created in a restructuring of Google in 2015.

Source: Center for Responsive Politics

THE WALL STREET JOURNAL.



SUSAN WALSH/ASSOCIATED PRESS

ington who could manage outreach to conservative organizations, and ultimately hired someone from the staff of Sen. Ted Cruz, the Texas Republican.

Overall, Alphabet has spent \$13.6 million on lobbying this year as of the end of September, compared with 2016's full year total of \$15.4 million, according to lobbying-disclosure records compiled by the nonpartisan Center for Responsive Politics.

Cumulatively over the past five years, only Boeing Co. has spent more on lobbying in Washington than Google.

Even before Mr. Trump was sworn in Jan. 20, Google faced its first tough policy challenge of the new era. During the transition, opponents of the company began pushing to install a Google adversary, Utah Attorney General Sean Reyes, as the new chairman of the Federal Trade Commission, which enforces antitrust laws.

In 2016, Mr. Schmidt had called for the FTC to reopen a closed antitrust investigation into Google—a major threat to the firm, which controls more than 80% of the business for internet search by some measures. Earlier this year, European officials imposed a groundbreaking \$2.7 billion antitrust fine on Google for unfairly steering web searchers to Google's own shopping platforms.

Google responded to the threat of potentially unfriendly policies from Mr. Reyes by engaging a squadron of GOP lobbyists to press the incoming administration not to name him to the position, according to several people familiar with the matter. The lobbyists argued that if Mr. Reyes were tapped, the company would flex its muscles in the Senate to block his confirmation.

"Google plays hardball beyond what most companies are willing to do," said Jon Bruning, the former Nebraska attorney general. Google's effort helped keep Mr. Reyes from being nominated, according to people familiar with the matter.

President Trump recently named another candidate for the job, seasoned antitrust lawyer Joseph Simons, a former FTC competition official under George W. Bush.

"We're looking forward to collaborating with Chairman

Hearings on Tuesday and Wednesday are scheduled in Congress on the Russia issue, in a rare public grilling of the tech giants that could focus rising concerns. Democratic senators Mark Warner of Virginia and Amy Klobuchar of Minnesota have introduced a bill along with Arizona Sen. John McCain, a Republican, that would require internet firms to disclose the financial backers of political ads on the internet.

Google, which commented only on specific policy issues, said in a written statement: "We support efforts to improve transparency, enhance disclosures and reduce foreign abuse. We're evaluating steps we can take on our own platforms and will work closely with lawmakers, the [Federal Election Commission] and the industry to explore the best solutions."

Google executives, including general counsel Kent Walker, met with Facebook and other tech firms in northern California earlier this month to map out possible joint strategies to address worries raised by the hearings, according to a person familiar with the matter. Tech executives were particularly concerned that once-friendly congressional Democrats were suddenly criticizing them. No clear solutions emerged from the meeting, the person said.

Google's rivals in old-line media companies are encouraging this new scrutiny in Washington and have in recent years dubbed their effort "Project Goliath," according to emails that were hacked and posted online in 2014. Some companies have criticized the way Google surfaces news stories, including News Corp, owner of The Wall Street Journal.

Telecom AT&T Inc. suggested it might accept some legislation that Google opposed, and lobbyists for software company Oracle Corp. held a series of briefings behind the scenes for Capitol Hill aides and reporters designed to show how much information Google's Android phones collect.

One of the primary reasons for Google's political muscle in Washington has been its ability

to forge ties, particularly with Democrats. After working closely with the Obama administration to craft technology policy, Mr. Schmidt threw his full support to Mrs. Clinton early in the campaign.

"He's ready to fund, advise, recruit talent, etc.," Clinton confidant John Podesta wrote in April 2014, referring to Mr. Schmidt, in a hacked email posted online by WikiLeaks. Mr. Schmidt "clearly wants to get going," Mr. Podesta said in the email to Robby Mook, the campaign manager for Mrs. Clinton.

Mr. Schmidt personally helped start companies that analyzed political data and did other election work for Mrs. Clinton. One, named The Groundwork, was originally based a few blocks from her Brooklyn headquarters and eventually was paid \$700,000 by the Clinton campaign.

Since the election, Google has tried to make more connections with the Republicans now in charge. It contributed \$285,000 to Mr. Trump's inauguration. It funded a party to welcome back the Republican-controlled Congress. Attending the party, held at Washington's Smithsonian Arts and Industries Building, were more than 70 members of Congress and other officials, including political advisers to Mr. Trump.

Within days of the election, Google posted a help wanted notice for an employee in Wash-

ington who could manage outreach to conservative organizations, and ultimately hired someone from the staff of Sen. Ted Cruz, the Texas Republican.

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"We're looking forward to collaborating with Chairman

THE WALL STREET JOURNAL.

start" of an effort to "illuminate how Americans' data is being used online, how to ensure that data is safe, and how information is being filtered to consumers over the web."

A similar battle has been playing out over tech-friendly rules from the Obama era on net neutrality. The net neutrality regime could benefit Google and other internet companies at the expense of AT&T and firms in the telecommunications industry, which generally own the networks that support the inter-

In March, Republicans in Congress rolled back the FCC's 2016 privacy rules. Online activists, which congressional Republicans viewed as allies with internet firms, protested.

Within weeks, Rep. Marsha Blackburn (R., Tenn.), who chairs a House subcommittee with jurisdiction over the internet, proposed new legislation that would effectively reimpose the Obama-era privacy rules, but on all the firms, including Google.

The FCC rules gave internet firms such as Google or Facebook, which operate under the generally friendlier rules of the FTC, a potentially huge advantage over telecoms, in the view of many experts.

In March, Republicans in Congress rolled back the FCC's 2016 privacy rules. Online activists, which congressional Republicans viewed as allies with internet firms, protested.

Once Mr. Trump took office, the FCC started the process of rolling back those rules.

Google and internet firms or-

Top Spender

Alphabet is among the companies spending the most on lobbying in Washington.

\$18 million

16

14

12

10

8

6

4

GREATER NEW YORK

Detectives Indicted In Alleged Teen Rape

BY THOMAS MACMILLAN

Two New York City Police Department detectives were indicted Monday on charges of raping a handcuffed 18-year-old woman in a police van after arresting her, the Brooklyn district attorney's office announced Monday.

The 50-count indictment against Detectives Eddie Martins, 37 years old, and Richard Hall, 32, included charges of first-degree rape and kidnapping, coercion, official misconduct, and receiving a bribe.

Detectives Martins and Hall pleaded not guilty in Brooklyn Supreme Court, and were held on \$250,000 and \$150,000 bail, respectively. They were placed on unpaid leave from the NYPD.

"We absolutely deny and will vigorously contest any set of charges that are based upon a claim that there was any kind of forcible sex act committed," said Mark Bederow, Detective Martins' attorney. Detective Hall's lawyer couldn't be reached.

The detectives arrested the woman last month after allegedly finding drugs in the car she was driving. Detective Martins told her they were "freaks" and asked her what she was willing to do to be released, according to prosecutors. They put her in their van and took turns forcing her to perform sex acts before releasing her with a warning to keep quiet, prosecutors alleged.

Surveillance video shows the woman exiting the van at about 8:42 p.m. Investigators later recovered DNA matching the two detectives from the victim, according to prosecutors.

"It is incomprehensible that two veteran NYPD detectives would allegedly commit such an outrageous act," acting District Attorney Eric Gonzalez said.

Building Boom for Private Schools

Officials say upgrades are key to missions; skeptics see it as an amenities arms race

BY LESLIE BRODY

Private K-12 schools have been on a billion-dollar building spree in New York City during the past four years, adding gleaming towers, theaters, gyms and swimming pools.

Many of these projects are long overdue expansions or upgrades to century-old buildings that were overcrowded, parents and school officials say. They see the changes as key to their educational missions. Skeptics see some of the makeovers, however, as part of an arms race for amenities as schools compete for students. And neighbors complain about noise, traffic and grime from construction.

Low financing rates for projects, growing enrollment at some elite schools, and strong fundraising by increasingly wealthy parents spurred the boom.

"People at the top end [of incomes] have resources that they never had before. They are very generous and share it with us," says George Davison, head of Grace Church School in Manhattan, which is adding a \$15 million gym.

Construction and renovation starts for private K-12 schools in New York City, including religious ones, totaled more than \$948 million from January 2014 through September, according to Dodge Data & Analytics, a construction-industry research and software firm. That climbed from a total of \$377 million for the four years ending in 2007, in dollars not adjusted for inflation.

Amy Poeppel, a recent private-school parent and author of "Small Admissions," a novel based on her time working in a private-school admissions office, says teacher talent and students' attitudes are more im-



A 12-story building under construction is expected to solve 'chronic space needs' for Brearley.

Construction Irks Some Neighbors

Bonnie Carlson, a 73-year-old who lives next door to Chapin on the Upper East Side, says she wants to sell her fourth-floor walk-up but can't with all the commotion from the school's construction, which is expected to last about three more years. Her husband has had ankle and knee surgeries, "but a real-estate agent told us we have to hold on to it until 2021," she says.

Ms. Carlson is among the neighbors frustrated by noisy

portant than campus amenities, but many parents see an upscale environment as a sign of quality. "They think if you can afford a bigger building it must say something about you as an institution," she notes. "Shiny spaces matter to New Yorkers."

Some private-school leaders dispute the notion that they are competing by bolstering amenities, noting this is unnecessary because they have

construction at the K-12 institution, sometimes six days a week. School officials say the project started in spring of 2015.

In tightly packed New York City, the main way for some private schools to grow is up. Chapin, which is expanding its building from eight floors to 11 floors, is among those undertaking the task while students attend classes.

At a meeting this month—one of many Chapin has held with the community—a dozen neighbors peppered the contractor with questions about street closures, parking changes and safety.

so many applicants.

Instead, they say they are updating facilities to make room for new technologies and teaching styles, which require flexible spaces for group projects, interdisciplinary work and hands-on learning. In their view, traditional classrooms with rows of desks no longer suffice.

In Friends Seminary's expansion, for example, there will be more open areas where stu-

M.J. Quigley, associate head of Chapin, said its leaders sympathized and sought to be responsive as they forged ahead with an expansion they see as key to fulfilling the 116-year-old school's academic mission.

"It's important to keep those lines of communication open," she says. "This is their home."

The growing school, which serves 783 girls, has added an average of 12 students a year for a decade, Ms. Quigley notes.

She says Chapin tries to be a good neighbor by hosting events for community organizations and encouraging students to volunteer at local nonprofits, among other things.

dents can build robots. "There is not a sense of keeping up with the Joneses, it's more keeping up with the Einsteins," says principal Robert "Bo" Lauder.

The school in Manhattan's Gramercy Park neighborhood is spending \$70 million to gut three townhouses, connect them to a main building, add floors and create a greenhouse. "I believe environment impacts education greatly," Mr. Lauder says.

says. "It can lift the spirits of teachers and enhance the experience for children."

Independent schools with major capital projects under way or recently completed include Ethical Culture Fieldston, Saint Ann's, Saint David's, Horace Mann, Riverdale Country School, Trevor Day School and Trinity.

The sprawling New York City public school system also spends heavily on construction. The city's five-year capital plan through 2019 includes \$6 billion to add 49,200 seats and prekindergarten programs, in addition to \$6 billion for upgrades and repairs. Critics contend that isn't enough to reduce overcrowding in a system of 1.1 million students where, by the city's count, 59% of roughly 1,800 public schools exceed capacity.

Meanwhile, giant cranes hover at East End Avenue as Brearley puts up a 12-story building expected to cost \$85 million. Expansion will solve "chronic space needs" and modernize a school that hasn't had a facilities project since 1995, Brearley officials say. A block away, Chapin estimates it will cost about \$135 million to add three floors, with a regulation-sized gym. This fall Dalton announced a \$100-million campaign that includes adding two floors to its 89th Street site, a teaching kitchen, greenhouse and center for interdisciplinary programs in sciences and the arts.

Some fundraisers say drumming up gifts for capital projects, which promise plaques with donors' names, can be easier than raising money for annual funds or endowments.

Collegiate, which lost its space on church property on the Upper West Side, expects to move January to its new 9-story building about a mile away and 32% bigger. Reports estimated the new site would cost \$125 million to \$135 million. School officials didn't return calls for comment.

San Francisco Tops New York City in Michelin Guide

BY CHARLES PASSY

When it comes to fine dining, New York City is taking a back seat to San Francisco—at least by one measure.

For the first time, the Big Apple has fewer restaurants with the coveted three-star Michelin Guide rating than the California coastal city. Michelin announced its 2018 New York star selections on Monday, almost a week after revealing the same for San Francisco.

Michelin awarded three stars—its highest ranking—to five restaurants in New York City: Chef's Table at Brooklyn Fare, Eleven Madison Park, Le Bernardin, Masa and Per Se.

The guide recognized seven San Francisco-area restaurants with the same honor: Benu, Coi, the French Laundry, Manresa, Quince, the Restaurant at Meadowood and Saison.

While the difference might seem slight, the Michelin ratings are considered an important denominator, especially in the upper echelon of dining, where multi-course meals that easily run \$200-plus per person are the norm.

New York City always has been considered a global leader in this rarefied realm. But San Francisco has made

Star Competition

A look at how select cities compare by number of dining spots that have earned the Michelin Guide's top rating.

- ◆ Nara (Japan): 14
- ◆ Tokyo: 13
- ◆ Paris: 10
- ◆ Hong Kong/Macau: 8
- ◆ San Francisco: 7
- ◆ New York: 5
- ◆ Chicago: 2

Source: Michelin

considerable headway over the years.

Restaurant-industry insiders note that the farm-to-table movement, one of the most significant culinary trends of the past decade, got its true start on the West Coast.

Still, Michelin Guide international director Michael Ellis played down the fact that San Francisco now tops New York City, noting that three-star establishments represent a sliver of the restaurant scene.



Eleven Madison Park was among five New York City restaurants awarded the coveted 2018 three-star Michelin Guide rating.

Mr. Ellis pointed out that considering the number of Michelin-starred restaurants overall—establishments with anything from a one to three-star rating—New York City has a considerable edge, with 72 compared with San

Francisco's 55.

"That's arguably more a reflection of the state of dining in the two cities," Mr. Ellis said.

The 2018 first-time Michelin honorees in New York City include: Rouge Tomate in

Chelsea, Sushi Amare in Midtown East and the Clocktower in the Flatiron District. All three received a single star.

Arlene Spiegel, a restaurant-industry consultant based in New York, said that while the Michelin ratings may carry

a certain weight, especially with deep-pocketed tourists, most diners in the city consider online resources when deciding where to eat.

"The bottom line is they're going to look on Yelp," she said.

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Founders Keepers asked Niraj Shah, co-founder/CEO of Wayfair

Who has been your pivotal hire?



His answer...

Name: **Kate Gulliver**

Role: **VP, Head of Global Talent**

Joined Wayfair: **February 2014**

Niraj on Kate:

Founders Keepers: At what point in the business did you make the pivotal hire?

NS: "Kate was hired in February 2014 to lead investor relations. In April 2016, she took on the role of Head of Global Talent."

Founders Keepers: What impact did Kate have on your business?

NS: "Kate drove our successful IPO process and the building of relationships with the Wall Street community. She is now creating a strategic approach to Talent as we grow from 6,000 to 10,000+ employees."

Kate before Wayfair:

- VP, Bain Capital
- Associate; McKinsey & Co
- Education: B.A. in Political Science and Government from Yale University MBA Harvard

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GREATER NEW YORK



Joey Slotnick, center, and castmates in Ayad Akhtar's play 'Junk' at Lincoln Center Theater.

T. CHARLES ERICKSON

Audiences Are Investing In '80s Wall Street Drama

BY CHARLES PASSY

Will Lincoln Center Theater find gold in junk?

The nonprofit company's production of Ayad Akhtar's "Junk," a play that looks at Wall Street's junk-bond era of three decades ago, has sold nearly \$1.9 million in tickets through its first four weeks in previews, according to the Broadway League, a trade group. The show is slated to open Thursday night.

The sales so far represent about 52% of the production's potential gross. A Lincoln Center Theater spokesman noted, however, the company offers its members tickets at a discount from the standard prices.

The spokesman added that the company has been pleased with the response to date, es-

specially the size of the audiences. Last week, for example, the show played to 92% of its capacity, topping any other drama on Broadway.

"Junk" comes to New York having garnered considerable

Films have repeatedly mined the financial world, but theater has shown less interest.

buzz from a run at California's La Jolla Playhouse. A reviewer for the Los Angeles Times praised it as a "thrilling" look at the financial sector, calling it "part Shakespearean history play, part 'The Big Short.' "

Additionally, Mr. Akhtar is

a Pulitzer Prize winner for "Disgraced," a drama that Lincoln Center presented five years ago in its New York debut.

Of further note: Lincoln Center is coming off winning the Tony Awards' Best Play honor last season for its production of J.T. Rogers's "Oslo." That show grossed \$10.8 million over 17 weeks.

While the film world has repeatedly turned to the financial sphere as a source of subject matter, with such pictures as "Wall Street" and "The Big Short," the theater community has shown less interest.

Before "Junk," there have been just a handful of noteworthy plays in the last few decades to examine the subject. One of the more recent, "Enron," closed after a month-long run on Broadway in 2010.

City Pledges \$8 Million To Curb School Bullying

BY LESLIE BRODY

In the wake of the deadly stabbing of a teenager in a Bronx public school, the New York City Department of Education said Monday it would invest \$8 million in additional steps to prevent bullying.

The department said it would open a new online portal for families to report bullying in 2019, and those filing complaints would be informed of the outcomes of investigations within 10 school days.

A department spokeswoman said it would take more than a year to build a new portal that integrates with the agency's systems.

The city also will boost staff training and community workshops to prevent bullying,

and require schools to develop action plans to help individual students who are bullied, including offering transfers to new schools for safety. Skeptics said the agency should do more to enforce anti-bias policies that have long been in place.

These measures come after 18-year-old Abel Cedeño was indicted on manslaughter charges in the Sept. 27 stabbing death of a 15-year-old classmate at the Urban Assembly School for Wildlife Conservation.

Mr. Cedeño's lawyer, Christopher Lynn, said Monday his client, who is gay, had suffered years of bullying at school.

"We're saying he is not guilty because it was self-defense, two people attacked him in the classroom," Mr. Lynn said.

GREATER NEW YORK WATCH

SUFFOLK COUNTY

State Asked to Probe DA's Bonus Payments

Suffolk County Executive Steve Bellone is asking state officials to examine whether bonuses given by the local district attorney's office to its prosecutors were legal.

"These bonuses were not authorized by the county legislature pursuant to any legal process or authority that I am aware of," Mr. Bellone said in a Monday letter to New York state Comptroller Thomas DiNapoli. A spokeswoman for Mr. DiNapoli said the comptroller's office is reviewing the request.

The office of Suffolk County District Attorney Thomas Spota paid out bonuses totaling \$2.7 million from 2012 to 2017, according to county budget documents. Mr. Spota last week said he would resign after he was indicted on federal obstruction of justice charges.

Mr. Spota said he didn't need approval because the district attorney's office reimbursed the county for the payments from a fund of assets seized during criminal investigations.

Federal prosecutors allege that Mr. Spota attempted to cover up the assault of a handcuffed suspect by former Suffolk County Police Chief James Burke. He has pleaded not guilty.

—Joseph De Avila

MENENDEZ CASE

Defense Rests In Senator's Trial

The defense in the bribery trial of U.S. Sen. Bob Menendez rested its case Monday, shortly after the judge turned down a bid to have a mistrial declared over his rulings during the trial.

Neither the Democratic senator from New Jersey nor co-defendant Salomon Melgen, a Florida eye doctor, testified during the trial. Closing arguments are expected later this week after the judge and attorneys settle on instructions for the jury.

An indictment charges Mr. Menendez and Dr. Melgen with a long-running bribery scheme in which Mr. Menendez allegedly traded political influence for gifts including flights on Dr. Melgen's private jet between the U.S. and Dr. Melgen's home at a Dominican Republic resort. Both men have said the gifts were an expression of their longtime friendship, and that there was no bribery arrangement.

—Associated Press

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LIFE & ARTS

EXERCISE

The Army's Radical Fitness Shift

A new test would change how the military measures soldiers, with no adjustments for age or gender; a bellwether for civilians

BY RACHEL BACHMAN

Fort Leonard Wood, Mo.
THE U.S. ARMY'S physical-fitness test could get more physical soon.

A proposed overhaul of the Army's decades-old test includes a barbell lift, a sprint with 40-pound kettlebells and a brutal new style of push-up. The test would be a dramatic shift for the Army, a longtime bellwether of civilian health and fitness. The exercises in the proposed test are more challenging but the Army hasn't yet set the passing standards.

The proposed six-event test known as the Army Combat Readiness Test, or ACRT, aims to encourage more practical physical training and prevent injury in a force frequently deployed around the world. It also reflects a U.S. military where all combat jobs are now open to women: The proposed test would have one set of passing standards, with no adjustments for age or gender.

"When you look at fitness, we're having some challenges right now," says Maj. Gen. Malcolm Frost, commanding general of the U.S. Army Center for Initial Military Training. Tens of thousands of soldiers aren't deployable because of injuries, many caused by poor physical fitness, Army leaders say.

The current test—timed push-ups, sit-ups and a two-mile run—has existed since 1980, when aerobic exercise was booming and many Cold War-era leaders thought ground combat was obsolete. The proposed test is 80% predictive of whether a soldier can complete tasks necessary for combat, Army officials say. The existing test, which soldiers take twice yearly, is about 40% predictive.

On a recent day at Fort Leonard Wood, dozens of soldiers assembled for a pilot test, one of a series held at Army bases. As early-morning darkness surrounded a lighted field, soldiers formed lines behind a row of barbells loaded with weights ascending from 125 pounds to 425 pounds. Each soldier picked a weight and performed three dead lifts.

The second event was a reverse throw of a 10-pound ball, measured for distance. The seemingly awkward motion serves a purpose: It mimics a boosting move that's "exactly how we get people into buildings," says Col. Dale Snider. The 49-year-old has been deployed four times to combat zones.

The proposed new push-up requires lowering all the way to the ground and extending one's arms in a T between repetitions. The T push-up is easier to monitor in testing, Army leaders say. Col. Snider says he managed 50 T



A HEAVY NEW LIFT: Staff Sgt. Rebecca Alvarez, above, performs a dead lift during a pilot of the Army Combat Readiness Test. Other components of the proposed test: a two-mile run, below left, a leg tuck, below right, and the 250-meter shuttle sprint-drag-carry, bottom, which includes pulling a 90-pound sled for 50 meters.



push-ups in two minutes "and I was completely destroyed."

He had done 84 regular push-ups while taking the Army's current fitness test a few weeks earlier, he says.

The 250-meter shuttle event requires alternately sprinting, dragging a 90-pound sled and carrying two 40-pound kettlebells. Staff Sgt. Kyle Place, one of many drill sergeants taking the pilot test, says he felt like a baby giraffe after the sled pull. "I definitely wasn't anticipating that level of muscle fatigue," he says.

The leg tuck, the fifth event in



the proposed test, requires lifting knees or thighs to elbows while hanging from a pull-up bar. Some soldiers struggled to do more

than a handful of reps.

The proposed test ends with a timed two-mile run, the only event identical to one in the current test.

Staff Sgt. Jenna McKinney, who took the recent pilot test, says events like the sled pull would make the proposed test an easier sell than the current test to soldiers under her command.

"It's nice to be able to tell them: Imagine carrying your battle buddy downrange," she says, using the Army term for being deployed overseas.

About 182,000 soldiers are

serving in domestic operations or in more than 100 countries worldwide, including the 16-year conflict in Afghanistan, Army officials say.

A universal testing standard will help legitimize women's position in combat, Staff Sgt. McKinney says. All U.S. military jobs were opened to women in 2015.

"There is no difference in the modern battlefield on age or gender," says Michael McGurk, director of research and analysis for the U.S. Army Center for Initial Military Training. "A mountain is the same height for everybody."

He compared scores from the proposed fitness test to an academic class. D is a passing grade, but students need higher marks for scholarships or promotions. A gender-neutral fitness screening test for Army recruits that launched earlier this year hasn't changed the share of women enlisting, Mr. McGurk says.

Jim Peterson, a former professor of physical education at the U.S. Military Academy at West Point, says the test could discriminate against women and cause injuries to male and female soldiers. Dr. Peterson also says the dead lift is a particularly risky exercise if not performed correctly.

"The argument against it is so compelling, versus the very limited argument for it," he says.

Mr. McGurk says there have been no reported injuries among the 1,000 soldiers who've participated in pilot testing and that all would receive training in proper technique before taking the test.

Change could come as soon as 2018. If adopted, the ACRT would complement or replace the current fitness test in the next few years. The proposed test is part of a move toward a more comprehensive approach to training and maintaining the Army's 1 million soldiers. It comes amid high demands on the Army worldwide, a shrinking pool of people eligible for military service and a shift in the civilian fitness industry toward free-weight and functional training.

About 17% of Army soldiers are classified as obese, according to a 2016 Army report. That's half the rate among U.S. adults overall, but up from 13% a year earlier.

The Army is working on installing training centers stocked with relevant exercise equipment and staffed with experts in fitness, nutrition and performance, Maj. Gen. Frost says.

The goal is to prepare and maintain soldiers' bodies as systematically as the Army does its Humvees and helicopters.

"You might say, 'Why haven't you done that before?'" Maj. Gen. Frost says. "Because we know a lot more about health and fitness. We've learned a lot, so we kind of need to rethink this holistically."

YOUR HEALTH | By Sumathi Reddy

THE COST OF USING ROBOTS IN SURGERY

ROBOT-ASSISTED SURGERIES—a technology oft-touted by hospitals—are longer and more expensive than other types of minimally invasive surgeries, according to a growing body of studies. And in some types of surgery, they have a lower success rate.

Two studies published online last week in JAMA compared robotic-assisted surgeries to laparoscopic surgeries. Both are minimally invasive procedures done through small incisions, designed to avoid the large incisions made in open surgeries, which often result in more pain and complications.

"The robot is essentially just a surgical tool," says David Jayne, a consulting surgeon at Leeds Teaching Hospital, a National Health Service hospital in England and lead author of one of the JAMA studies. "The operation is exactly the same as the laparoscopic operation. So there's always been a big question mark about whether it's going to result in any different outcomes."

In laparoscopy, a tiny camera and surgical instruments are inserted through small incisions. In robotic-assisted surgery, the sur-

geon operates a console that controls robotic arms attached to surgical instruments and a camera, while looking through a viewer that provides a three-dimensional view of the patient's anatomy.

In Dr. Jayne's study, researchers compared the robotic-assisted and laparoscopic surgeries among 471 rectal cancer patients undergoing a resection, or removal of part of the rectum.

The researchers looked at the rate of conversion—when a minimally-invasive surgery must convert to open surgery—expecting robotic-assisted surgeries to have half the conversion rate as the laparoscopic ones. But they found no statistically significant difference in the conversion rates.

They also found that robotic-assisted surgeries were about 35 minutes longer and cost about £1,000 more, or over \$1,300.

In the other study, researchers compared robotic-assisted and laparoscopic surgeries for kidney removal, usually done in cancer patients.

They reviewed 13 years of data and found



Robot-assisted surgeries have become increasingly common since the FDA approved Intuitive Surgical's system in 2000. Above, surgeons perform a hysterectomy using the device.

that the percentage of radical nephrectomies performed with robotic assistance increased to 27% in 2015, when there were 862 procedures, from 1.5% in 2003.

They also found the robotic surgeries exceeded four hours 46% of the time, compared with 26% of the time for the laparoscopic procedures, says Benjamin Chung, associate professor of urology at Stanford University School of Medicine and senior author on the study. The longer operating

time results in a greater cost, as does an extra \$985 per surgery for robotic instrumentation supplies.

The incidence of complications and length of hospital stay were equivalent for the two techniques.

Robotic-assisted surgeries began after the U.S. Food and Drug Administration in 2000 approved the da Vinci surgical system made by Intuitive Surgical Inc. of Sunnyvale, Calif. It

Please see HEALTH page A12

LIFE & ARTS

BURNING QUESTION | By Heidi Mitchell

How to Tell If You Are Addicted to Caffeine

WITH PUMPKIN-SPICE latte season in full swing, many Americans may be finding themselves waiting in line for coffee more than usual. While a cup of joe undoubtedly can give a jolt of focus to a fuzzy morning, it also has real side effects. Caffeine use disorder was added to the most recent edition of "The Diagnostic and Statistical Manual of Mental Disorders" as a condition for further study, and caffeine is the most-used drug in the world.

What are the signs that you're addicted, and how can you kick the habit? One expert, Laura Juliano, a psychology professor at American University who specializes in addiction, spills the beans.

This Is Your Brain on Caffeine
When you ingest caffeine, it occupies the brain's adenosine receptors, whose job is to tell the body it's sleepy. By blocking that neuro-modulator, the caffeine makes you feel alert. There is also evidence that caffeine stimulates the reward center of the brain.

"So the brain says, 'This feels good. How can I do this again?'" Dr. Juliano says. Because your body has made adjustments to adenosine production, when the caffeine is taken away or wears off, you may experience fatigue, headaches, mood disturbances, even nausea. This is physical addiction in a nutshell: The body has adjusted for the drug, requiring increasingly more of it to get that buzz and stave off withdrawal symptoms.

"Regular users will choose to take caffeine over money, over a placebo—so it shares the same reinforcing qualities that we see in

other recreational drugs," Dr. Juliano says. That in itself isn't necessarily a problem. She is more concerned with psychological addiction, also referred to as caffeine use disorder in the "DSM," when a person is physically dependent and uses the drug to avoid withdrawal, has tried to quit but cannot, and continues to use caffeine despite physical or psychological problems. One example, she says, would be using caffeine despite having trouble sleeping.

Signs of Addiction

Many people don't know they are dependent until they stop consuming their go-to drink on vacation or before a medical procedure. "Since caffeine is embedded in our routines and social customs, people can go 20 years without missing a day and they don't know they are dependent," says Dr. Juliano. "One of my patients was drinking 20 cups of coffee a day and experiencing a great deal of anxiety until he cut back," she says. "Sometimes people get caught off-guard, and they think they have the flu, or the worst headache of their life." She has even heard of someone who thought he was having a brain aneurysm.

Kicking the Habit

While studies have shown that as little as 100 mg of caffeine a day can result in physical dependence, Dr. Juliano believes that having less than 400 milligrams of caffeine a day should be fine for most healthy adults, unless they are pregnant or have certain medical issues. A typical 12 oz. serving of

drip coffee has anywhere from 107 mg to 420 mg, she says.

For the big energy drinker who wants to cut back, she recommends a slow wean, not cold turkey. That is because if you just quit, Days Two and Three can be a misery of withdrawal, and can even include vomiting and nausea. "But it's temporary," Dr. Juliano says. "Most people are past the worst withdrawal symptoms three days after the last dose. After nine days, it should resolve."

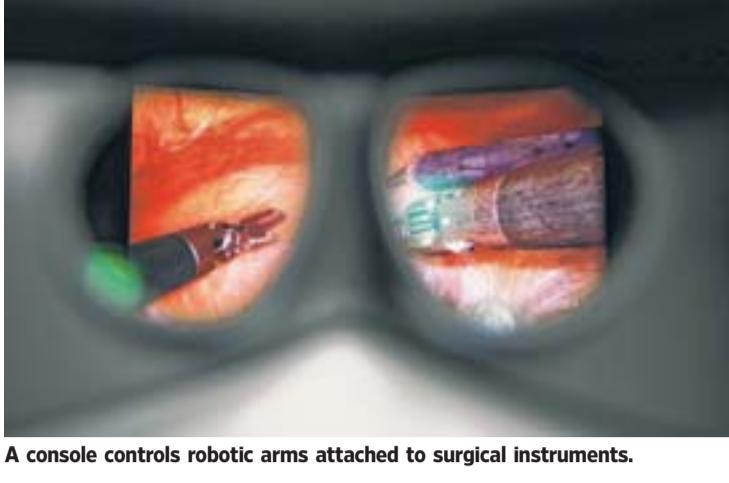
To avoid the worst, "We suggest you cut your caffeine consumption in half each week," she says. In a month, the withdrawal should be more tolerable. She continues to work with patients to keep them off anxiety-inducing caffeine, since preventing a relapse can be harder than quitting.

Worth the Suffering?

Dr. Juliano herself drinks coffee daily, just like more than 50% of Americans, according to the National Coffee Association. She doesn't think most people have a psychological addiction, but she does offer a checklist to see if going without caffeine is worth the pain of withdrawal.

She suggests checking in regularly with yourself, asking how your general health is, how you're sleeping and how your anxiety levels are.

"In our society, we have many people who suffer from anxiety and sleep problems, and they should consider giving themselves some relief from caffeine and seeing if that helps," she says. Added bonus: all that money saved on cappuccinos and energy drinks.



A console controls robotic arms attached to surgical instruments.

HEALTH

Continued from page A11
is the only manufacturer of the device, but several competing products are in the works, with one approved last week.

In an email, an Intuitive spokesperson says it has installed more than 4,100 systems worldwide and more than four million procedures have been performed using it. Hospitals often advertise their use of the \$2 million systems.

Elizabeth Raskin, a colon and rectal surgeon at Loma Linda University in Loma Linda, Calif., says the study doesn't effectively highlight the cases in which the robotic system has its most pronounced advantages, such as when patients are obese, have a narrow pelvis or have had multiple prior operations. She is paid by Intuitive to teach the system to other surgeons.

"The equipment actually allows surgeons to do things that are exceptionally more difficult with laparoscopy," says Dr. Raskin, who says she performs most resection surgeries using the robot system.

Patricia Gargollo, a pediatric urologist and surgeon at Mayo Clinic in Rochester, says the concerns are even greater in some pediatric robotic-assisted surgeries, because longer procedures mean children are under general anesthesia for a longer period.

The impact of general anesthesia on young children's developing brain is a continuing area of research. Last year the U.S. Food and Drug Administration issued a warning for the repeated or lengthy use of general anesthesia in children under 3 years old.

Dr. Gargollo says that for some pediatric surgeries there is a benefit to robotic-assisted surgeries, such as when fixing kidney blockages.

But he and others have published data showing higher complication rates and lower success rates for robotic-assisted ureteral reimplants in children compared with the open-surgery method.

The fairly common condition—affecting about 10% of children—is a complication from a urinary tract infection in which urine goes back up into the kidneys. The condition is sometimes treated with

surgery when it's recurrent.

"At the end of the day, it's an unproven technology" for ureteral reimplants, Dr. Gargollo says. "There's no proof or data showing that it's superior to the traditional surgeries that are available. It's more expensive, and it uses longer anesthetic."

Previous research has found that when robotic surgery is used to remove ovaries and ovarian cysts, there is a higher rate of complications compared with laparoscopic surgery.

Aseem Shukla, director of minimally invasive surgery at the Children's Hospital of Philadelphia, says he has used robotic-assisted surgeries for ureteral implants in children successfully. He says the complications are likely due to user error and not the technology.

Hospitals tout the \$2 million system, used in more than 4 million procedures.

Dr. Shukla was paid by Intuitive several years ago to mentor surgeons on the robot and has taught at Intuitive-supported workshops.

He says robotic-assisted surgery is of great value for more difficult surgeries that require a lot of suturing, because it provides increased range of motion.

Martin Makary, a professor of surgery at Johns Hopkins Hospital, says the JAMA studies are further proof that "technology is not always the answer."

He acknowledged that there are surgeries for which the robotic system is superior, such as for posterior throat tumors and more complicated hysterectomy cases. Also, robotic-assisted prostate surgeries are easier on the surgeon's back.

But laparoscopy has been mastered for procedures like the removal of the gallbladder or the tail of the pancreas. "The robot is being used for everyday surgeries like gallbladder removals and hysterectomies, where there's already a great standard of practice in place," says Dr. Makary. "Any operation you can do in the abdomen is being done with the robot now, whereas the benefits are only for a small subset."



Weather



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

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

Today Tomorrow

City Hi Lo W Hi Lo W

Anchorage 45 30 pc 41 31 s

Atlanta 69 48 s 72 54 pc

Austin 66 54 r 81 64 sh

Baltimore 59 35 s 56 46 c

Boise 57 37 pc 63 35 s

Boston 58 41 s 55 48 pc

Burlington 54 36 r 52 41 pc

Charlotte 69 44 s 72 52 pc

Chicago 43 31 pc 49 44 c

Cleveland 45 34 pc 52 43 c

Dallas 60 49 r 79 63 pc

Detroit 45 31 pc 49 43 c

Denver 53 42 sf 70 38 pc

Houston 75 64 pc 80 69 sh

Indianapolis 45 32 pc 49 46 r

Kansas City 43 32 pc 56 47 pc

Las Vegas 79 58 c 79 57 s

Little Rock 56 42 pc 65 58 t

Los Angeles 69 60 pc 68 58 pc

Miami 79 67 pc 82 71 pc

Milwaukee 44 31 pc 48 43 c

Minneapolis 37 28 pc 42 31 sn

Nashville 56 40 s 63 55 c

New Orleans 78 61 pc 79 66 c

New York City 56 43 s 55 50 pc

Oklahoma City 53 39 r 73 53 pc

International

Today Tomorrow

City Hi Lo W Hi Lo W

Amsterdam 55 49 r 58 48 pc

Athènes 66 53 p 65 50 pc

Baghdad 85 61 s 87 64 s

Bangkok 90 75 c 85 74 pc

Beijing 60 39 p 62 39 pc

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Brussels 51 42 pc 56 44 pc

Buenos Aires 76 57 s 74 61 pc

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LIFE & ARTS



2017 SUCCESSION RAGHUBIR SINGH (3)

ART REVIEW

A Lens Connecting Past and Present

In Raghubir Singh's colorful Indian street scenes we can see echoes of traditional Mughal paintings

BY KAREN WILKIN

New York

YEARS AGO, I was introduced to the work of Raghubir Singh (1942-1999) by an impressively knowledgeable friend, a passionate and discerning collector of Indian art. Singh's photographs were in the exalted company of an elegant third-century couple from Gandhara, a suave 11th-century Chola bronze group, an irresistible dancing Ganesha dated 1000, and a host of delicate miniature paintings made in the Mughal era, between the early 16th and mid-19th century. Singh's deeply engaging views of his native 20th-century India looked right at home. They were, my friend maintained, modern equivalents of traditional Mughal paintings. With their wealth of detail, their glimpses of transient, revealing moments, and above all, their play of opulent color, Singh's images of present-day street scenes shared the spirit and aesthetic of his predecessors' works, transubstantiated into contemporary materials. The photos fascinated me and, since I shared my friend's enthusiasm for Mughal painting, I found her comparison to be very provocative. My next task? To study as many publications of Singh's work as I could find. I was hooked.

My fellow fans and those just discovering this compelling artist

can now see Singh whole, in "Modernism on the Ganges: Raghubir Singh Photographs," at the Met Breuer. Organized by Mia Fineman of the Metropolitan Museum of Art's department of photographs, the retrospective covers the full trajectory of Singh's career with 85 works, ranging from his early photojournalism to his last haunting, unpublished series.

We learn that although Singh was born into an aristocratic family in Rajasthan and made the street life of Indian cities and towns his lifelong principal subject, he lived for extended periods in Hong Kong, Paris, London and New York. We

learn, too, through informative comparisons, about his friendships with other photographers and his responses to the work of Henri Cartier-Bresson, whom he met in Jaipur in 1966, to Satyajit Ray's films, and to American street photographers such as Lee Friedlander and William Gedney. My collector friend's point about the continuity of the Mughal tradition in Singh's photographs is borne out by a few apposite miniatures, while some vintage photographs of India provide additional context.

It's a dazzling selection. We're struck first by the orchestration of seductive, pulsing color in the

crowded, unstable compositions—particularly noteworthy in that Singh worked when the majority of serious photographers preferred black and white. (Much of Singh's photojournalism on view is indistinguishable from his other work; he photographed for National Geographic, which assured him a supply of high-quality color film, otherwise prohibitively expensive in India.) But if color is what initially draws our attention, we soon become engaged by the ambiguous narratives, telling incongruities, and poetic combinations captured by Singh's penetrating eye.

A "Professional Lunch Distribu-

tor" (1992), in a nifty black-and-white zigzag patterned shirt, strides toward us, clutching his metal containers. Flanked by people in black-and-white clothing, he is thrust forward by large incidents of saturated red; two cropped figures on either side, one with an out-thrust arm, turn the scene into an eloquent frieze. "Man Changing Truck Tyres at a Petrol Pump" (1984) is a play of circles at various angles, all dull black, with flickers of red, against a tawny ground. Geometric patterns of red, yellow, blue and blue-green on a truck and a nearby billboard provide contrast, while a trio of white, silhouetted figures painted on the billboard enters into a contest between fiction and fact with three standing men and the crouching mechanic.

We are mesmerized by scenes of lean wrestlers exercising, like modern versions of black-figured Greek vase paintings; by crowds of pilgrims at the Ganges; by handsome, dark-skinned men ogling women in wind-blown blue and turquoise silk, against the intricately carved white marble of the Taj Mahal. Deep space crashes against foreground incidents. We are swept along by crowds. Among the most remarkable and eye-testing images is a tightly cropped view of a "Pavement Mirror Shop" (1991), a dizzying mosaic of reflections and slices of actuality, all cool grays and tans, with notes of red—an updated Cubist improvisation.

There are tranquil, mysterious scenes, as well: occasional portraits; an electric fan centered against the white wall of an exhibition space, dominating two sculptures of Shiva on either side; a man collapsed on his big-wheeled wooden cart, exhaustion as a symphony of tans, beiges and grays.

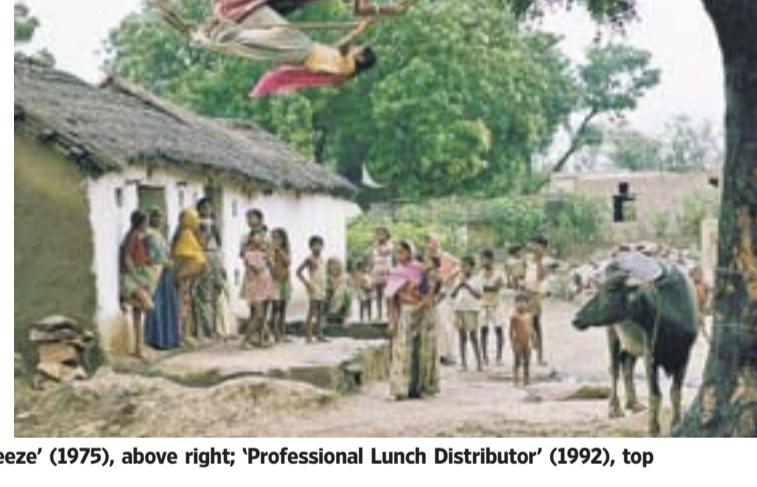
Singh's last photos ring changes on the presence, sometimes obvious, sometimes elusive, of the Ambassador car ubiquitous in 1990s India. Reflections in a rear-view mirror challenge a distant view seen through the windshield. An important landmark is framed by the window of an open car door. We're held by Singh's brilliantly selected images, but we begin to realize that his subject, all along, may not have been the variety and flux of Indian streets, but the act of seeing itself.

**Modernism on the Ganges:
Raghubir Singh Photographs**
The Met Breuer, through Jan. 2, 2018

Ms. Wilkin is an independent curator and critic.



Raghubir Singh's 'Pavement Mirror Shop' (1991), above left, and 'Catching the Breeze' (1975), above right; 'Professional Lunch Distributor' (1992), top



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SPORTS

BASEBALL

A Power Surge Jolts World Series

BY BRIAN COSTA AND JARED DIAMOND

FOR MORE THAN a century, baseball lineups have been built around the notion that a true power hitter is a rare and precious commodity. To maximize the impact of these special players, the thinking went, it was important to bat them in a certain order. "The heavy hitter of the team is located at the fourth place," sportswriter Tim Murnane declared in 1904.

Yet this World Series has revealed one of the most dramatic and unexpected changes in baseball over the past three years: Nearly every hitter that steps up to bat represents a legitimate threat to hit a home run, resulting in a phenomenon in which "scoring position" has come to mean "standing at home plate."

"Every batter," sighed Houston Astros reliever Joe Musgrove. "Every pitch."

There are still one or two games left, with Houston holding a 3-2 lead over the Dodgers heading into Tuesday night's Game 6. But already, the teams have combined for 22 home runs, a World Series record. Nine of them have come in the ninth inning or later, also an all-time high, making this one of the most frenetic series ever played.

The fireworks aren't the byproduct of a few Ruthian sluggers trading blows. Fourteen different players have hit at least one home run, a record high for a World Series. In Sunday night's Game 5, a wild 13-12 Astros win, Houston received homers from their leadoff hitter (George Springer), their No. 9 hitter (Brian McCann)—and from three more places in between.

It is a perfect representation of baseball in 2017, delightful for midline hitters and completely depressing for many pitchers.

"It's relentless now," said former major-league pitcher and broadcast analyst C.J. Nitkowski. "Each guy is a grind. There's no, I can take a bit of a mental break where I can throw my fastball down and away with my eyes closed, and this guy will be done."

In a bygone era, which feels as dated as flannel jerseys and black-and-white telecasts, there was a season in which only 57 players hit 20 or more home runs. The year was 2014. During the 2017 regular season, that figure more than doubled, to 117.

That dynamic, more so than the

NFL | By Jason Gay

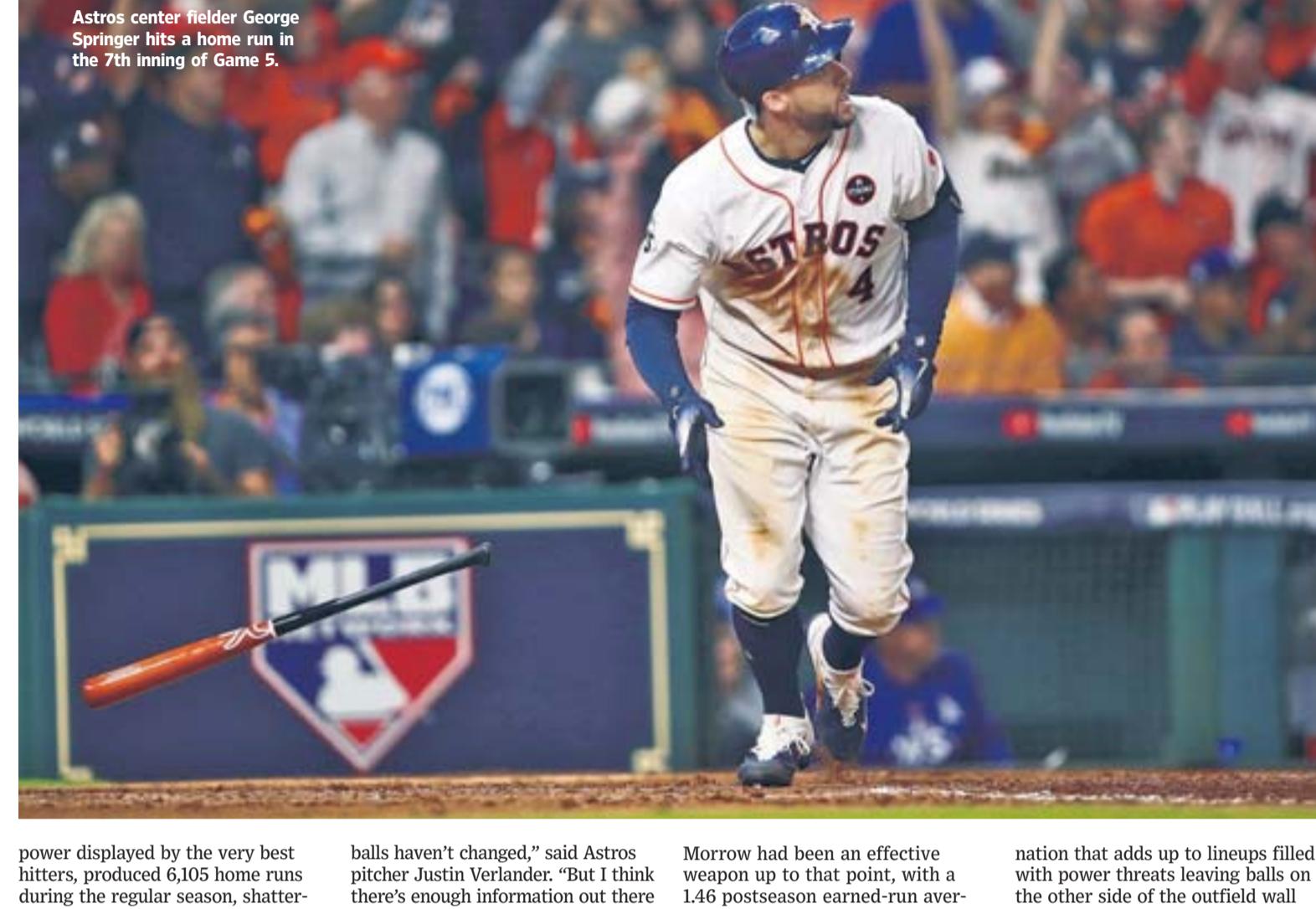
A SAINTS VS. CHIEFS SUPER BOWL?

Did you stay up to watch the entire wacky five-hour baseball game Sunday night? If you did, congratulations! You have my admiration—and my permission to take a series of 20-minute naps at work this week. Just find the couch in your boss's office and buzz some ZZZZZs. The boss will understand, I think.

Confession: I went to bed. Sorry. I am not trying to be a joyless pooh-pooh bear. It's just that my kids wake up with the chickens at dawn, and my body and sleep cycle can't withstand a five hour-plus sporting event. It's one thing if it's Rafa Nadal vs. Novak Djokovic, or a really great Tour de France stage, but it's another if it's thing if it's a destination wedding with 14 pitchers. Fourteen! I know it was an epic night of offense, and the Journal's Jared Diamond is thinking about getting the box score tattooed on his lower abdomen, but I'm not sure about a game that forces you to drink 14 Red Bulls.

Besides, I'm crabby about those shiny World Series arm patches they're making the Dodgers and Astros wear, which look like hideous iron-ons stolen from a souvenir stand at a Monster Truck show. What's wrong with good old-fashioned, sewn-on patches? Why does baseball insist on mucking up its traditional, handsome style? The caps are completely cluttered with patches and logos, don't get me started on the Dodgers' matte blue batting helmets. Blechhhh.

Instead, let's talk football. Yes! Football. The other sport—the much-maligned NFL, which some people are watching, some people are boycotting, and probably a few say they're boycotting and are actually watching (it's OK: your secret is safe



power displayed by the very best hitters, produced 6,105 home runs during the regular season, shattering the previous major-league record of 5,693 set in 2000. In that season, right in the heart of the so-called steroid era, 16 players blasted at least 40 homers, compared to just five this season. The distribution has completely changed.

The reasons have been the subject of endless speculation. Some players and coaches have said that the balls themselves are different, with pitchers on both sides complaining that the World Series balls have been too slick to effectively throw certain breaking pitches. In the regular season, plenty of conversation swirled that the balls were livelier off the bat, sparking the league-wide power surge.

Two independent studies have supported the notion that the baseballs are behaving differently than in the past, but MLB commissioner Rob Manfred has denied any such alterations. "I know Mr. Manfred said the

balls haven't changed," said Astros pitcher Justin Verlander. "But I think there's enough information out there to say that's not true."

Some in the industry have pointed to the uppercut swings more players have adopted to launch balls at a higher angle, adjustments prompted by increasingly prevalent data showing the value of avoiding grounders. This approach in part led to strikeouts reaching an all-time high, too, but when hitters connect, they are doing more damage than ever.

Whatever the causes, the effect has been amplified by two pitching staffs that are officially running on empty. Teams have relied heavily on their bullpens in this postseason, reflecting a broader shift in strategy favoring frequent pitching changes and heavy use of top relievers. And they're getting tired.

On Sunday, Dodgers manager Dave Roberts brought in reliever Brandon Morrow to protect a one-run lead in the seventh inning.

Morrow had been an effective weapon up to that point, with a 1.46 postseason earned-run average. But he had pitched in each of the first four games of the series.

Appearing for a third day in a row for the first time in his career, Morrow threw six pitches. Two of them landed in the seats. He exited after giving up four runs, and the Dodgers never regained the lead. Afterward, Morrow said it was a "selfish move" to lobby manager Dave Roberts to put him in the game.

"You can't turn him down," Roberts said. "He felt good, he wanted to be in the game, and it's a credit to him to be used like he has been and want the baseball."

The increasingly fast trigger managers have shown in pulling their starters in favor of relievers has paid off in many instances. But the downside has raised questions about how sustainable the strategy is.

Fatigued arms are more prone to mistakes, and overexposed relievers lose their effectiveness. It's a combination that adds up to lineups filled with power threats leaving balls on the other side of the outfield wall with regularity. The bullpens in this World Series have combined for a 6.33 ERA, which would be the sixth-highest of all time.

"If you watch baseball all around this playoff series, there's some beat up bullpens right now," Astros manager A.J. Hinch said during the ALDS. That was three weeks ago. Now, after nearly a month of this, Roberts said, "Everyone is taxed."

At some point, MLB will likely need to take stock of this World Series. For now, though, the league finds itself in an enviable position: heading into Game 6 of one of the most pulse-pounding, back-and-forth World Series ever. An Astros win Tuesday would give them the first title in their 55-year franchise history. A Dodgers victory would send it to Game 7. Once a champion is declared, it will be time to figure out what it all means.



Drew Brees and the New Orleans Saints have won five straight games.

STACY REVERE/GETTY IMAGES

with me). There's still a game Monday night between the Kansas City Chiefs and Denver Broncos, but we're now at the season midpoint, and we should know a few things. I say *should*, because this NFL season has left me mostly confused. There's no sure shot, no undefeated powerhouse...and a lot of unwatchable mush in the middle. (I watched most of the Chargers-Patriots game Sunday and that soggy puntfest was about as much fun as the mumps.)

Here's how I see the landscape at the moment:

TEAMS THAT AREN'T COMPLETELY AWFUL AND MIGHT ACTUALLY DO NON-EMBARRASSING THINGS IN THE PLAYOFFS

Philadelphia Eagles (7-1)
Pittsburgh Steelers (6-2)
New England Patriots (6-2)
Minnesota Vikings (6-2)

Kansas City Chiefs (5-2 entering

Monday's game)

Seattle Seahawks (5-2)

TEAMS THAT LOOK PRETTY GOOD...BUT I DON'T KNOW, MAN, I STILL GET THE HEEBIE-JEEBIES ABOUT THINKING OF THEM AS LEGIT CONTENDERS

Buffalo Bills (5-2)

Los Angeles Rams (5-2)

Carolina Panthers (5-3)

New Orleans Saints (5-2)

Tennessee Titans (4-3)

MAYBE THERE'S SOMETHING THERE...BUT WHO KNOWS? (NOT ME)

Atlanta Falcons (4-3)

Dallas Cowboys (4-3)

Dan Snyder's Washington Sadness Machine (3-4)

Baltimore Ravens (4-4)

Houston Texans (3-4)

JAX-LHR Jaguars (4-3)

WAIT: I THOUGHT THESE GUYS WERE GOING TO BE GOOD

Oakland Raiders (3-5)

Denver Broncos (3-3 entering

Monday's game)

Tampa Bay Buccaneers (2-5)

SORRY BUT NAH

Miami Dolphins (4-3)

San Di...Los Angeles Chargers (3-5)

Green Bay Packers (4-3)

Cincinnati Bengals (3-4)

Detroit Lions (3-4)

Chicago Bears (3-5)

Arizona Cardinals (3-4)

IF THEY TOOK THE REST OF THE SEASON OFF TO BACKPACK AROUND SPAIN I DON'T THINK ANYBODY WOULD NOTICE

New York Jets (3-5)

New York Giants (1-6)

Indianapolis Colts (2-6)

MAYBE EVEN SURE IT'S FOOTBALL

Cleveland Browns (0-8)

San Francisco 49ers (0-8)

mary for the NFL, and a reminder of how mercilessly cruel the game can be, even to people who aren't Browns fans.

What's the deal with the defending champ Patriots? They seem good and crummy at the same time.

New England is far from a juggernaut—the banged-up defense isn't great, Tom Brady clearly misses Edelman, key receiver Chris Hogan hurt his shoulder Sunday, and Bill Belichick's Grumpy Lobster Boat Captain (TM) face is already in postseason form. And yet the Patriots are 6-2 and about to start snacking on the free airplane snacks of the AFC East.

Plus, New England has rolled out its latest sneaky trick: a giant stadium fog machine, which made a home game against the Falcons look like the climax of a Blue Oyster Cult show. Don't let anyone tell you it was simply the weather, you know how it is with those wily Pats!

How do you feel about Justin Timberlake doing the halftime show?

The NFL blew off my airtight case for Bob Dylan to do a three-hour halftime show in his home state of Minnesota, but I'm OK with Timberlake—so long as he brings back Janet Jackson. He's got to make it right. Come on. We're all a little older and wiser. Well, at least you. I'm just older.

If you had to pick a Super Bowl right now...

If New England can get home field in the AFC, it's hard to pick against them in the...gah, picking New England is so predictable at this point; let's have some fun! Kansas City vs...I can't do the Minnesota Vikings, even if a hometown Super Bowl would be incredible and what they've done with a sketchy quarterback situation is amazing.

I say Chiefs vs. the New Orleans Saints in a high-flying Super Bowl of offense and unbelievable tailgate food.

You laugh at my prediction, but come on: it's almost November, and you have no idea, either. It's almost entertaining.

OPINION

Bob Mueller's Sideshow

The best way to think of Special Counsel Robert Mueller's Monday-morning indictments is as a compliment—backhanded as it may be—to the chairman of the House Intelligence Committee, Devin Nunes.

Like the special prosecutor, Mr. Nunes and his committee have been investigating the 2016 presidential campaign. Unlike the special prosecutor, Mr. Nunes has unearthed hard evidence about both Russian influence on the election and domestic spying on Trump campaign officials. And if the committee gets the documents it has been demanding for months about the Federal Bureau of Investigation's handling of the salacious Christopher Steele dossier, this week may end even more explosively than it's begun.

Right now that's hard to imagine, given how Washington has been overwhelmed by Monday's indictments of former Trump campaign manager Paul Manafort and his former business associate Rick Gates, as well as news that another former campaign adviser, George Papadopoulos, pleaded guilty to lying to the FBI about his Russian contacts. Though a court will determine whether Mr. Manafort and Mr. Gates are guilty of the crimes they are accused of, surely it is worth noting that those charges, serious as they may

be, have little to do with what Mr. Mueller was supposed to be investigating when he was named special prosecutor, to wit: "the Russian government's efforts to interfere in the 2016 election."

Meanwhile Mr. Nunes and the Republicans on his intel committee plod on. They do so in the face of mockery and contempt from the Beltway press corps, and sabotage and obstruction by Democrats, especially those on the committee. The obstruction includes a manufactured ethics charge against Mr. Nunes that has deliberately been kept unresolved in the House Ethics Committee as part of an effort to keep a cloud hanging over Mr. Nunes so long as he continues to ask real questions about not only the Russians but our own government.

So what has Mr. Nunes's committee found? Turns out that in the Obama years, especially in 2016, officials made many requests to unmask the identities of Americans, including Trump campaign officials, who were caught up in foreign surveillance.

When asked about it by PBS's Judy Woodruff back in March, Obama national security adviser Susan Rice claimed she was "surprised" and told Ms. Woodruff "I know nothing about this." Under oath before Mr. Nunes's committee, Ms. Rice's memory returned, and she admitted of unmasking senior figures in the Trump campaign.

Meanwhile the committee learned that Ms. Rice's colleague at the United Nations,

Ambassador Samantha Power, had made hundreds of unmasking requests. During Ms. Power's appearance before the committee, she oddly claimed others were doing much of the asking—even though her name was on these requests. Did anyone outside the House committee think to ask why a Democratic White House was so free with such sensitive info in an election year?

Nunes's Intelligence Committee plods on with the real Russia investigation.

Then there's the Russian question. The Steele dossier is at the heart of the narrative that Mr. Trump had colluded with Moscow to steal the election from Hillary Clinton. Now the same people who pushed this narrative have lost all interest in the document that helped fuel it. When two of Fusion's three partners invoked their Fifth Amendment right against self-incrimination rather than reveal who paid for the dossier, it looked as though we might never find out.

But the committee didn't give up. It subpoenaed Fusion's bank records, ultimately forcing the Hillary Clinton campaign and the Democratic National Committee to acknowledge they had paid for the dossier, notwithstanding the FBI investigation into its rival's campaign.

Meanwhile the committee learned that Ms. Rice's colleague at the United Nations,

announced a deal over Fusion's bank records it said would "secure the Committee's access" to what it needed for its investigation.

Big questions remain for the FBI. The main one requires a simple yes-or-no answer: Did the FBI use the information in the Steele dossier to spy on Trump campaign associates? If so, did it first verify the information in the dossier?

And why would the FBI want to pay for more information from a man doing opposition research for Mrs. Clinton?

Here's another way to put it: As all eyes remain on Special Counsel Mueller and the men he's indicted, it may be well to pay more attention to a much-maligned committee on Capitol Hill. Because after months of stonewalling and the public intervention of House Speaker Paul Ryan, the FBI has agreed to provide the documents Congress asked for. Mr. Nunes's office confirms that the FBI documents it has long sought are supposed to arrive this week.

Messrs. Manafort and Gates may well be guilty of everything they've been charged with. But this week, thanks to a congressional committee's persistence, we may find out the answer to what surely is a much more combustible question: whether a presidential campaign was able to leverage opposition research based on Russian disinformation to bring about an FBI investigation into its rival's campaign.

Write to mcgurn@wsj.com.

Five Eyes Are Better Than One

By Walter Russell Mead

This is a trying time for international institutions, and the alphabet soup of aging bureaucracies often proves too slow, too legalistic or too corrupt to meet today's most demanding tests.

The North Atlantic Treaty Organization must cope with a world in which Turkey is increasingly hostile to its values and objectives. Neither Mercosur (the South American trade bloc) nor the Organization of American States has dealt effectively with the Venezuelan crisis. The Association of Southeast Asian Nations is increasingly divided in the face of Chinese maritime claims. Unesco has lost its largest donor as the U.S. pulls out, while the World Trade Organization no longer produces new global trade agreements.

FIFA (the soccer federation) and the International Olympic Committee have seen their prestige collapse as corruption scandals widen. The Organization for Security and Cooperation in Europe has become less effective as the Continent's security challenges rise. The Organization of the Petroleum Exporting Countries is a shadow of its former self, and the Arab League hardly exists. Even the European Union, the world's most successful international institution, struggles against a nationalist and populist backlash.

An ad hoc Anglophone alliance is far more effective than most global institutions.

There is no formal requirement that they act together. They have no joint decision-making process. Teams of diplomats don't negotiate long and detailed memorandums governing their plans for common action. Nor do these countries force a consensus where one doesn't exist. Each partner moves at its own speed, on its own path, and there is no obligation or expectation that they will agree with one another or work together on every issue. Each of the Five Eyes countries is jealous of its independence. They seek to maximize their sovereignty through cooperation rather than pooling it.

Yet their cooperation is real.

They share a common cultural and institutional outlook, and they are all engaged in global trade and concerned for the security of an international system that promotes the free flow of information, money and goods. Over and over since World War II, the Five Eyes countries have found themselves with similar interests and priorities. Over time, this habit of cooperation has led to deepening institutional links, but their loose association has never taken the top-down and bureaucratic form that makes most international institutions so cumbersome.

As British policy makers struggle with the consequences of Brexit, some hope the Five Eyes will come riding to the rescue. In population and gross domestic product, these countries are a formidable potential trading bloc: With more than 450 million citizens and a GDP of around \$24 trillion, a trading system built around the Five Eyes could offset many of the problems Britain expects to encounter once it leaves the EU.

But that is not how this group works. Anyone who expects some kind of formal trade or political bloc to emerge doesn't understand the Five Eyes' ethos. But even without the creation of a formal trade or political bloc, membership in the Five Eyes will help Britain avoid isolation in a post-Brexit world. In the fields of trade, investment and migration, the Five Eyes

countries will continue to be relatively open to one another. Their diplomats and policy makers will continue to work toward the kind of world in which Britain, and the rest of the coalition, can flourish.

The Five Eyes coalition has always disappointed those who sought to turn their partnership into something more formal. But it has also disappointed those who expected it to fade away. Flexible, pragmatic and open, the world's least organized international coalition is among its most effective. As the new century unfolds and bureaucratic, legalistic institutions struggle in an increasingly fast-paced and turbulent international environment, looser associations on the Five Eyes' model could well play a growing role in world affairs, supplementing or in some cases replacing the legacy institutions and bureaucracies that dominated the international landscape of the late 20th century.

That would be a positive development. This difficult century will require more international cooperation, not less. With legacy institutions in disarray, countries need to find new ways to cooperate across borders on problems that no single country, however powerful or rich, can solve on its own.

Mr. Mead is a fellow at the Hudson Institute and a professor of foreign affairs at Bard College.

'What Are You?' They Ask My Son

By Michael Meyer

My son is 5. He was born in Hong Kong and spent the past two years in Singapore. We returned to the U.S. so he could grow up here, and the culture shock has been minimal: Like his fellow kindergartners, Benji loves Legos and belting out "Let It Go." Unlike them, he plays piano, which he learned in a Singapore preschool. Also unlike them, Benji is constantly asked: "What are you?"

It's a weighty question for an adult, but to a child it sounds silly. "I'm a boy," Benji replies. Sometimes he decides he's a girl. But this isn't that story; this is about being a biracial kid in America.

In Singapore, Benji was simply a foreigner, just like mom (born in Manchuria) and dad (born in Los Angeles). Although China is as much of a melting pot as America—with 56 ethnic groups and 150 languages—it

does not hyphenate identity. You are Chinese first, and then Han, not Han-Chinese, or Tibetan-Chinese, or Manchu-Chinese.

In China aunties extol Benji's handsomeness and call him *hunxue'r*, "mixed blood."

At 5, he doesn't quite understand what it means to be 'biracial.' 'I'm a boy,' he says.

Having learned sarcasm in America, Benji once answered: "Actually, I'm a dog." The person then asked me about his breed.

On playgrounds, well-intentioned American yoga moms riff on Benetton ads and extol his appearance as if it were a décor choice. These conversations surprise me: I went to college in the early 1990s, and was taught never to talk

about race or ethnicity. Today Americans seem to think it's impolite not to. With benevolent curiosity, they ask: "What's your son? Is he a half?"

We have to decide, for school and doctor intake forms request a child's identity. We don't consider Benji half of anything. He's more than the sum of his parts, fluent in Mandarin and English, along with some Hebrew, learned at a Jewish summer camp, although neither my wife nor I am Jewish.

When pressed, we say he's a "double"—as the Japanese put it, *daburu*. Being a double sounds lucky: You get not one, but two cultures.

"Double" also invokes intrigue. Being "mixed" carries the historical connotations of impurity, of illegality. Not until 1967 did the Supreme Court rule interracial marriage constitutionally protected.

Although a 1993 Time cover declared a multiracial

composite "The New Face of America," the American census didn't allow people to choose more than one race until 2000; in 2010, nine million respondents marked multiple boxes. That seems like a statistical outlier in a population of 326 million, but a 2015 Pew Research Center report called multiracial Americans "young, proud, tolerant and growing at a rate three times as fast as the population as a whole."

The majority of those surveyed had been targets of racial slurs and jokes. So I tense up when people ask me what Benji is. But kids are smart. On his own, Benji has decided how to answer people, anywhere in the world, who ask him what he is. He says with finality: "I am an American."

Mr. Meyer is author of *The Road to Sleeping Dragon: Learning China from the Ground Up* (Bloomsbury).

BOOKSHELF | By Tom Shippey

The Wicked Fly at Night

The Witch

By Ronald Hutton

(Yale, 360 pages, \$30)

We don't need to ask what witches look like. With Halloween upon us, one can see them on every street, with a standard set of accessories: pointy hat, black cloak, broomstick, possibly a magic wand and hag mask. And all witches are female, we know. Harry Potter has a broomstick, but he's not a witch; he's a wizard.

What, though, is a witch? In his detailed study "The Witch," Ronald Hutton, a historian at the University of Bristol, gives the standard academic definition right away: "someone who causes harm to others by mystical means." He then notes immediately that this formulation will be rejected by at least three groups in modern society. First, those who believe that there are good witches as well, or as Mr. Hutton calls them, "service magicians." Granny Weatherwax and her colleagues in Terry Pratchett's "Discworld" books are service magicians. They act as midwives, provide herbal medicine, and protect against supernatural intruders, elves, fairies and worse.

In addition, there are those—like the adherents of Wicca—who believe that witchcraft is an ancient pagan religion, essentially "joyous, life-affirming, liberating," in touch with nature. Finally, many would add that witchcraft is or was a reaction against the misogyny of established churches and patriarchies, which accounts for the determined attempts to suppress it, culminating in rather more than three centuries of witch-burning and -hanging across Europe and in early New England.

While belief in witches (as defined academically) is all but universal across the world, Mr. Hutton observes, it's surprisingly variable. Some societies fear and persecute witches; some remain relatively unconcerned. And, as it turns out, some regard witches as female, others as male, and still others as gender-neutral.

Belief often remains strong to this day, with outbreaks of panic and repression in many places, notably South Africa and Central America. Even in Britain this century, police have investigated nearly 100 cases of child abuse provoked by suspicion that the children were witches, including four murders. In the 1980s, fear of satanic rituals involving child abuse caused gross miscarriages of justice on both sides of the Atlantic.

The root cause of belief in witches may well be a reluctance to believe that misfortune just comes by chance. When something bad happens, someone must have done it, someone who can be blamed. This impulse gets worse in times of stress, but it needs an element of previous belief to focus on.

The Old Testament shows little interest in witches—apart from the Witch of Endor in 1 Samuel—and even the famous verse from Exodus 22, "Thou shalt not suffer a witch to live," may be a mistranslation. What it was recommending was probably not death but exile from the community.

From the early 15th century to the late 18th, some 40,000 to 60,000 people were put to death for witchcraft in Europe.

By contrast, ancient Rome was witch-obsessed, with early records of mass execution, for, as the Roman administrator Pliny wrote, "nobody is unafraid of falling victim to an evil spell." Christianity, however, long remained rather tolerant. The great theologian and saint Thomas Aquinas held that harmful magic was the work of demons, but popes and bishops for centuries showed no great zeal in rooting out its practitioners.

Things changed rather suddenly, and Mr. Hutton pins the place and time down to the 1420s, in the Alps and Pyrenees. Here was a fatal combination of old belief in female night-fliers—"brujas" and "striges"—together with a new fear of heretics such as Cathars and Waldensians, some of whom, Mr. Hutton notes, had taken refuge in the mountains after being "driven from or wiped out in more accessible areas." The pressure often came from preaching friars, determined to impose orthodoxy and having a formidable machinery of inquisition at their disposal.

A further element was increasing fear of elite ceremonial magic. As C.S. Lewis pointed out long ago, you were unlikely to meet witches like those in "Macbeth" unless you went out on to the heath, the wastelands. But learned mages like Dr. Faustus, or Shakespeare's Prospero, with their great books of wizardry, might be operating in some attic on your own street.

Whatever the combination, the result was centuries of witch-burning, from 1424 to a final case in Switzerland in 1782, causing some 40,000 to 60,000 deaths in Europe, most of them concentrated in the decades from 1560 to 1640.

National statistics are patchy. England, with a strict and skeptical legal system, accounted for about 500. Lowland Scotland was far more dangerous. Highland Scotland and Ireland—where fairies were the danger, not witches—were almost unaffected. Much depended on the local beliefs onto which inquisitors could hook accusations. But behind the whole grisly outbreak was a consistent learned construction of satanic Sabbaths, sexual orgies, child murder and cannibalism. Torturers told the victims what to confess to and forced them to accuse their neighbors.

And then it stopped. As Mr. Hutton notes, European belief in witchcraft was exceptional in two respects. First, in turning witches into practitioners of an evil and organized anti-religion, an existential rather than a personal threat; and second, in ceasing spontaneously (at least on the official level). What, one wonders, took away the fear and turned witches into Halloween playtime? Whatever it was, we can be grateful for it.

Mr. Hutton's study has little to say about the immediate present. J.K. Rowling and Pratchett do not appear in his index, nor does Salem, and even Shakespeare gets very little space. What he has done very valuably, though, is to put what most of us know already into a far wider context, both geographically and historically. It's up to us then to examine our own notions of witches and witchcraft—not longer threatening, but still perfectly familiar.

Mr. Shippey's book "Hard Reading: Learning from Science Fiction" was published last year.

OPINION

REVIEW & OUTLOOK

The Manafort Indictment

Special Counsel Robert Mueller indicted former Trump campaign chairman Paul Manafort for tax fraud on Monday, and the main charge against Donald Trump is poor judgment for hiring the notorious Beltway operator.

The indictment accuses Mr. Manafort (and business partner Richard Gates) of funneling money from a pro-Russia party in Ukraine into offshore shell companies and bank accounts. They then allegedly used these accounts to fund their spending habits, neglecting to declare the money to the IRS.

The indictment also accuses Mr. Manafort of failing to register as an agent for a foreign government as required under the Foreign Agents Registration Act (FARA). This is news mainly because violations of that law haven't been successfully prosecuted since 1966. The Russia probe has exposed the degree to which lobbyists ignore this statute that the Justice Department has failed to enforce. (Democrat Anthony Podesta announced Monday that he is leaving his lobbying firm amid the Mueller probe. He is the brother of John Podesta, who ran Hillary Clinton's campaign.)

The most striking news is that none of this involves the 2016 election campaign. The indictment makes clear that Mr. Manafort's work for Ukraine and his money transfers ended in 2014. The 2016 charges are related to false statements Mr. Manafort made to the Justice Department.

In other words, Mr. Manafort stands accused of a financial and lobbying scam, which is exactly what Mr. Trump risked in hiring a swamp denizen. Mr. Manafort has lobbied for a rogues gallery of dictators, with the occasional domestic scandal (HUD contracts).

Separately, Mr. Mueller released a guilty plea by Trump campaign policy adviser George Papadopoulos for lying to the FBI in early 2017 about his interaction with "foreign nationals whom he understood to have close connections with senior Russian government officials." The plea suggests Russians might have been attempting to supply the Trump campaign with opposition research on Hillary Clinton. But Mr. Mueller provides no evidence this happened.

Europe Beats America

Good news: Tax reform is still possible. Or at least it is in Europe, which is a challenge to America as Washington's battles over credits and loopholes risk leaving the U.S. behind.

France is the happiest surprise. President Emmanuel Macron last week pushed a budget featuring substantial tax relief through the National Assembly. The top rate on corporate profits will fall to 28% by 2020 from 33.33% today, and Mr. Macron has promised 25% by 2022. Paris is rolling out a flat 30% rate on capital income such as realized gains and dividends, compared with rates as high as 45% on some gains today. The budget also eliminates the wealth tax on all assets except real estate.

Critics branded Mr. Macron "the President for the rich" for these overhauls, but the main effect will be to stimulate investment and job creation alongside the major labor-market overhaul Mr. Macron introduced this summer. The tax cuts are also a bid to woo businesses thinking of leaving Britain after Brexit. Even dirigiste Paris has figured out that tax codes can't be confiscatory in a world of globally mobile capital and labor.

The Netherlands also is jumping on the

French and Dutch tax reforms raise the stakes for Washington.

bandwagon. Prime Minister Mark Rutte promises to cut the top corporate rate to 21% from 25% by 2021 in the coalition agreement he signed with other parties this month to form a government after the March election. The Hague will scrap its 15% dividend tax and simplify the personal-income tax to two brackets from four, with the top rate falling to 49.5% from 52%. Hey, it's something.

Important features of both reforms are the focus on simplicity and lower rates. While the elimination of some credits and exemptions might lead to higher payments for some companies or individuals, both governments aim for tax systems that are easier to understand and administer, more efficient, and that distort their economies less.

Washington is often tempted to think none of this matters because companies inevitably will be drawn to world's largest economy. For some that's true. But a growing European economy under reformers such as Mr. Macron increasingly offers its own enticing opportunities for investors. Do American politicians really want to have to explain to voters why they let the U.S. trail even France?

About That ObamaCare 'Sabotage'

Democrats are accusing the Trump Administration of "sabotaging" ObamaCare by discontinuing illegal subsidies to insurers, but last week even an Obama-appointed judge in California said otherwise. The ruling deserves more public attention.

Federal Judge Vince Chhabria rejected and ridiculed a petition by 18 states to enjoin the White House from stopping cost-sharing reduction payments (CSRs) that subsidize lower copays and deductibles for consumers on the exchanges who earn less than 250% of the poverty line. "It appears initially that the Trump Administration has the stronger legal argument," the judge noted, adding that "the emergency relief sought by the states would be counterproductive."

A brief legal synopsis: President Obama usurped the legislature's power of the purse by making the payments without a Congressional appropriation. The House of Representatives sued, and last year federal Judge Rosemary Collier ruled for the House, while letting the payments continue pending an Obama Administration appeal.

Meanwhile, insurers have hedged their risks. As Judge Chhabria noted, insurers in 40 or so states accounted for the potential termination by jacking up premiums on their silver plans, but in a way that would hold most consumers harmless. Premium tax credits are pegged to an individual's income and the price of the second-lowest silver plan in their area. So the value of the tax credits rises with premiums.

For example, a 50-year-old at 300% of the pov-

A federal judge rules that Trump is likely to win on the merits.

erty line in San Jose will pay just a buck more next year for the county's most popular silver plan. The net monthly premium the consumer would pay for a bronze plan will be \$81 less next year. A gold plan will be \$87 cheaper.

"No wonder that back in January 2017, economists hired by the State of California estimated that the state's response to the anticipated termination of CSR payments would result in 20,000 more people buying health care in California in 2018," the judge wrote.

The states cite a Congressional Budget Office report projecting that ending payments would swell the ranks of the uninsured, but Judge Chhabria notes this prediction was based on the erroneous "assumption that many insurance companies would respond by fleeing the exchanges—something that hasn't happened (at least not for 2018)."

Judge Chhabria concluded that the Trump Administration is more likely to prevail on the legal merits. And he ruled that forcing payments to resume after rates have been finalized would benefit insurers rather than consumers by allowing them "to collect double payments in 2018."

The upshot is that consumers are unlikely to be immediately or severely harmed by the payment cutoff, though there could be consequences in future years. Republicans needn't panic over market disruptions as they negotiate with Democrats over the CSR payments. They should press for a genuine bipartisan deal that includes reforms such as relaxing the employer and individual mandates and expanding health-savings accounts.

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OPINION

REVIEW & OUTLOOK

The Manafort Indictment

Mueller's charges relate to money-laundering cash from Ukraine.

One popular theory is that Mr. Mueller is throwing the book at Mr. Manafort so he will cop a plea and tell what he knows about Russian-Trump campaign chicanery. But that assumes he knows something that to date no Congressional investigation has found. Prosecutors typically try to turn witnesses before they indict, and Messrs. Manafort and Gates pleaded not guilty on Monday.

Meanwhile, we've learned in recent days that Fusion GPS, the oppo research firm hired by Democrats to dig up dirt on Mr. Trump, was hired initially by the Washington Free Beacon, a conservative website largely funded by GOP donor Paul Singer. This is embarrassing for the Free Beacon, which has been caught jumping in bed with sleazy operators like Fusion.

But none of this absolves Democrats from their role in financing Fusion to hire Christopher Steele, the former British spook, to collect information about Mr. Trump's ties to Russia. The Free Beacon says it had nothing to do with Mr. Steele or his dossier.

The Democrat-Fusion-Russia story requires as full an investigation as the question of Trump-Russia collusion. All the more so given that the FBI may have used the Steele dossier, much of which has been discredited, to begin investigating the Trump campaign and to seek a warrant from the Foreign Intelligence Surveillance Court.

Some readers were offended that we suggested last week that Mr. Mueller is too close to the FBI after running it for a dozen years to investigate the agency's role with the dossier. But no one has explained why such a relationship isn't a conflict of interest. The probe can continue with someone else in charge, but most of the press corps is so invested in the Russia-Trump collusion narrative that they refuse even to acknowledge uncomfortable facts they'd usually be shouting about.

Americans deserve to know how Russia interfered in the 2016 campaign, but one problem with special prosecutors is that they exist to prosecute—someone, somewhere for something—more than they shed light. The latter should be Congress's job, and the Members should keep pressing to tell the complete story.

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Important features of both reforms are the focus on simplicity and lower rates. While the elimination of some credits and exemptions might lead to higher payments for some companies or individuals, both governments aim for tax systems that are easier to understand and administer, more efficient, and that distort their economies less.

Washington is often tempted to think none of this matters because companies inevitably will be drawn to world's largest economy. For some that's true. But a growing European economy under reformers such as Mr. Macron increasingly offers its own enticing opportunities for investors. Do American politicians really want to have to explain to voters why they let the U.S. trail even France?

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LETTERS TO THE EDITOR

Scouting Is About Opportunities, Not Gender

With regard to Davia Temin's "Don't Let Your Girls Become Boy Scouts" (op-ed, Oct. 25): The vast majority of the 215 national scouting programs are co-gendered. In fact, besides the U.S., only Pakistan, Nigeria and Saudi Arabia do not allow girls in their programs. Not exactly progressive company.

The Boy Scouts of America (BSA) is responding to the input of the customers, families currently not involved in scouting who in a survey expressed 90% and 87% interest in having their daughters participate in Cub and Boy Scouts, respectively. This is not a hostile takeover. It is a company responding to a market that has incredible interest in its product but cannot currently get it.

Girl Scouts have stated that they are not interested in a merger, and the BSA is fine with this. Both organizations will be competing for customers, and it is up to the organizations to deliver the best program for youth. This should be the goal of both organizations, instead of trying to maintain a monopoly based on gender.

EDWARD C. THEOBALD II
St. Louis

The Cub Scouts already offer weekend camping events for the entire family. Many girls attend their brothers' troop meetings because of family schedules but have to sit on the sidelines while the troop plans its outdoor activities and service projects. What the BSA said is true—it is responding to the wishes expressed by its members who want similar programs for their daughters. The

National Organization for Women specifically asked the Boy Scouts to open a path to Eagle Scout for girls. Other nations' scout organizations already include both genders. Parents have many options for their daughters: Girls Scouts, American Heritage Girls and the new BSA program. Let's allow parents to choose the one that's the best fit for their particular daughters and recognize the good that all of these groups do for America's young people.

ROBIN FENNEMA
Tallahassee, Fla.

As a female Venturing youth leader in the Venturing program of the Boy Scouts of America, I would greatly disagree with the assumption that "the BSA has no dedication to girls or girls' leadership." I have been guided and encouraged throughout my path to leadership by many members of the BSA, both male and female. The BSA Oath and Law has taught me many of the same morals and principles as are in the Girl Scout's Mission Statement.

With regard to the concerns of protection of the female members, in my experience as a young female in the BSA, I have received nothing but encouragement and guidance to become mature and independent.

My experience has been entirely positive. While the fuss over this issue continues, my girl-led crew will be busy working on earning our 50-miler backpacking award.

FLANNERY FANGMAN, AGE 15
*President of Venturing Crew 572
Boy Scouts of America
Granger, Ind.*

Draw Best Tax Line Between C and S Corps

In response to Brian Reardon's cry for S-corp tax breaks ("Family Businesses Deserve a Tax Break," op-ed, Oct. 24), he brings up good points but misses the big picture. As a representative for S corps, he's not paid to address the big picture. Pass-through entity tax considerations are an outgrowth of our ridiculous income-tax code, whereby small business gets government's limited liability protection without paying the higher C corp taxes. Why not make it fair for C corps as well?

Along with cutting the C corp tax rate below most individual rates, allow C corps to deduct dividends just as they're allowed to deduct interest payments to their banks. Most small businesses would convert to C corps, and we'd have a much simplified structure that eliminates all pass-through tax and legal bureaucracies in its wake.

The big picture is to simplify the tax code, to make it fair to all—something it can't even pretend to

NICK SAMPAIR
Novato, Calif.

Far from simplifying the tax code, a 25% pass-through rate will require complex regulations to differentiate between salary and business income. The wealthy will almost certainly be able to create vehicles that pay the lower 25% rate and distribute annual "profits" without paying the personal income tax. Instead, S corps should continue to be taxed at standard personal rates, and those who truly want to reinvest their profits to grow their businesses will quickly switch to C corp status.

SIMON JACOBS
New York

them. Mr. Jenkins also points out that the uniquely U.S. solution is to file lawsuits against deep-pocket drug companies.

Just as money taken from the tobacco industry to finance the health care of those injured by smoking, but used to fill state coffers and deflected for other uses, these potential gains won't likely trickle down to those in need.

S. HORWITZ
Bethesda, Md.

The Wisdom of Frederick Douglass Is Worth Recalling

I concur with Robert L. Woodson that Frederick Douglass would have agreed with Amy Wax and Larry Alexander. Mr. Woodson cites "neighborhood moral mentors and character coaches" who "changed the behavior, attitudes and life trajectories of once-violent gang members" ("Black Americans Need Bourgeois Norms," op-ed, Oct. 12). It was Frederick Douglass who said: "It is easier to build strong children than to repair broken men."

JOSEPH R. LYNN
Mount Holly, N.C.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Colleges Should Protect Speech—or Lose Funds

By **Frederick M. Hess**
And **Grant Addison**

Almost every week brings a new campus controversy: a college speech code that goes too far, an invited speaker shouted down by students, a professor investigated for wrongthink. While lamentations abound for the state of free inquiry at American universities, few have suggested substantive proposals for redress.

Withhold federal research dollars from institutions that practice viewpoint discrimination.

Here's a straightforward idea that would be easy to put into practice: Require schools to assure free speech and inquiry as a condition of accepting federal research funding. In addition to subsidizing tuition and providing student loans, Washington disburses billions of dollars to colleges and universities for research—nearly \$38 billion in fiscal 2015 alone.

Those funds constitute about 60% of all support for university-based research, according to the American Association for the Advancement of Science. Because universities build in usurious rates of overhead on this money—in some

instances, upward of 50% goes to underwrite salaries and facilities—these are some of the most prized funds in academia. It would be easy for Washington to require schools to protect free speech before the cash can be disbursed.

Massive federal investment in higher education dates to World War II, when the U.S. purposely made universities a pillar of the nation's approach to research and development. In a 1945 report, Vannevar Bush, director of the Office of Scientific Research and Development, insisted that "freedom of inquiry must be preserved under any plan for Government support of science."

At the time this meant measures to protect university research from governmental interference. Today the threat to free inquiry on campus comes from within. In a study last December, the Foundation for Individual Rights in Education reviewed 449 higher-education institutions—345 public and 104 private—and found that 92% had policies prohibiting certain categories of constitutionally protected speech.

Cross-referencing FIRE's data with figures from the National Science Foundation illustrates a disheartening reality: Of the 30 higher-education institutions that collected the most federal research funds in fiscal 2015, 26 maintain formal policies restricting constitutionally protected speech. Six of them—Johns Hopkins, the University of Michigan, Harvard, Penn State, the University



BARBARA KELLEY

of Texas at Austin, and New York University—maintain policies FIRE categorizes as "substantially restricting freedom of speech." These 26 colleges and universities took more than \$14 billion in federal research funding in fiscal 2015, or nearly 40% of the total disbursed.

Academics used to understand that policies to stymie speech and expression are anathema to free inquiry. Consider the "General Declaration of Principles" issued in 1915 by the American Association of University Professors. The group asserted that the university should be

"an inviolable refuge" from the tyranny of public opinion: "It is precisely this function of the university which is most injured by any restriction upon academic freedom."

Prohibitions on what can be said or written inevitably favor certain questions, points of view, and lines of inquiry while discouraging or barring others. Speech codes, trigger warnings, bias-response teams and the like lead students and professors to self-censor. In a national survey this year by FIRE and YouGov, 54% of students said they "have stopped themselves from

sharing an idea or opinion in class at some point since beginning college." All to the detriment of a good education.

Leveraging federal money is one way to discourage campus speech restrictions. Federal research funds should come with contractual provisions that obligate the recipient schools to guarantee open discourse. Colleges should be required to offer assurances that their policies do not restrict constitutionally protected speech or expression and that they will commit to safeguarding open inquiry to the best of their ability. Violating such assurances would be grounds for loss of funds and render the school ineligible for future research dollars.

Further, colleges that receive research grants should be required to establish formal processes for investigating and appealing allegations of speech suppression or intellectual intimidation. Such machinery already exists to address other forms of research misconduct.

These provisions could be implemented by Congress, by presidential directive, or by individual grant-making agencies. Whatever the case, the move is entirely appropriate and wholly within the purview of the federal government. Taxpayer funds should not subsidize research at institutions where free inquiry is compromised.

Tying research funding to free speech would give a stake to serious scientists in fields like engineering and biology. These scholars traditionally have left the campus culture wars to their more politicized colleagues in the humanities and social sciences. Under this plan, they would suddenly have an incentive to help push higher education back to its intellectual roots. The same goes for college presidents, many of whom have found it easier to placate the radical fringe than to defend free inquiry. With federal research funds on the line, they would suddenly face a new financial and political calculus.

Mr. Hess is director of education policy studies at the American Enterprise Institute, where Mr. Addison is program manager for education policy. They are the authors of a new AEI report, "Free Inquiry and Federally Funded Research."

How Democrats Learned to Love Insurance Companies

By **Allysa Finley**

Democrats used to denounce health insurers as greedy, but lately their mutual interest in propping up ObamaCare has made these former foes into something more like frenemies.

The cost for the most popular ObamaCare silver plans will increase 37% on average next year. Democrats and insurers are both blaming soaring premiums on the Trump administration, which is purportedly trying to sabotage the law. They complain that loosening the individual mandate and slashing ObamaCare's advertising budget reduces enrollment among the healthy youngsters who keep premiums in check. They say the White House's move to end cost-sharing payments to insurers will drive up premiums and repel "young invincibles."

The party is working with its old punching bag to stop the Republicans' ObamaCare reform efforts.

These arguments are dubious, not least because premiums were rising even before Mr. Trump took office. Since 2013, the average premium on the ObamaCare exchanges has doubled. The real ObamaCare saboteurs were the Democrats who designed and passed such a haphazard law.

Insurers need young, healthy people as customers to offset the costs of covering older and sick people. But the law's provision allowing young adults to stay on their parents' plans up to age 26 has removed millions of potential customers from the private insurance market. About 2.3 million people 19 to 25 were added to family health plans between September 2010 and the start of open enrollment in October 2013, according to a report last year from the Department of Health and Human Services.

Democrats for whatever reason didn't foresee just how many young adults would jump onto their parents' coverage. The share of young adults with employer-sponsored insurance has risen by more than 10 percentage points under ObamaCare, according to Census Bureau data. Such plans are typically cheaper than the ones available on the individual market,

saw two older exchange sign-ups for every young one.

Democrats and insurers argue Washington should spend more on marketing ObamaCare to young people. But Texas, which spent little on marketing, has a younger risk pool on the exchanges than California, which spent heavily. One real difference is that Texas didn't expand Medicaid, and California did. Advertising alone won't impel people to buy an overpriced product they don't want.

Insurers also howl that the administration's plan to stop cost-sharing payments to insurers will require them to raise premiums. This, they say, will

"destabilize" the ObamaCare marketplaces. But most people won't be affected, because as premiums rise the tax credits increase commensurately. Higher premiums will squeeze the 15% or so of enrollees who earn more than 400% of the poverty line and are thus more likely to be older.

While Democrats and insurers have a vested interest in maintaining ObamaCare's regulatory edifice, the exchanges' poor design has invited GOP reforms. For that they only have themselves to blame.

Ms. Finley is an editorial page writer at the Journal.

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THE WALL STREET JOURNAL.

Tuesday, October 31, 2017 | B1

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Deal Creates Largest Home Builder

Takeover by Lennar comes as industry faces rising costs for land, labor, materials

By CHRIS KIRKHAM
AND LAURA KUSISTO

Lennar Corp. agreed to buy CalAtlantic Group Inc. for \$5.7 billion, creating the country's largest home builder by revenue in the latest affirmation of a U.S. economic expansion now in its ninth year.

The proposal marks the largest merger of home builders since the financial crisis, a milestone for the recovery of an industry that was hard hit by the housing collapse last decade but has contributed significantly to U.S. growth in recent years.

The deal would create a combined company with revenues of more than \$17 billion as of last year and a market cap of roughly \$18 billion, based on Friday's closing share prices.

Major home builders are looking to control rising costs for land, labor and materials as the U.S. housing market expansion continues. Builders increasingly are focusing on first-time home buyers purchasing less-expensive homes, which has put pressure on profit margins.

Lennar Chief Executive Stuart Miller said the combination would increase Lennar's presence in markets it already operates in and allow it to be one of the top three home builders in 24 of the top 30 markets in the country.

On a conference call Monday,

Lennar executives pointed out that the two companies compete in many of the same markets. With more scale, they said they can lower costs by negoti-



Builders increasingly are focusing on first-time home buyers purchasing less-expensive homes. A Lennar construction site in Florida.

Housing Giant

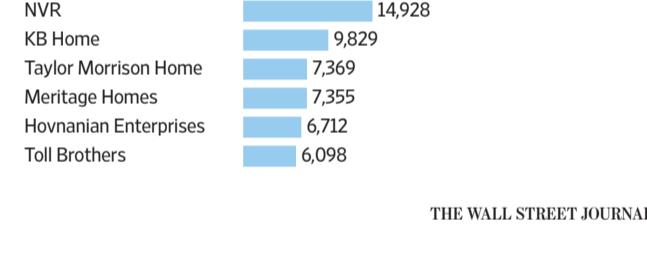
Lennar and CalAtlantic would combine to form the largest homebuilder in the U.S. in terms of revenue and production.

2016 revenue, billions



Sources: FactSet; staff reports

Homes delivered, 2016



THE WALL STREET JOURNAL.

ating better deals with construction crews and suppliers.

"It should be no surprise that the more you buy, the less you pay," said Lennar President Rick Beckwitt.

The companies expect the

deal to generate \$250 million in annual cost savings by the 2019 fiscal year and roughly \$75 million in fiscal 2018.

In acquiring CalAtlantic, Lennar will have access to a new supply of developable land that

can be built on quickly, which is less risky than buying large tracts of undeveloped land that could take years to get permits.

Analysts agree that a larger company will better be able to navigate increasing construc-

tion costs, which have outpaced price increases of new homes every quarter over the past three years, according to data from John Burns Real Estate Consulting, which tracks

Please see LENNAR page B2

Apple to Stop Using Chips From Qualcomm

By TRIPP MICKLE
AND DANA MATTIOLI

Apple Inc., locked in an intensifying legal fight with Qualcomm Inc., is designing iPhones and iPads for next year that would jettison the chip maker's components, according to people familiar with the matter.

Apple is considering building the devices only with modem chips from Intel Corp. and possibly MediaTek Inc. because San Diego-based Qualcomm has withheld software critical to testing its chips in iPhone and iPad prototypes, according to one of the people.

Qualcomm, which has worked with Apple for a decade, stopped sharing the software after Apple filed a federal lawsuit in January accusing Qualcomm of using its market dominance unfairly to block competitors and to charge exorbitant patent royalties, this person said. Qualcomm has said Apple is mischaracterizing its practices.

Apple's planned move for next year involves the modem chips that handle communications between wireless devices and cellular networks. Qualcomm is by far the biggest supplier of such chips for the current wireless standard.

Qualcomm said its "modem that could be used in the next generation iPhone has already

GE Numbers Game Puzzles Investors

By MICHAEL RAPORT

What are General Electric Co.'s earnings? The question doesn't have a single answer—the company recently provided four different versions of them.

Investors have long grumbled about complex, aggressive accounting at GE, while the Securities and Exchange Commission has questioned some practices, too. A lack of faith in GE's numbers has left it with dwindling support and goodwill from investors after GE on Oct. 20 missed third-quarter earnings estimates and slashed its 2017 earnings outlook by more than a third.

GE shares have lost more than 13% since then, tumbling to their lowest level in nearly

Please see GE page B2

*Percentage of operating earnings converted into free cash flow under new methodology adopted by GE in May 2017.

Source: the company

THE WALL STREET JOURNAL.

STREETWISE | By James Mackintosh

Betting on Next Fed Chief Often Backfires

President Donald Trump's "The Apprentice"-style hiring process for the Federal Reserve chairmanship is due to end this week, and it looks like the message to Janet Yellen is: "You're fired!"

Jerome Powell, a Fed governor, is the leading candidate to take the world's leading economic job—and he isn't an economist.

Investors following the process have been raking over the past pronouncements of the five main candidates, in

an effort to understand the direction of Fed policy over the next four years. History suggests that it is tough to make money from betting on a new chairman's hawkishness or dovishness, even if you knew who it was going to be.

Political betting site PredictIt has Mr. Powell's chances at 80%, with Ms. Yellen at 8% and academic economist John Taylor at 7%. Outsiders include former governor Kevin Warsh; Federal Reserve Bank of Minneapolis President Neel Kashkari; and Gary Cohn, Mr.

Trump's top economic adviser.

Assuming you knew who the president would pick, the most obvious ways to make money from betting on a new chairman's hawkishness or dovishness, even if you knew who it was going to be.

Political betting site PredictIt has Mr. Powell's chances at 80%, with Ms. Yellen at 8% and academic economist John Taylor at 7%. Outsiders include former governor Kevin Warsh; Federal Reserve Bank of Minneapolis President Neel Kashkari; and Gary Cohn, Mr.

policy, meaning higher short-term rates, and they were right. But after his appointment, many bet that a Fed chairman committed to bringing down inflation meant lower long-term bond yields, a lower gold price and a stronger dollar. They made money for about two weeks, before being crushed.

As inflation soared Mr. Volcker stayed true to forecasts, and short-term rates peaked at 22%, the highest ever, pushing the U.S. into double-dip recessions. Contrary to the expectations of

Please see STREET page B10

Russian Agitators Organized Rallies on Facebook

By DEEPA SEETHARAMAN

Workers behind Russian-linked Facebook Inc. accounts helped organize or finance real-life events before and after the 2016 election, often working directly with U.S. activists and playing both sides of the same hot-button issue—even on the same day.

In July 2016, as outrage swelled over fatal shootings in Dallas and Minneapolis, alleged social-media agitators tied to Russia worked quickly to capitalize on the emotionally charged atmosphere.

Workers linked to a Russia-based firm organized two gatherings, both for July 10: In Dallas, a "Blue Lives Matter" rally honored the five police officers slain there on July 7; and near Minneapolis, nearly 300 people rallied in support of Philando Castile, a man fatally shot by a police officer during a traffic stop.

The events show that the Russian-linked account activity went far beyond paying for polarizing ads dropped into Facebook members' news feeds. At least 60 rallies, protests and marches were publicized or financed by eight Russia-backed Facebook accounts from Los Angeles to Washington, D.C., according to a review by The Wall Street Journal, which looked at archived versions of now-deleted Facebook posts and interviewed activists, attendees and others familiar with the events, most of which were posted on Facebook.

Facebook said in September that it had found 470 such accounts that it says belonged to Russians and that sought to exploit social divisions in the U.S. through provocative issue ads. The eight accounts the Journal examined are among those Facebook unearthed, according to people familiar with the matter. Facebook said it closed the accounts.

Much of the scrutiny of the Russian accounts so far has focused on their online activity, but the live events demonstrate

Please see EVENTS page B4

126M

The number of people Facebook estimates may have seen content posted by Russian-backed accounts ... B4

INSIDE



'HOUSE OF CARDS' ENDS AMID SCANDAL

MEDIA, B3

INDEX TO BUSINESSES

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

A	40 North Latitude Master Fund.....B6
B	Advanced Accelerator Applications.....B5
C	Air Canada.....B2
D	Akzo Nobel.....B6
E	Alphabet.....A1,B4,B5
F	Apple.....B1,B5,B11,B12
G	Axalta Coating Systems.....B6
H	Bank of America.....B11
I	Braskem.....B6
J	CalAtlantic Group.....B1
K	Campbell Soup.....B3
L	Canada Jetlines.....B2
M	Capella Education.....B3
N	Cerberus Capital Management.....B6
O	Clarient.....B6
P	Coca-Cola.....B3
Q	Comerica.....B11
R	Corning.....B12
S	Corvex Master Fund...B6
T	Deutsche Bank.....B10
U	DynegyB5
V	Elliott Management...B6
W	EnerJet.....B2
X	Facebook.....B1,B4
Y	Flair Airlines.....B2

INDEX TO PEOPLE

A	H	Asami, Takao.....B5
B	K	Batory, Ronald.....B2
C	L	Beckwitt, Rick.....B1
D	M	Blavatnik, Len.....B6
E	N	Coard, David.....B11
F	O	Donabedian, Dave.....B11
G	P	Edgett, Sean.....B4
H	Q	Flint, John.....B10
I	R	Franke, Bill.....B2
J	S	Gadek, Stan.....B2
K	T	Gates, Rick.....A4
L	U	Gulliver, Stuart.....B10
M	V	Put, Dirk Van de.....B3
N	W	Zhang, Xin.....B11
O	X	Zuckerberg, Mark.....B4

GE

Continued from the prior page
five years. The stock is now down more than 35% year to date; the S&P 500 has risen about 15%. GE shares closed Monday at \$20.41, down 1.8%, their sixth straight daily loss.

Topping investor concerns is GE's heavy use of customized earnings metrics—the company has four different measures of earnings per share in its third-quarter earnings release. These range from plain net income to "industrial operating + verticals earnings," and GE also reports customized measures of revenue, margins and cash flow.

Analysts also fret over how GE handles contract assets—revenue the company books on long-term contracts before it has the cash in hand—and its ability to turn earnings into cash flow.

"Everybody knows there's a

two and cut billions of dollars in costs. The company is under pressure to improve its performance from activist investor Trian Fund Management LP, which owns about 71 million GE shares and was recently given a seat on the board.

Of its different measures, the one GE focuses on most in its earnings reports is industrial operating + verticals earnings, which exclude certain pension costs and businesses the company expects to sell.

In the third quarter, GE had earnings of \$1.9 billion from continuing operations. But it then took out \$371 million in pension costs such as interest expenses and expected return on assets and added in only \$299 million in "verticals" earnings—from the slice of GE Capital that the company plans to retain. The result: Industrial operating + verticals earnings were \$2.55 billion.

GE also reports customized metrics like "industrial segment organic revenues," "industrial operating margin" and "industrial cash flows from operating activities," with and without certain items.

The SEC has focused on GE's non-GAAP reporting and said in a June 2016 comment letter to the company that investors "may find it difficult to understand the differences" among measures and how each provides useful information. In a July 2017 letter, the SEC said GE's practice of lumping together in a single line item all its non-GAAP adjustments "makes it difficult to fully understand the nature and amounts of each of the adjustments."

In both cases, GE agreed to change disclosures. The SEC completed its inquiries without taking action.

Another area of concern is how GE accounts for its \$29.8 billion portfolio of assets relating to long-term equipment and product-service contracts. That portfolio has grown by 18% this year, as GE adjusts estimates and assumptions about how much profit it will ultimately reap from those contracts. Such adjustments added \$2.2 billion to GE's earnings in 2016, the company said in its annual report.

Some analysts are concerned because GE provides little visibility into those estimates and assumptions—and because the company's actions can boost its earnings but not current free cash flow.

GE says its contract assets have grown significantly for valid reasons and that ultimately all the assets will turn into cash for the company.

BUSINESS & FINANCE

Budget Airlines Cruise Into Canada

By DAVID GEORGE-COSH

TORONTO—Low-cost airlines, taking off around the globe, have been in a holding pattern in Canada.

But thanks to a change in government regulations, a trio of upstarts is set to break into the country's air-travel market, in a move that could challenge the duopoly of the main Canadian operators, Air Canada and WestJet Airlines Ltd.

The new, ultralow-cost carriers could also drain market share from a handful of American airlines catering to Canadians with cheap flights at U.S. airports near the border.

Canada Jetlines Ltd., a new airline based in Vancouver, British Columbia, plans to start flying out of smaller airports near Toronto next year, with fares that should "cost less than a pair of jeans," or under \$100, says Chief Executive Stan Gadek.

Flair Airlines Ltd., meanwhile, relaunched its ultralow-cost venture this year after acquiring the assets of defunct **NewLeaf Travel**. The airline based in Kelowna, British Columbia, plans to add three cities to its flight schedule and triple its fleet of Boeing 737-400 jets to six by the end of the year.

And Bill Franke, who helped pioneer the ultralow-cost carrier segment in the U.S., is pursuing a tie-up with **EnerJet**, a charter airline based in Calgary, Alberta. The deal, valued at roughly 80 million Canadian dollars, or US\$62.5 million, is awaiting the Canadian government's approval.



Air Canada plans to offer ultralow fares on some routes as discount carriers enter the marketplace.

"We're firm believers that the lowest cost ultimately wins in the low-cost segment, so our objective is to present the lowest-cost and lowest-fare airline in the marketplace," Mr. Franke said.

The influx of competition comes after the Canadian government last year raised foreign ownership limits on domestic carriers to 49% from 25%, and as the local air-travel market, valued at C\$19 billion, grows. Last year, 43 million passengers flew domestically, up 15% from the previous five years, according to Statistics Canada. As more rock-bottom prices are offered, Intertavistas Consulting Group estimates that 10 million more people will

fly more frequently.

Two carriers still need to raise a minimum of C\$50 million to be deemed "financially fit" to operate by regulators. Canada Jetlines is conducting an investor roadshow to raise between C\$50 million and C\$75 million. EnerJet, meanwhile, expects regulators to accept the terms proposed by Mr. Franke by year-end.

The upstarts say they plan to not only lure budget-conscious fliers from WestJet and Air Canada, but also from American carriers such as Allegiant Air and Frontier Airlines Inc., which have drawn Canadians to border airports such as Buffalo, N.Y., and Burlington, Vt., with cheap fares.

Robert Kokonis, an analyst at airline consultancy **AirTrav** Inc., estimates that 500,000 passengers, or about 10% of Canadian traffic lost to U.S. border airports, could be handled by the low-cost carriers over the next year.

WestJet, which got its start as a no-frills airline, plans to combat the new airlines with an ultralow-cost carrier of its own. Swoop, which will begin flights next June, "is our ability to encourage Canadians to travel," said Ed Sims, executive vice president of WestJet's commercial business. "But it's also a means to ensure that we have a very competitive brand stacked up against these new entrants."

Offshore Oil's Ally Oversees Safety

By TED MANN

WASHINGTON—As a Louisiana state official, Scott Angelle made his name fighting against a moratorium on offshore oil production that followed the catastrophic 2010 Deepwater Horizon blowout, in which 11 workers were killed.

Mr. Angelle says he puts a priority on the safety of the offshore oil business. But he also says his mission as director of the Bureau of Safety and Environmental Enforcement is to "drive performance" in the offshore oil-and-gas industry and to improve relations with drillers. He is one of a number of Trump administration regulators who have represented the interests of industries they now oversee.

Among others, Ronald Batory, a veteran freight-railroad executive, is running the Federal Railroad Administration, the safety regulator for freight and passenger railroads. Michael Dourson, poised to be confirmed by Senate Republicans as assistant administrator

for the Environmental Protection Agency, is a scientist whose former consulting firm has been supported by chemical companies whose products are regulated by the EPA.

Mr. Angelle favors a personal touch. He hands out miniature bottles of Tabasco sauce to visiting executives—in honor of his Cajun roots—and at an industry conference in Lafayette, La., last month, he announced his phone number from a stage.

Mr. Angelle, in an interview in his office this month, said he can do a better job improving BSEE's operations and monitoring risk if companies feel free to contact him freely and frequently. "Sitting at the table to discuss is not weakness, that's strength," he said. "I'm comfortable that we can reject that which we don't agree with, but listening, and then also responding, I think is smart."

Chief among Mr. Angelle's goals is rolling back portions of the so-called well-control rule, the regulatory fix BSEE

made across a range of underwater-drilling activities in response to Deepwater Horizon.

Trade groups are asking BSEE to tweak the rule. Mr. Angelle declined to say what industry-sought changes, if any, he would endorse, but agency staffers have begun drafting a package of changes.

Mr. Angelle's overtures to industry have concerned some agency staffers.

and you have to do this the right way," said Brian Salerno, the final director of BSEE under the Obama administration. "You don't have ability for people to come in and privately influence you."

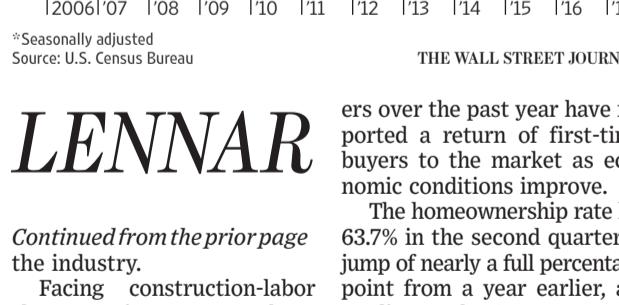
Mr. Angelle said the access he offers helps him understand companies' experiences. "We like to get to people who can give us what it is they've experienced, as opposed to 'I told somebody, who I told somebody, who I told somebody,' and then now I've got it fifth-hand," he said.

His approach has drawn cheers from the industry along the Gulf Coast.

"The fact he has an oil-and-gas background, I think that goes a long way in terms of knowing industry, understanding the industry, and being able to work with the industry," said Lori LeBlanc, executive director of the Gulf Economic Survival Team, a trade association formed with help from Mr. Angelle to fight the moratorium after Deepwater Horizon.

Slow Climb

After a sharp decline last decade, single-family home construction has slowly rebounded.



THE WALL STREET JOURNAL

LENNAR

Continued from the prior page
the industry.

ers over the past year have reported a return of first-time buyers to the market as economic conditions improve.

The homeownership rate hit 63.7% in the second quarter, a jump of nearly a full percentage point from a year earlier, according to the Census Bureau. Younger households helped drive that improvement: The homeownership rate for households headed by someone under 35 years old jumped to 35.3% from 34.1% a year earlier.

Still, these households are particularly price-sensitive, placing additional pressure on builders to control costs and keep the price of these homes at a level first-time buyers can afford. More home buyers means more sales for home builders, but it is difficult to maintain the same kind of profit margins generated by high-end luxury-home sales that dominated the early years of the economic recovery.

The deal is subject to approval by shareholders.

—Cara Lombardo contributed to this article.

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Slow and steady wins the race.

BUSINESS NEWS

Mondelez Gains As Americans Snap Up Snacks

BY ANNIE GASPARRO
AND IMANI MOISE

Mondelez International Inc. reported rising third-quarter sales as Americans ate more snacks and business improved in emerging markets.

The maker of Oreo cookies, Wheat Thins crackers and Trident gum said sales rose 2.8% in the quarter on a comparable basis, and that per-share profit jumped 12%, excluding certain one-time events and currency fluctuations.

"We're encouraged as we see macro trends that have been headwinds over the past several quarters turn more favorable," said Chief Executive Irene Rosenfeld, who is stepping down on Nov. 20.

Mondelez's stock was up about 4% after hours on Monday. Through the market close, shares are down 11% this year. Mondelez and other big food companies have struggled as U.S. consumers have shifted to foods perceived as healthier.

Hershey Co. also reported higher-than-expected earnings

last week, while rivals like **General Mills** Inc. and **Campbell Soup** Co., which sell more packaged and canned meals rather than candy and snacks, have been battered by declining sales.

Like its peers, Mondelez has faced pressure from investors to boost profit margins amid slowing sales in the U.S. Ms. Rosenfeld has reduced spending in recent years by closing factories and cutting back on things like corporate travel. Mondelez's adjusted operating margin—a key metric indicating profitability—rose to 16.9% in the quarter from 15.6% the prior year.

Mondelez has created new brands like Véa crackers and belVita breakfast cookies, which it says have attracted more health-focused consumers. In the latest quarter, sales in North America rose 1.3%, indicating that snack-focused companies are faring better in the more competitive food retail environment.

Mondelez has also looked for growth abroad. In the most recent quarter, sales in emerging markets jumped 4.5% to \$2.45 billion, representing over a third of its total revenue.

Ms. Rosenfeld, who is stepping down after leading the company for 11 years, will be succeeded by Dirk Van de Put, CEO of Canadian company **McCain Foods**. Last week, Mondelez also named **Coca-Cola** Co. executive Glen Walter to head its North America business beginning in November.

Mondelez reported an overall profit of \$992 million. Adjusted income, excluding one-time events, was 57 cents a share, compared with 50 cents a share a year ago. Revenue rose 2.1% to \$6.53 billion. Analysts polled by FactSet had expected adjusted earnings of 54 cents a share on revenue of \$6.44 billion.

'House of Cards' Comes to an End Amid Scandal



DAVID GIESBRECHT/NETFLIX/EVERETT COLLECTION

Netflix Inc. plans to end the political drama "House of Cards" after the end of season 6, which is currently in production, a person familiar with the situation said.

The decision was made before reports about alleged sexual misconduct by star Kevin Spacey, the person said. In a BuzzFeed article Sunday, actor Anthony Rapp alleged that Mr. Spacey had made a sexual ad-

vance toward him when he was 14 years old. Mr. Spacey, who is 58 now, was 26 at the time, the article said.

"Media Rights Capital and Netflix are deeply troubled by last night's news concerning Kevin Spacey," Netflix and Media Rights Capital, the studio that makes the show, said Monday in a joint statement. "In response to last night's revelations, executives from both of our compa-

nies arrived in Baltimore this afternoon to meet with our cast and crew to ensure that they continue to feel safe and supported. As previously scheduled, Kevin Spacey is not working on set at this time."

Mr. Spacey, in a Twitter post Sunday night, said he didn't recall the alleged encounter, which would have happened more than three decades ago.

"I'm beyond horrified to hear

his story," Mr. Spacey wrote. "I honestly do not remember the encounter...But if I did behave then as he describes, I owe him the sincerest apology for what would have been deeply inappropriate drunken behavior."

"As those closest to me know, in my life I have had relationships with both men and women," Mr. Spacey wrote, "and I choose now to live as a gay man."

—Maria Armental

Education Companies Will Merge

BY DANA MATTIOLI

Strayer Education Inc. will merge with **Capella Education** Co. in a move that would create a for-profit education company valued at nearly \$2 billion.

A deal between the companies will be structured as a stock-for-stock merger. Capella shareholders will receive a premium and will own about 48% of the combined company. Strayer shareholders will own about 52%. The deal has been unanimously approved by both companies' boards and is ex-

pected to close in the third quarter of 2018, a news release announcing the deal Monday morning said.

The Wall Street Journal first reported the companies' plans to merge Sunday night.

Strayer, based in Herndon, Va., offers online and campus-based certificates and degrees including M.B.A.s. The university was founded in 1892 and caters to working adults completing their degrees. It has a market value of about \$1 billion after its stock rose about 63% in the past year.

As part of the deal, Strayer

will change its name to Strategic Education Inc. and will continue to trade under the ticker STRA, Monday's news release said.

Minneapolis-based Capella has a market value of about \$765 million after its stock fell 7% in the past year. The company, founded in 1991, offers online degrees targeted at working adults. As of June 30, the school had about 37,600 students, more than 70% pursuing master's or doctoral degrees, according to the company's website.

The combined company will

be based in Herndon but have a "significant presence" in Minneapolis, the release said. Capella will get to nominate three people to Strayer's board, which will now have a dozen directors.

Karl McDonnell, Strayer's current chief executive, will be chief executive officer.

"This transaction will enhance our collective ability to deliver better academic outcomes, to more working adults, at more affordable prices," said Strayer Executive Chairman Robert Silberman in the release.

YOUR LENS DETERMINES YOUR PERSPECTIVE BROADEN YOUR EXPOSURE

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TECHNOLOGY

More Russian Social-Media Posts Found

Facebook, Google and Twitter find the scope of manipulation was broader than thought

BY DEEPA SEETHARAMAN
AND GEORGIA WELLS

Facebook Inc., Alphabet Inc.'s Google and Twitter Inc. are set to divulge new details showing that the scope of Russian-backed manipulation on their platforms before and after the U.S. presidential election was far greater than previously disclosed, reaching an estimated 126 million people on Facebook alone, according to people familiar with the matter, prepared copies of their testimonies and a company statement.

Facebook estimates that 470 Russian-backed accounts connected to a single pro-Kremlin firm, the **Internet Research Agency**, churned out 80,000 posts on Facebook between January 2015 and August 2017, the social-media company plans to tell congressional investigators Tuesday, according to an advance copy of the remarks obtained by The Wall Street Journal. Facebook previously had focused

narrowly on the 3,000 advertisements spread by the 470 accounts.

Twitter, meanwhile, has identified and removed 2,752 accounts linked to the Internet Research Agency, according to a source familiar with Twitter's testimony, significantly more than the 201 accounts it identified in an initial review last month.

Twitter's initial disclosure in September spurred criticism from lawmakers who are pushing for greater transparency from internet companies over how their platforms are manipulated.

Google said in a blog post Monday it has discovered 1,108 videos uploaded to its YouTube video site, which were viewed a total of 309,000 times in the U.S. from June 2015 to November 2016, by accounts linked to Russian operatives. The videos encompass 43 hours of content from 18 different English-language accounts, it said. In addition, Google said two accounts linked to the Internet Research Agency spent \$4,700 on search and display ads during the 2016 elections.

The disclosures came on the eve of representatives from Facebook, Twitter and Google

Breaking Down The Tweets

Nearly 10% of the tweets from the 2,752 accounts from Sept. 1, 2016 through Nov. 15, 2016, were election-related, and about half of their tweets were automated, according to a source familiar with Twitter's testimony.

During this time, these ac-

counts sent about 1.4 million automated tweets related to the election.

As a part of Twitter's review, the company also identified nine accounts that were linked to Russia and promoted election-related content that violated Twitter's ad policies. Twitter last week announced it will no longer run ads from two of these accounts, Russian-backed news outlets RT and Sputnik.

Google General Counsel Kent Walker are scheduled to testify in Congress a second time on Wednesday. They are due to present in front of the House and Senate intelligence committees, which both are conducting probes of Russian activity during the 2016 election to uncover what happened during the campaign for president.

Many of the ads and posts we've seen so far are deeply disturbing—seemingly intended to amplify societal divisions and pit groups of people against each other," Facebook General Counsel Colin Stretch plans to say, according to the prepared remarks. "They would be controversial even if they came from authentic accounts in the United States. But coming from foreign actors using fake accounts they are simply unacceptable."

Mr. Stretch, Twitter's acting general counsel Sean Edgett and

the threat of regulation. Tech companies are expected to face tough questions about their ad disclosure policy and their opposition to greater regulation.

Sen. Amy Klobuchar (D., Minn.)—who has proposed a bill that would toughen disclosure rules for political advertising online—is expected to press the companies on their objections to regulation, according to a person with knowledge of the senator's plans.

In his testimony, Mr. Stretch plans to say that "any amount" of fake or malicious activity is "too much," while at the same time playing down its importance, according to the prepared remarks. Mr. Stretch planned to argue that these posts were a small fraction of the content consumed by Americans during the period—0.004% of posts, or one out of 23,000 pieces of content on Facebook.

The testimonies come nearly a year after the Nov. 8 election. Facebook faced scathing criticism immediately following the election for allowing misinformation and fabricated news articles to run rampant on its platform and harm political discourse.

Over the summer, Facebook

said it had no evidence of malicious Russian activity on its site before revealing on Sept. 6 that the IRA, a Russian outfit that shares pro-Kremlin views online, spent \$100,000 on ads on the platform between June 2015 to May 2017.

Facebook learned from "press accounts and statements by congressional leaders" after the election that Russian entities might have exploited its ad tools to interfere in the election, according to the prepared remarks. In October 2016, Facebook disabled about 5.8 million fake accounts in the U.S., but the sweep missed the 470 accounts unearthed by the company a year later, the remarks say.

Critics including lawmakers said the accounts likely had much broader scope including their organic content, such as free posts and events listings. Facebook has said the ads and posts were meant to exploit social and political divisions in the U.S. Facebook previously said roughly 10 million people saw those ads. On Tuesday, the company plans to update that figure to 11.4 million.

—Douglas MacMillan and Byron Tau contributed to this article.

counts.

The pages covered some event costs, like travel and equipment rental, and sent funds to activists through bank cards or money-transfer services like MoneyGram, activists said. But the people behind the accounts were also hasty planners and often failed at basic logistics, such as securing permits—and appeared eager for their events to provoke reactions or make headlines, said activists who worked with them.

Representatives from the Facebook page "United Muslims of America" asked Mike Ghouse, an interfaith activist, to speak at a Sept. 3, 2016, event in Washington, D.C., billed as a "peaceful rally, to make mosques and their neighborhood safe!"

The group sent Mr. Ghouse placards they intended to use that included anti-Trump messages, causing him to back out, he said. "I said they should be more pluralistic, more inclusive because there's no need to attack Trump," Mr. Ghouse said. "They wouldn't, so I didn't go."

Some events stoked public discord. At the rally in front of the Islamic center in Houston, about a dozen protesters gathered, some waving confederate flags or holding a sign that said "#WhiteLivesMatter," according to video footage.

Across the street, about 60 counter protesters assembled in an effort that didn't appear to have any Russian ties. Some of them held a banner with Adolf Hitler's photo and the words, "Follow your leader: kill yourself."

Photos and videos from Houston and some of the other events later appeared on Facebook, Google's YouTube, as well as Twitter and its live-streaming video service Periscope.

—Jack Nicas contributed to this article.



A rally in Minnesota that took place in July 2016. It was among many demonstrations that summer over hot-button social issues.

JEFF WHEELER/STAR TRIBUNE/ASSOCIATED PRESS

essor at the University of Maryland. "That is a level of political commitment that is a whole degree stronger than getting someone to comment."

This week, executives from Facebook, Twitter Inc. and Alphabet Inc.'s Google are scheduled to appear before Congress to answer questions about Russian activity found on their platforms by congressional investigators examining alleged Russian interference in the U.S. democratic process. Russia has denied any interference in the election.

"We take this very seriously

and that's why we're taking strong action to improve security on Facebook by investing in new technology and hiring more people," a Facebook spokesman said when asked about the events.

Disclosures by Facebook about covert Russian influence on its platform around the election have centered on 3,000 ads bought by accounts connected to pro-Kremlin firm Internet Research Agency. The Russian actors also, however, churned out free posts, including event listings. On Tuesday, the company's general counsel is expected to tell congressional

investigators that the ads were seen by 11.4 million people, while content, such as free posts and event listings from those pages, was viewed by 126 million people.

Russian entities likely promoted events because the Kremlin believes protests destabilize democracies, according to Ms. Oates, who studies Russian propaganda. Event listings show how Russian-backed pages organized protests for and against the same issues. The page "Born Patriotic" planned 17 pro-Trump rallies on the same day in August 2016, while "Black Matters" hosted anti-

Trump rallies after the election.

The Russia-backed pages often contacted U.S. activists over Messenger, a free messaging service from Facebook, or by phone to ask for help organizing events, according to activists. In other cases, activists reached out after seeing a Facebook event, such as the planned protest in Minneapolis following Mr. Castile's death by an account named "Don't Shoot."

Some of the organizers say they spoke to people with British, South African and other non-U.S. accents who said they represented the ac-

Facebook's CEO Makes a Return Visit to China

BY ALYSSA ABKOWITZ

BEIJING—Facebook may not be back in China, but Mark Zuckerberg is.

The social-media titan's chairman and chief executive arrived in Beijing on Saturday for the annual meeting of Tsinghua University School of Economics and Management's advisory board. He skipped last year's gathering, though he did visit China in March 2016.

A Facebook Inc. spokeswoman declined to discuss Mr. Zuckerberg's visit, which comes after a recent series of actions possibly indicating renewed efforts to re-enter the Chinese market, where the company's main platform has been blocked since 2009.

In September, Facebook hired William Shuai to lead its government-relations efforts in Beijing. Mr. Shuai was hired away

from social-networking company LinkedIn Inc., which gained access to China by agreeing to censor its content for local users and by forming a joint venture with Chinese partners. This year, Facebook invested \$5 million in registered capital into its Oculus virtual-reality unit in Shanghai, nearly doubling the amount to \$11.3 million.

Mr. Zuckerberg got a little face time with President Xi Jinping, who addressed the Tsinghua advisory board Monday. It wasn't known whether Mr. Zuckerberg had any Facebook-related meetings with Chinese officials on his trip, which occurred less than a week after the closing of the country's twice-a-decade political meeting that cements leadership for the next five years.

Before the advisory board meeting Monday, Mr. Zuckerberg participated in events

with Tsinghua students. On Saturday, he heard students describe startup ventures, including a music-composition program that creates tunes using artificial intelligence and a diagnosis system for heart disease based on AI.

"Mark said that our project was impressive," said Mo Weishu, one of the students from the music-composition team who delivered the presentation to Mr. Zuckerberg. "He suggested that besides producing music, we should explore product diversification, such as automatically generating soundtracks for videos."

Earlier this year, Facebook and Tsinghua teamed up to offer a course on insights from Silicon Valley, which entailed Tsinghua flying in seven Facebook executives over the semester to teach some classes. Two of the projects Mr. Zucker-

berg saw Saturday came out of that course.

Later that evening, Mr. Zuckerberg posted a picture of himself with Tsinghua students—drawing several comments that pointed to the ob-

stacles Facebook must overcome for any return of its platform to China.

"If you think you can ever convince them about opening up to a free speech platform like Facebook, forget it," one

commenter wrote. "They just had a 19th Congress that reaffirmed their commitment for censorship and weeding out dissent."

—Xiao Xiao and Eva Dou contributed to this article.



Students discussed a range of startup ventures with Mark Zuckerberg while he was in Beijing.

MARK ZUCKERBERG/FACEBOOK

TECHNOLOGY

Toyota Wants A Talking Car To Be Your Pal

BY SEAN MC LAIN

TOKYO—If you love your car, **Toyota Motor Corp.** thinks your car should love you back.

That is the reasoning behind the company's artificial-intelligence project, dubbed Yui: an onboard virtual assistant that gauges your mood, indulges in personal chitchat and offers to drive if it senses you are sleepy or distracted.

In one Toyota video, shown at the Tokyo Motor Show, a woman sits on a seaside cliff, talking about her father with her car. "He sounds like a great father," says Yui, in a baritone male voice.

"You're a bit like him," the woman says.

Until now, Toyota has kept relatively quiet about autonomous vehicles and how it plans to deal with challenges from Silicon Valley upstarts,

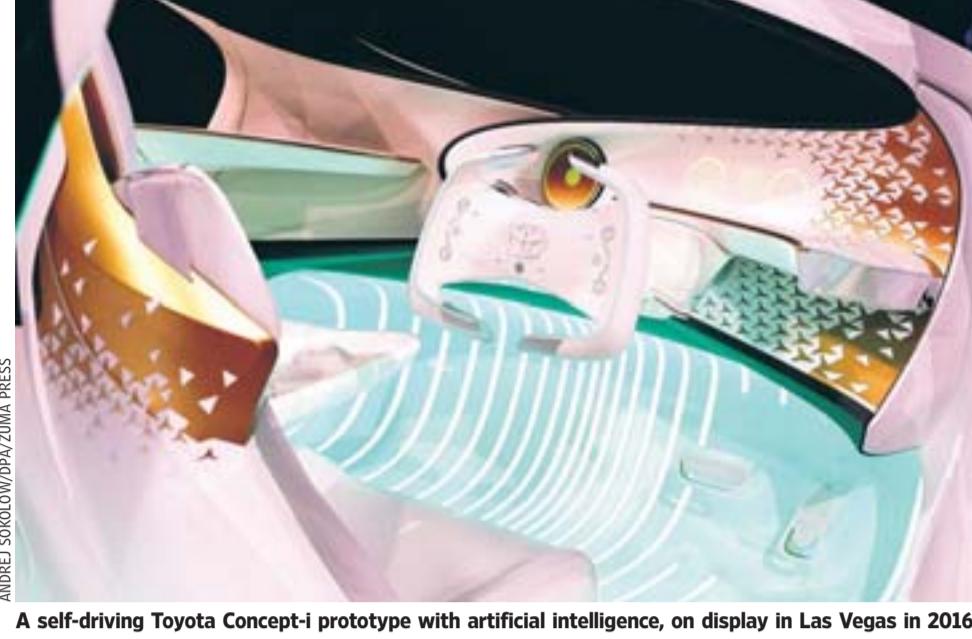
such as Google parent **Alpha-beta Inc.**'s Waymo LLC. "We think this is a good way to do it," said Didier Leroy, who oversees Toyota's business planning and operations.

Toyota isn't the only manufacturer that thinks your car should talk to you. Japanese rival Honda Motor Co. as well as tech companies Amazon.com Inc. and Apple Inc. are working on their own in-vehicle AI assistants.

To be sure, rarely do futuristic vehicles at auto shows make it to the roads. But Toyota plans to start testing a car equipped with Yui on Japanese roads in 2020.

In autonomous-driving mode, the seats recline and massage your back in a manner Toyota says will slow your breathing and calm you down.

"I thought it was neat. I've never spoken to a car," said Minami Yuuki, a 20-year-old



A self-driving Toyota Concept-i prototype with artificial intelligence, on display in Las Vegas in 2016.

college student, after a driver-seat demonstration of Yui. "The back massage was nice."

Yui was unveiled at the Consumer Electronics Show in Las Vegas in January. At the Tokyo event, Yui was demonstrated in concept vehicles.

One potential issue is the amount of personal information such systems require and how secure they are.

Toyota imagines Yui being treated like a friend or family

member, with whom access to social-media accounts is shared. With a mountain of data about your habits, likes and dislikes, the car can make educated guesses about what you are doing, says Toyota.

Not all car makers see people wanting a humanlike relationship with their cars.

"I'm not sure we're going in that direction," said Takao Asami, who oversees research at Nissan Motor Co. and its al-

liance partner, Renault SA. Nissan is developing a system that uses a form of AI to help analyze sensor data, identifying cars and other obstacles.

Indeed, some people at the motor show seemed less than enthusiastic about a car that always listens and records people's speech.

"I'd rather not have this, because I'm a private person," said Yasuko Takahashi, a 54-year-old office worker.

APPLE

Continued from page B1
been fully tested and released to Apple." The chip company said it is "committed to supporting Apple's new devices" as it does for others in the industry.

Apple in the past used only Qualcomm modem chips for iPhones, but started also procuring the chips from Intel for its iPhone 7 and 7 Plus models last year. It again used a mix of the two in the iPhone 8 and 8 Plus that started selling in September.

Apple's plans to exclude Qualcomm chips from next year's model could still change. People familiar with Apple's manufacturing process said the company could change modem-chip suppliers as late as June, three months before the next iPhone is expected to ship. Still, some of the people said Apple hasn't previously designed iPhones and iPads to exclude Qualcomm chips at a similar stage of the process.

The Apple plans indicate the battle with Qualcomm could spill beyond the courtroom feud over patents into another important Qualcomm business where it has the potential to send ripples through the smartphone supply chain. Qualcomm last year sold around \$3.2 billion of modem chips a year to Apple, or 20% of its total chip sales, according to an estimate by Macquarie Capital.

This year, Qualcomm's chip sales to Apple are likely to come to \$2.1 billion, or 13% of total chip revenue, reflecting more fully the iPhone 7's mix of Qualcomm and Intel modems.

Selling chips is generally less profitable for Qualcomm than its patent business. Apple paid \$2.8 billion last year in Qualcomm royalties, which accounted for nearly 30% of the chip maker's per-share earnings, according to Macquarie Capital. In the last year, Apple has stopped reimbursing those fees to iPhone and iPad manufacturers, which in turn have stopped paying Qualcomm.

—Ted Greenwald
and Joe Flint
contributed to this article.

Samsung Sets Second Profit Record This Year

BY EUN-YOUNG JEONG
AND TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. delivered a record quarterly profit for the second time this year, as it continues to cash in on strong demand for its electronics components.

The Suwon, South Korea-based giant said net profit rose to 11.19 trillion South Korean won (\$9.95 billion) from 4.54 trillion won a year earlier.

Revenue rose 30% to 62.05 trillion won from 47.82 trillion won a year earlier.

The year-earlier results were hurt by the global recall of the company's fire-prone

Galaxy Note 7 smartphone, causing Samsung to slash third-quarter earnings guidance by a third. It ultimately cost the company about \$6.5 billion.

Despite that, Samsung executives have said early sales for its two premium smartphones released this year, the Galaxy S8 and the Galaxy Note 8, have outpaced those of their predecessors. Even so, operating profit for the company's mobile division fell 19% compared with the previous three months.

The company's previous record net profit of 11.05 trillion won came in the previous

quarter. Samsung has raked in profits this year due to a proliferation of internet-connected devices and servers that keep demand for the firm's semiconductors high.

Also, smartphone rivals—most prominently **Apple Inc.**—are adopting flexible organic light-emitting diode, or OLED, displays. Samsung has a roughly 95% market share for smartphone OLEDs, which enable phone makers to create thinner devices.

But the company's market dominance hasn't translated to greater quarterly gains for its display unit. Operating profit there fell 5% from the same

period last year.

Operating profit also rose 179% from a year earlier to 14.53 trillion won, an all-time high and nearly three times the 5.2 trillion won that Samsung reported for the same period last year.

Samsung shares have risen about 50% this year, despite the aftershocks of the Galaxy Note 7 recall and the absence of Samsung's de facto leader, Lee Jae-yong, who was convicted in August of bribing South Korea's former president. Mr. Lee's appeal is under way.

Shares were 0.4% lower in Tuesday morning trading in Seoul, as the broader market

was roughly flat.

Samsung's recent run of record earnings are derived from robust sales of memory chips, an industry that requires heavy capital investment and where success can be fleeting.

That is a shift from as recently as early last year when smartphones represented the lion's share of profits.

Semiconductors accounted for almost 69% of the company's overall operating profit in the third quarter, the biggest contribution to Samsung's bottom line since the second

quarter of 2010. Profit margins for the business unit was 50%, its widest margin ever.

BUSINESS WATCH

MERGER

Vistra and Dynegy Plan Combination

Vistra Energy Corp., and **Dynegy Inc.**, two large independent power producers, will merge in an all-stock deal, the companies said Monday.

The Wall Street Journal reported last week that the two companies were in advanced talks to combine.

Under the terms of the agreement, Dynegy shareholders will receive 0.652 shares of Vistra stock for each Dynegy share, the companies said. That represents an 18% premium on Dynegy's Friday closing price of \$11.22.

After the deal closes, Vistra Energy shareholders will own about 79% of the new company and Dynegy shareholders will own about 21%.

—Cara Lombardo

KOBE STEEL

Company Girds For Scandal Fallout

Kobe Steel Ltd. on Monday withdrew its full-year profit guidance and said it wouldn't pay an interim dividend, as it prepares for a potential blow to earnings from a product-quality scandal.

The company reported net profit of ¥39.3 billion (\$346 million) for the first six months of

the financial year ended in March, beating its forecast of ¥25 billion, as its steel business recovered.

The company admitted earlier this month to doctoring quality documents on tens of thousands of tons of aluminum and copper shipments to make it appear the materials met customer specifications when they didn't.

Kobe Steel projects a ¥10 billion hit this year from the scandal, but said it couldn't accurately predict its full liability. The company canceled plans to pay a dividend of ¥10 per share, as it looks to conserve cash.

The company said no safety problems have been found yet after checks at 437 of the 525 affected customers.

—Sean McLain

NOVARTIS

Drugmaker Boosts Oncology Portfolio

Novartis AG agreed to acquire **Advanced Accelerator Applications SA** for \$3.9 billion, a deal that would boost its oncology portfolio as generic competition eats into sales of blood-cancer drug Gleevec.

The Swiss drug giant said Monday it is offering \$41 a share for the France-based, New York-listed company.

A deal would hand Novartis AAA's Lutathera treatment, which belongs to a small but growing class of therapies known as radio-pharmaceuticals.

—Denise Roland



Kobe Steel executive Naoto Umebara Monday in Tokyo, where the company said it would forgo dividends amid a scandal.

ANNOUNCEMENT OF COMMENCEMENT OF TENDER OFFER FOR COMMON SHARES OF CPFL ENERGIA S.A.

State Grid Brazil Power Participações S.A. ("State Grid") hereby notifies the holders of common shares ("Shares") of CPFL Energia S.A. ("CPFL") and holders of American Depository Shares representing Shares, that (i) on the terms and subject to the conditions set forth in the Notice of Public Tender Offer for the Acquisition of Common Shares issued by CPFL, dated October 31, 2017 (the "Notice") and (ii) in accordance with, among other things, Article 254-A of the Brazilian Corporate Law, Item 8.1 of the Novo Mercado Listing Rules and Rule 14d-1(c) promulgated under the Exchange Act of 1934, State Grid is today commencing a tender offer ("Offer") to acquire up to all of the issued and outstanding Shares of CPFL that are not already directly or indirectly owned by State Grid for a cash amount of twenty five Brazilian reais and fifty-one Brazilian centavos (R\$ 25.51) per Share, subject to adjustment as set forth in the Notice.

The Offer will be consummated by means of an auction ("Auction") on the electronic trading system of the Bovespa segment of B3 S.A. – Brasil, Bolsa, Balcão ("B3") in Brazil. The Auction is expected to occur on November 30, 2017, unless the applicable Brazilian regulator, the Comissão de Valores Mobiliários, determines or authorizes a different date for the Auction. Holders of Shares subject to the Offer that wish to participate in the Auction must qualify to do so with a brokerage firm authorized to operate on the B3, in accordance with the Notice, prior to 6:00 p.m. (Brasília time) on November 29, 2017 (the last business day before the expected Auction date). Holders of American Depository Shares representing Shares will need to follow additional procedures, as further described in the Notice.

The acceptance period for the Offer begins today and ends at 6:00 p.m. (Brasília time) on November 29, 2017.

This communication is neither an offer to purchase, nor a solicitation of an offer to sell, Shares. The Offer is being made solely pursuant to the Notice. HOLDERS OF COMMON SHARES OF CPFL AND HOLDERS OF AMERICAN DEPOSITORY SHARES REPRESENTING COMMON SHARES OF CPFL ARE URGED TO READ THE NOTICE, AND ANY OTHER RELEVANT DOCUMENTS DISSEMINATED BY STATE GRID IN CONNECTION WITH THE OFFER, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE OFFER.

The Notice was published today in Portuguese in the *Valor Econômico* newspaper in Brazil and is also available on the Internet in Portuguese at <http://cpfl.riweb.com.br/>. An unofficial translation into English of the Notice is available for informational purposes only (the original Portuguese and the English translation) on the Internet at <http://cpfl.riweb.com.br/> and will also be made available under cover of Form CB on the website of the United States Securities and Exchange Commission at www.sec.gov within one business day after the date of this communication. Holders of Shares may also request copies of the Notice and/or the unofficial translation thereof into English, free of charge, by making a written request therefore to CPFL by mail at *Rua Gomes de Carvalho, nº 1.510, 14º andar, conj. 02 CEP 04547-005 – São Paulo, SP* or by email at *ri@cpfl.com.br*, or by making an oral request therefore by telephone to +55(19) 3756.8895 or +55(19) 3756.6082 (individuals) and +55(19) 3756.6083 or +55(19) 3756.8887 (analysts or institutional investors).

INTESA SANPAOLO

EXTRACT OF THE NOTICE OF CALL OF THE SPECIAL MEETING OF SAVINGS SHAREHOLDERS

(pursuant to Article 125-bis, paragraph 1, of Legislative Decree 58/1998)

The Special Meeting of Savings Shareholders of Intesa Sanpaolo S.p.A. is convened, on single call, at the New Headquarters in Torino, Corso Inghilterra no. 3, at 4:00 p.m. on 1 December 2017, to discuss and pass resolution on the following

Agenda:

Appointment of the Common Representative for the financial years 2018/2020 and determination of related remuneration.

Information on the share capital and on:

- participating and casting votes in the Meeting (in this regard, please note that the record date is 22 November 2017),
- participating and casting votes in the Meeting by proxy and through the Appointed Representative (Computershare S.p.A.),
- exercising the right to add items to the agenda, the right to submit new proposals for resolution on the item already on the agenda,
- exercising the right to ask questions on the item on the agenda before the Meeting,
- the availability of the documentation relating to the Meeting, comprising the Report concerning the item on the agenda and the Report on activities performed by the Common Representative during his mandate,

is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

for the Board of Directors
The Chairman - Gian Maria Gros-Pietro

Intesa Sanpaolo S.p.A. Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 euro Registration number on the Torino Company Register and Fiscal Code 00739990158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of the "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

BUSINESS NEWS



Cans of Dulux paint at an Akzo Nobel factory in the U.K. Akzo and U.S.-based Axalta Coating Systems are considering a merger.

Activists Seek Sway at Clariant

By BRIAN BLACKSTONE

ZURICH—The activist investors who helped scuttle a proposed merger between **Clariant AG** and U.S.-based **Huntsman Corp.** said they would seek three seats on the Swiss chemical company's board and press for more changes, including the sale of its plastics and coatings business.

"The work is just beginning," said a statement Monday by **White Tale Holdings**. "We have been both consistent and clear on what we believe is next for Clariant, and we will now both seek Board representation and continue to proactively engage with other shareholders to ensure the long-term success of Clariant."

White Tale comprises investment funds **40 North Latitude Master Fund Ltd.**—which is controlled by U.S. investors David Winter and David Millstone—as well as **Corvex Master Fund Ltd.**, which is controlled by well-known activist investor Keith Meister. It owns more than 20% of Clariant's stock.

On Friday, Clariant and Huntsman terminated their proposed merger, saying that stake-building by the activists—and the fact other shareholders had started to support their cause—meant there was "too much uncertainty" that they would secure the two-thirds of shareholder approval needed for the deal to proceed under Swiss law.

The failure of the deal and fresh demands are the latest example of the growing influence of activist investors in Europe.

In its statement, White Tale urged Clariant to hire an independent adviser "to undertake a thorough review of all strategic alternatives without prejudging the outcome and without self-interested preconditions." The investors added that they will be "unbiased" in their review of Clariant once they have more information. In a letter to Clariant's board last month, White Tale said Clariant could sell its plastics and coatings business "at an attractive valuation with minimal tax leakage."

The deal's failure reflects the growing influence of activist investors in Europe.

"Should we be unable to come to agreement with the current Board of Directors shortly, we will have no choice but to move to call an Extraordinary General Meeting so that all shareholders can have a voice in Clariant's future," it said Monday.

In a statement, Clariant said that "several talks took place" since the merger was shelved Friday and that it will "of course consider White Tale's requests."

Akzo in Paint-Deal Talks

By BEN DUMMETT

Akzo Nobel NV and U.S. rival **Axalta Coating Systems Ltd.** said they are in talks to join forces in a merger of equals that would create a multibillion-dollar coating and paints giant.

The deal would involve the Dutch paint company first proceeding with a plan to spin off its specialty-chemicals business and distribute the bulk of the proceeds to shareholders.

Axalta said that plan, which is unaffected by the Axalta talks, remains on track for April.

Monday's announcement confirms a Wall Street Journal article on the possible deal

structure.

The combined company would have added scale to generate better pricing for raw materials, eliminate overlapping operations and gain new customers to help revive profit growth. Coatings are used to prevent corrosion and improve durability across sectors including the automotive, electronics and marine industries.

Axalta cautioned that the talks might not lead to completion of a deal.

A merger of equals typically involves companies with a similar market value. The deals are structured through a share swap and shareholders of the companies don't receive

any significant premium for their stock. This type of structure would be crucial for Akzo's attempt to win support from its shareholders, some of whom have been concerned the Amsterdam-based company could seek a large acquisition, potentially paying a sizable premium, to protect itself against an unwanted suitor.

Earlier this year, **Elliott Management Corp.**, one of Akzo's biggest shareholders, mounted a campaign to force Akzo into sale talks with its U.S. paints rival **PPG Industries Inc.** The \$28 billion takeover attempt failed.

An Elliott spokeswoman declined to comment Monday.

Currently, Akzo has a market value of \$22.6 billion, compared with Axalta's value of \$8.1 billion. That gulf in valuation precludes a merger of equals and would instead require Akzo paying a takeover premium to acquire Axalta. By selling or spinning off the specialty-chemicals business first as a condition to a deal with Axalta, Akzo's market value would likely fall more closely in line with its Philadelphia-based rival. Some analysts estimate the specialty-chemicals business could be valued at as much as \$10 billion, which would no longer be reflected in Akzo's market capitalization after the spinoff.

Staples Is Set to Sell China Unit

By JULIE STEINBERG

Staples Inc. is moving forward with plans to sell its operations in China, as it looks to focus on its business closer to home, according to people familiar with the matter.

The U.S. office-supply retailer is talking to potential buyers in Asia, with a round of bids due in a couple of weeks, a person familiar with the matter said. The deal is likely to be small, the people said.

The company is divesting its China business as part of a plan announced last year to downsize stores and focus on its North American business. Staples in March sold its Australia and New Zealand operations to U.S. buyout firm **Platinum Equity LLC**. It sold a majority stake in its European business to private-equity firm **Cerberus Capital Management LP** in December.

Staples, which used to be a public company, was recently bought out by **Sycamore Partners**, a U.S. private-equity firm, for about \$6.9 billion. The company decided to sell itself after failing to merge with its key rival **Office Depot Inc.** last year.

Spokesmen for Staples and Sycamore declined to comment.

Staples first entered China in 2004 with a Shanghai-based joint venture with a mail-order and internet company, eyeing growth opportunities in what it at the time estimated was a \$25 billion office products market.

The China market has proved difficult at times. Staples in recent years booked impairment charges on the business, though in 2016 notched double-digit growth in China sales.

—Yifan Xie contributed to this article.



Braskem is co-owned by oil firm Petróleo Brasileiro, or Petrobras, and construction firm Odebrecht.

Chemicals Tie-Up Weighed

By DANA MATTIOLI AND DANA CIMILLUCA

LyondellBasell Industries NV has made a takeover approach to **Braskem SA**, according to people familiar with the matter, offering a deal that could value the Brazilian petrochemical company at well over \$10 billion.

The talks are at an early stage, the people said, and there is no guarantee there will be a deal.

Should there be one, it would be substantial: Braskem on Monday had a market value of about 37 billion Brazilian reais (\$11.4 billion) and nearly as much debt. LyondellBasell had a market value of about \$40 billion.

It would also be the second-largest Brazilian M&A deal, according to Dealogic. There has only been one double-digit billion-dollar deal in the country, according to the data provider's records: a \$43 billion acquisition of oil-and-gas assets by **Petróleo Brasileiro SA**, known as Petrobras, announced in 2010.

LyondellBasell and Braskem

operate in similar product lines but different geographies. Products include polyethylene, which is used in everyday items such as garbage bags and milk jugs. A deal would also give LyondellBasell access to faster-growing Latin American markets.

LyondellBasell is a Netherlands-based chemicals-and-polymer producer with a big presence in Houston. It was formed in 2007 when Dutch chemical company Basell International Holdings BV paid \$12.7 billion to buy Houston-based Lyondell Chemical Co.

The deal loaded the company with more than \$20 billion in debt just before global commodity markets tumbled in the global financial crisis. A little more than a year after the merger, LyondellBasell filed for bankruptcy.

It emerged from bankruptcy in 2010 after eliminating about \$5 billion in debt. Ukrainian-born billionaire Len Blavatnik's holding company, Access Industries, is a significant backer. Recently, executives of the chemical company have indicated they have a big M&A appetite.

Braskem is co-owned by state oil firm Petrobras and construction firm Odebrecht SA, which owns just over half of the voting shares. The company, which says it is the biggest producer of polypropylene in the U.S., had sales of 55.5 billion reais last year.

Odebrecht said it "continues to work on alternatives that may add value to Braskem and its shareholders and reaffirms its intention to keep Braskem as one of the group's investments."

The chemicals sector has been a hotbed of merger activity. On Monday, Akzo Nobel NV and U.S. rival Axalta Coating Systems Ltd. said they are in talks to join forces in a merger of equals that would create a multibillion-dollar coating and paints giant.

Earlier this year, Dow Chemical Co. and DuPont Co. completed their roughly \$60 billion merger, which they expect to follow with a three-way breakup. Last year, industrial-gas giants Praxair Inc. and Germany's Linde AG agreed to combine.

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Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, October 30, 2017	ETF	Symbol	Closing Price	Chg	YTD (%)
	iShares MSCI MinEAFE	IWV	85.45	-0.43	6.2
	iShares MSCI MinUSA	IVW	207.88	-0.77	14.1
	iShares P&G Growth	IVE	147.98	-0.20	21.5
	iShares P&G Yield	IPY	109.04	-0.51	7.6
	iShares Russell 2000	PFF	38.41	-0.26	3.2
	iShares SP BDM	TIP	113.75	0.26	10.6
	iShares SmallCap Div	IVWV	84.35	0.05	-0.1
	iShares SmallCap Div	IVWVH	106.23	0.36	1.3
	iShares SmallCap Div	IVWVX	124.42	0.96	4.4
	iShares SmallCap Div	IVWY	115.75	-0.08	18.9
	iShares SmallCap Div	MINT	101.87	0.03	0.5
	Powershares QQQ	QQQ	151.58	0.22	27.9
	Powershares QQQ	SPLV	46.53	-0.45	11.9
	Powershares QQQ	BKLN	23.14	..	-0.9
	Powershares QQQ	JNK	37.22	-0.03	2.1
	Powershares QQQ	SPDR Gold	121.13	0.19	10.5
	Powershares QQQ	SCHF	93.39	0.24	12.6
	Powershares QQQ	SCHB	62.12	-0.38	14.7
	Powershares QQQ	CHX	61.37	-0.32	15.2
	Powershares QQQ	DIA	233.33	-0.36	18.1
	Powershares QQQ	MDY	331.85	-0.72	10.0
	Powershares QQQ	SPY	256.75	-0.37	14.9
	Powershares QQQ	SDY	92.48	-0.67	2.9
	Powershares QQQ	XLK	62.68	0.22	29.6
	Powershares QQQ	XLU	55.06	0.02	13.4
	Powershares QQQ	GDX	22.76	0.84	8.8
	Powershares QQQ	VGT	162.52	0.33	33.8

ETF	Symbol	Closing Price	Chg	YTD (%)
Vanguard Small-Cap Value	VBR	128.24	-0.94	6.0
Vanguard Dividend App	VIG	96.82	-0.23	20.4
Vanguard FTSE Dev Mk	VEA	43.98	-0.23	20.4
Vanguard FTSE EM	VWO	44.38	-0.80	24.0
Vanguard FTSE Europe	VGK	58.31	0.60	21.6
Vanguard FTSE Awxw	VEU	53.51	0.06	21.1
Vanguard Growth	VUG	136.17	-0.03	22.1
Vanguard I-3 Treasury Bd	VHT	151.07	-1.04	19.2
Vanguard Hld Cr	VYM	82.46	-0.65	8.8
Vanguard Interm Bd	BIV	84.58	0.27	1.8
Vanguard Corp Bd	VGIT	88.03	0.22	2.7
Vanguard C	VV	117.95	-0.36	15.2
Vanguard MC	VO	148.49	-0.55	12.8
Vanguard MC Val	VOE	106.15	-0.52	9.2
Vanguard REIT	VNQ	82.21	-0.09	-0.4
Vanguard S&				

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those stocks whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, October 30, 2017

Net

Stock Sym Close Chg

NYSE

ABB ABB 25.38 -0.02

AES AES 10.74 -0.04

Aflac AFL 83.83 -0.11

AGCO AGCO 74.10 -1.40

AT&T T 33.54 -0.43

AbbottLabs ALB 54.29 -1.08

AbbVie ABV 90.96 -0.79

Accenture ACN 143.29 0.01

AcuityBrands AVI 165.46 -0.29

Adient ADT 83.50 -0.70

AdvantageAuto AAP 82.00 -0.07

AdvSimEng ASX 6.15 -0.17

Aegon AEG 5.83 -0.02

AerCap AER 52.52 0.09

Aetna AET 171.23 -1.89

AffiliatedMngs AMG 185.50 -5.18

AgilentTechs ATE 67.49 -0.48

Alcatel-Lucent ALU 27.15 -0.06

Alcoa AA 39.62 0.52

AlcoaMacro BAA 127.26 -4.74

Alcon/Santé BSC 31.61 0.00

Alaris Auto BAN 6.73 -0.20

Allegion ALGE 81.97 0.16

Allergan AGN 178.64 -0.18

AllianceData ADS 24.47 -7.36

AllianceBernstein AB 26.10 -0.20

AllianzEnergy LNT 42.18 -0.26

AllisonTransm ASN 42.30 -0.64

Allstate ALL 94.07 -0.34

AllyFinancial ALF 26.23 -0.05

AlticeUSA ATUS 22.53 -0.17

Altisource ALTS 64.05 -0.07

Alkmaar ALK 66.46 -0.12

Albemarle ALB 139.51 0.43

AlbemarleBTL BBL 42.29 -2.64

AlbionCorp BBL 33.05 -0.73

AlbionCorpBTL BBL 36.02 0.59

AlbionCorpBTL BBL 36.02 0.59</

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open		Open		Contract		Open		Open	
	Open	High	hi	lo	Low	Settle	Chg	interest	Open	High	hi	lo
Copper-High (CMX) -25,000 lbs.; \$ per lb.												
Nov 3.0800	3.1020				3.0800	3.1020	0.070	2,285				
Dec 3.1045	3.1180				3.0870	3.1120	0.085	160,580				
Gold (CMX) -100 troy oz.; \$ per troy oz.												
Nov 1270.00	1274.10				1267.90	1274.10	5.90	652				
Dec 1274.30	1279.90				1269.80	1277.70	5.90	378,303				
Feb'18 1278.10	1283.90				1274.00	1281.90	5.90	80,848				
April 1280.60	1287.60				1278.70	1285.70	5.90	16,133				
June 1284.40	1291.00				1282.60	1289.60	5.90	14,370				
Dec 1298.70	1302.00				1296.80	1301.70	5.80	10,395				
Palladium (NYM) -50 troy oz.; \$ per troy oz.												
Dec 966.00	971.80				959.80	962.65	4.40	28,939				
March'18 956.80	961.65				952.25	954.65	4.00	4,152				
Platinum (NYM) -50 troy oz.; \$ per troy oz.												
Nov 914.40	917.20				914.00	918.90	8.00	19				
Jan'18 916.90	924.00				916.50	922.70	8.10	69,929				
Silver (CMX) -5,000 troy oz.; \$ per troy oz.												
Nov 16.715	16.845				16.715	16.802	0.095	579				
Dec 16.850	16.900				16.690	16.847	0.095	141,273				
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.												
Dec 54.16	54.46				53.75	54.15	0.25	591,778				
Jan'18 54.35	54.64				53.96	54.37	0.28	320,386				
Feb 54.45	54.72				54.07	54.48	0.30	130,863				
March 54.45	54.75				54.16	54.53	0.32	253,904				
June 54.25	54.50				53.90	54.26	0.25	204,531				
Dec 53.08	53.31				52.70	53.04	0.15	264,983				
NY Harbor UlSD (NYM) -42,000 gal.; \$ per gal.												
Nov 1.8747	1.8825	▲			1.8643	1.8777	0.018	14,299				
Dec 1.8777	1.8814	▲			1.8629	1.8762	0.010	132,537				
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.												
Nov 1.7750	1.7783	▲			1.7474	1.7641	-0.045	19,399				
Dec 1.7248	1.7288	▲			1.7010	1.7132	-0.0042	156,468				
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.												
Dec 2.938	3.006	▼			2.936	2.966	.002	311,708				
Jan'18 3.081	3.139	▼			3.100	3.100	-0.002	208,539				
Feb 3.081	3.141	▼			3.080	3.103	-0.004	83,414				
March 3.050	3.101	▼			3.044	3.066	-0.003	171,174				
April 2.889	2.931				2.888	2.908	.005	126,741				
May 2.885	2.913				2.879	2.893	.005	79,424				
Agriculture Futures												
Corn (CBT) -5,000 bu.; cents per bu.												
Dec 348.50	349.75				347.25	348.75	...	761,069				
March'18 362.25	363.50				361.25	362.75	.25	331,412				
Wheat (CBT) -5,000 bu.; cents per bu.												
Dec 61.700	62.000				61.400	61.800	-.20	117,754				
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.												
March 14.70	14.82				14.58	14.73	.10	437,754				

Cash Prices | WSJ.com/commodities

Monday, October 30, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday	Monday
Energy				
Propane,tet,Mont Belvieu-g	0.9971			
Butane,normal,Mont Belvieu-g	1.0720			
NaturalGas,HenryHub-g	2.870			
NaturalGas,TranscoZone3-i	2.840			
NaturalGas,TranscoZone6-NY-i	2.940			
NaturalGas,PanhandleEast-i	2.690			
NaturalGas,Opal-i	2.700			
NaturalGas,MarcellusNE PA-i	1.000			
NaturalGas,HaynesvilleLA-i	2.820			
Coal,Caplc,1.2500Btu12502-rw	57.850			
CoalPwdrRvrBsn,880Btu0.8502-rw	11.750			
Metals				
Gold, per troy oz				
Engelhard industrial	1275.81			
Engelhard fabricated	1371.50			
Handy & Harman base	1272.00			
Handy & Harman fabricated	1411.92			
LBMA Gold Price AM	*1267.80			
LBMA Gold Price PM	*1266.45			
Krugerrand,wholesale-e	1328.18			
Maple Leaf-e	1340.96			
American Eagle-e	1340.96			
Mexican peso-e	1547.80			
Austria crown-e	1254.81			
Austria phil-e	1340.96			
Silver, troy oz.				
Engelhard industrial	16.7700			
Engelhard fabricated	20.1240			
Handy & Harman base	16.7850			
Handy & Harman fabricated	20.9810			
LBMA spot price	£12.6900			
Fibers and Textiles				
Burlap,10-oz,40-inch NY yd-n.w	0.6100			
Cotton,1/16 std lw-mdMphs-u	0.6814			
Cotton,'A' Index-t	*79.10			
Hides,hvy native steers piece fob-u	n.a.			
Wool,64s,staple,Terr del-u,w	n.a.			
Grains and Feeds				
Barley,top-quality Mnpls-u	n.a.			
Brown,wheat middlings,KC-u	71			
Corn,No.2 yellow,Cent IL-bp,u	3.1575			
Corn gluten feed,Midwest-u,w	80.4			
Corn gluten meal,Midwest-u,w	470.75			
Cottonseed meal,u-w	233			
Hominy,feed,Cent IL-u,w	88			
Meat-bonemeal,50% pro Mnpls-u,w	223			
Oats,No.2 milling,Mnpls-u	2.9325			
Rice, 5% Broken White,Thailand-l,w	372.00			
Rice, Long Grain Milled, No.2 AR-u,w	24.00			
Sorghum,(Milo) No.2 Gulf-u	7.7900			

BANKING & FINANCE

HNA Unit Pays Up in Bond Sale

Investors give offering a lukewarm response, reflecting worry about Chinese firm's risk

BY ANJANI TRIVEDI

A bond sale by a unit of China's **HNA Group** Co. met with tepid demand last week, with investors demanding higher interest as concerns grow about the conglomerate's debt levels and liquidity.

Hainan Airlines (Hong Kong) Co., a unit of Shanghai-listed **Hainan Airlines Holding**, sold \$300 million in U.S.-dollar debt that matures in 364 days. That the term is less than a year allowed the company to proceed without regulatory approval.

Many emerging-market U.S.-dollar bonds in recent months have drawn demand several times the size of the issue, compared with just \$500 million in investor orders for Hainan Airlines, according to market participants.

The new bonds were priced to yield 6.35%, significantly above the 5.5% the company paid on a similar issue in June—a sign that buyers, which included Chinese hedge funds, feel that risk has grown. On Monday, the yield on another short-term Hainan Airlines bond maturing in 2018 jumped to 5.9% as its price fell.

The company's parent is one of the hundreds of subsidiaries owned or controlled by HNA Group. Hainan Airlines, which has sold \$1 billion in bonds this year, plans to use the proceeds from the latest issue to repay maturing debt. The deal was arranged by two Chinese brokerages, **Guotai Junan Securities** and **Yue Xiu Securities**, and the bonds weren't rated by major credit-rating firms.

Representatives for HNA and Hainan Airlines had no immediate comment.

Chinese companies in 2017 have sold around \$4 billion in



U.S.-dollar debt that matures in a little less than a year, according to Dealogic, dwarfing past issuance. The shorter term allows them to circumvent onshore regulations requiring debt be registered and approved before issuance. Debt bankers say that borrowers needing cash more quickly have increasingly taken advantage of this loophole.

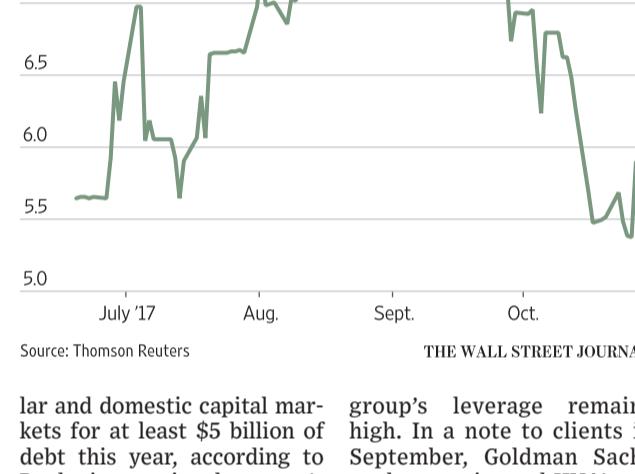
HNA Group has a significant amount of debt coming due over the next two years, according to Thomson Reuters Eikon: about \$640 million over the next two months, \$2.2 billion next year and \$4.5 billion in 2019.

The company's borrowing costs have risen and some lenders have become less willing in recent months, tightening HNA's cash situation, according to a person familiar with the matter.

HNA's subsidiaries and associates have tapped U.S.-dol-

Bumpy Flight

Yield on Hainan Airlines (Hong Kong) Co. bonds due 2018



lar and domestic capital markets for at least \$5 billion of debt this year, according to Dealogic, topping last year's \$4.9 billion.

Credit analysts say the

taxes, depreciation and amortization—at 8.1 times, "relatively high" among Chinese high-yield borrowers.

HNA has announced around \$30 billion in overseas acquisitions since 2016, buying up businesses and stakes in companies including **Deutsche Bank AG** and the Hilton chain of hotels. The pace has slowed sharply since HNA's buying spree and debt levels drew scrutiny from Chinese financial regulators several months ago.

Analysts say the group's short-term liabilities, which stood at \$24 billion at the end of June, are a mounting burden. At the end of June, HNA reported a cash balance of \$28 billion. Roughly one-quarter has been pledged to banks as collateral for credit lines that aided some acquisitions over the past few years.

—Manu Dalal contributed to this article.

Deregulation and easy money had sown the seeds of a crisis few foresaw, and Mr. Greenspan declared himself in "a state of shocked disbelief" after the banking system imploded in 2008.

We can say two things about Mr. Powell, assuming he is appointed: He will be friendlier to Wall Street than Ms. Yellen, and he will take a similarly dovish approach to monetary policy.

In the short run, less red tape will support bank stocks, but banks surely won't return to their wild precrisis leverage soon. Equally, a continuation of Ms. Yellen's cautious approach to rate increases will avoid shocking the market, while leaving unchecked the danger that a bubble develops in the stock market.

Given investors' dire history of predicting how Fed chairmen will use their power, the wisest approach may be to wait and see how he turns out.

Across the bank, revenue on retail deposits rose to \$1.61 billion, from \$1.3 billion in the third quarter of 2016.

The third-quarter results come after HSBC said in late July that net profit rose 57% to \$3.87 billion in the second quarter, amid improving loan growth and rising contribution from its other businesses. The profit growth has helped the bank accrue surplus capital, and it has been returning some of it to shareholders by buying back shares.

In an interview, Mr. Mackay said the bank still had \$10 billion of extra capital tied up in its subsidiaries, including \$6 billion in the U.S. He said further buybacks would be considered, "when the time is appropriate." Local regulators must approve capital moving up to the group level.

HSBC was founded in Hong Kong in 1865 and has its headquarters in London. It considers Hong Kong and the U.K. to be its two home markets.

Mr. Gulliver heralded a "pivot to Asia" in June 2015 as a finishing touch to the bank's overhaul after the financial crisis. During his time as CEO, starting in 2011, HSBC exited dozens of businesses and withdrew from parts of the globe. Mr. Gulliver said at the time that HSBC would aim to repeat its historic growth in Hong Kong in China's emerging urban centers.

On Monday, Mr. Gulliver said HSBC had hit most of the targets he set out in 2015 and that he aimed to have them all done when he retires from the bank on Feb. 20, 2018.

Mr. Gulliver announced his resignation this year. A new chairman, Mark Tucker, started in October and named retail head John Flint as Mr. Gulliver's successor.

One of the tasks set by Mr. Gulliver was to significantly improve HSBC's processes and controls around preventing financial crime. Raising its standards is a key condition of a five-year deferred prosecution agreement the bank entered in 2012 with the U.S. Justice Department, while paying \$1.9 billion in a settlement over money-laundering allegations.

HSBC Reports Profit on Asia Gain

BY MARGOT PATRICK AND JOANNE CHIU

HSBC Holdings PLC swung to a third-quarter net profit and said increased investment in its Asia business was paying off, with revenue there rising.

The U.K. banking company on Monday posted a \$3.24 billion net profit for the period versus a net loss of \$204 million in the comparable quarter of 2016, as revenue rose 36% to \$12.98 billion. On a pretax basis, profit surged to \$4.62 billion from \$843 million.

Executives said there was strong growth in lending in Hong Kong and mainland China, including in the Pearl River Delta area where the bank has been staking out turf. Finance head Iain Mackay said loans and deposits there had grown to over \$1 billion from "a very small base."

He said HSBC's new securities venture in China, underwriting stocks and bonds and advising on mergers, would contribute to its growing mainland business, albeit slowly and over time. The securities venture, which is the first majority-owned by a foreign bank, got the go-ahead from authorities in June.

HSBC Chief Executive Stuart Gulliver said the bank's international network continued to deliver strong growth in the quarter, and its pivot to Asia was driving higher returns and lending growth, particularly in Hong Kong.

Asia loans and advances rose 17% for the three months to Sept. 30, compared with the third quarter of 2016. Asia customer deposits were \$10.1 billion higher than at June 30.

Executives said there was strong lending growth in Hong Kong and mainland China.

STREET

Continued from page B1
investors, bond yields also jumped, with the 10-year reaching almost 16% in 1981, and far from falling, there was a bubble in the price of gold.

Gold was at \$304 on the day Mr. Volcker was nominated and fell to \$282 as investors bet on his hawkishness. Just five months later gold had nearly tripled to \$835, the dollar was weaker and the early Volcker trade was dead and buried.

Mr. Volcker's appointment was a case of investors getting the policy positioning of the new chairman right, but their bets on what that meant for asset prices wrong, at least over the next few years.

Alan Greenspan's selection was a quite different matter. Conservatives welcomed his appointment in 1987, thinking

he shared the hawkish inflation-fighting mind-set of Mr. Volcker, his predecessor. The main point of difference was Mr. Greenspan's willingness to support financial deregulation—something now espoused by Mr. Powell.

Mr. Greenspan does seem to have started out hawkish, raising new concerns about inflation at his first Fed policy meeting, according to the transcript. But his hawkish credentials lasted just two months, until the Black Monday stock market crash of October 1987. The new Fed chairman said the central bank stood ready to "serve as a source of liquidity"—thus ushering in the infamous "Greenspan put," the idea that the Fed would step in to support markets in a crisis.

A repeat after the Russian default and Wall Street chaos of 1998 helped fuel the final stages of the dot-com bubble, and many believe that Mr. Greenspan pushed up rates

too slowly and too predictably during the 2000s, contributing to the excessive risk-taking that ended in the 2008 crisis.

On prominent critic of the Fed's precrisis policies is Mr. Taylor, whose "Taylor rule" suggested rates should be higher during the 2000s. The market backed up his view: Gold prices began to rise and the dollar fall from 2002, when the Fed set rates well below what the Taylor rule suggested for the first time since the 1970s.

Investors might have been wrong about Mr. Greenspan's commitment to tight money, let alone his devotion to the views of right-wing novelist Ayn Rand, but they were right about his support for financial deregulation.

Democratic and Republican presidents stripped the financial sector of the burden of rules introduced in the Great

Depression, working wonders on the sector's share prices—at least for a while. By the time Mr. Greenspan left office in 2006 the U.S. financial sector was up 653% since he took over in 1987, gaining more than double the 319% of nonfinancial stocks, according to Thomson Reuters Datastream.

Deregulation and easy money had sown the seeds of a crisis few foresaw, and Mr. Greenspan declared himself in "a state of shocked disbelief" after the banking system imploded in 2008.

We can say two things about Mr. Powell, assuming he is appointed: He will be friendlier to Wall Street than Ms. Yellen, and he will take a similarly dovish approach to monetary policy.

In the short run, less red tape will support bank stocks, but banks surely won't return to their wild precrisis leverage soon. Equally, a continuation of Ms. Yellen's cautious approach to rate increases will avoid shocking the market, while leaving unchecked the danger that a bubble develops in the stock market.

Given investors' dire history of predicting how Fed chairmen will use their power, the wisest approach may be to wait and see how he turns out.

Regulatory Push Boosts China's Big Banks

Good Loans Rising

Profits at China's big banks have benefited this year from a crackdown on borrowing.

Change in profit ■ 2017 ■ 2016



*Through September

Source: the companies

THE WALL STREET JOURNAL.

No. 3 Chinese lender, reported net profit climbed 4.9% in the quarter, the fastest pace in the past two years. That mirrored the net profit rise that China Construction Bank, China's second-biggest lender by assets, posted Friday, citing higher interest and fee income.

The only exception of the

Big Four was Bank of China Ltd., which reported an only 0.1% rise in profit, as it used much of its profit to lift its bad-loan provision by 63% from the year-earlier quarter.

"The Big Four banks are faring well as liquidity tightens and funding costs rise given their vast deposit bases," said Yulia Wan, a bank analyst with

Moody's Investors Service. "But the banks with bigger reliance on the interbank market are under higher pressure in net interest margin."

In recent years, small Chinese banks have expanded aggressively with the help of interbank borrowing, outpacing their bigger rivals in terms of profit growth. An onslaught of regulatory measures has changed that, making it harder for them to borrow, which has slowed their expansion.

China Citic Bank, a midsize lender based in Beijing, reported a drop in both assets—such as loans and investments—and liabilities, chiefly deposits, as it was forced to scale back its interbank borrowing. Other small banks, including Ping An Bank, Shanghai Pudong Development Bank Co. Ltd. and Industrial Bank Co. Ltd. also reported slower growth in assets.

Interest margins across China's banking industry had narrowed following a series of reductions in the benchmark interest rates to stimulate economic growth in 2014 and 2015.

The liberalization of deposit

rates in the past few years also forced banks into fiercer competition for depositors.

Higher market rates helped stabilize big lenders' net interest margins—the difference between interests received and paid by banks and a key measurement of Chinese lenders' profitability. Three of the big four banks reported wider net interest margins in the third quarter; Agricultural Bank didn't disclose the margin. Small banks' margins generally narrowed.

Also a boon to China's banks, both big and small, was the Chinese economy's better-than-expected performance this year, which helped the balance sheets at companies, especially heavily indebted industrial ones, and made them better able to service their loans. All Big Four banks reported lower bad-loan ratios compared with the end of last year.

China's top banking regulator said on the sidelines of the Communist Party congress this month that regulation would tighten further.

—Grace Zhu

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Banks' Fortunes Diverge on Fed

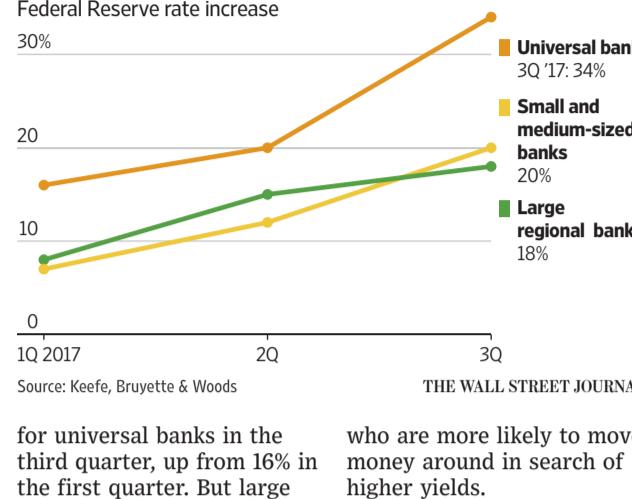
When the Federal Reserve began raising interest rates, every bank was a winner. As the Fed prepares for its fifth rate boost in the current tightening cycle, some banks are benefiting more than others.

When rates start to rise, banks are typically in no rush to lift their deposit rates. After several increases, banks have to pay out more to depositors or risk seeing them leave in search of higher yields.

We have hit that point now, but it is playing out in a surprising way, according to analysts at Keefe, Bruyette & Woods. So far this year, the average cost of interest-bearing deposits at big banks such as **Bank of America** and **J.P. Morgan Chase** has gone up by 0.18 percentage point, compared with a 0.10 increase at large regional lenders like **SunTrust Banks**, KBW calculates.

The so-called deposit beta, which measures how much banks raise their rates as a percentage of the Fed rate increase, reached 34%

Size Disadvantage



Source: Keefe, Bruyette & Woods

THE WALL STREET JOURNAL.

for universal banks in the third quarter, up from 16% in the first quarter. But large regional lenders and small banks have seen a more gentle response, with deposit betas hitting 18% and 20%, respectively, in the third quarter.

Ordinarily giants like Bank of America are slower to lift rates, thanks to their strong brands and market positions. The difference this time is these banks have been pushing to serve wealthier clients

who are more likely to move money around in search of higher yields.

KBW analyst Christopher McGratty says he expects smaller banks to catch up as awareness spreads among depositors that they can earn more. Smaller banks also are growing more quickly and have higher loan-to-deposit ratios, so their need for funding is greater.

In a rising-rate environment, differences in business

models, regardless of size, become more important. Banks that focus on commercial and industrial loans tend to have more reliable deposit bases than banks that specialize in commercial real-estate lending, Mr. McGratty says.

New York Community Bank, for instance, which specializes in multifamily real-estate lending, had a deposit beta of 36% in the third quarter, according to KBW, showing that it is paying up for deposits. Large regional C&I lender **Comerica**, by contrast, had a deposit beta of just 14%. Real-estate loans tend to be fixed-rate, while commercial and industrial loans have floating rates, making them more attractive when rates are rising. This helps explain why New York Community Bank shares are down 20% so far this year, while Comerica shares have risen 16%.

Bank-deposit costs may get more in sync as rates keep going higher, but for now investors need to focus on the differences.

—Aaron Back

OVERHEARD

Health experts and consumers with good taste agree: Avoid a scary diet this Halloween.

The Food and Drug Administration issued a very specific warning Monday: Don't overdose on black licorice.

FDA experts say that the candy contains glycyrrhizin, which comes from the licorice root and can cause potassium levels in the human body to fall.

As such, "eating 2 ounces of black licorice a day for at least two weeks could land you in the hospital with an irregular heart rhythm" for patients aged 40 or older.

The FDA advises people who have been gorging on black licorice and have an irregular heart rhythm or muscle weakness to stop eating, which seems obvious, and call a doctor.

As anyone who has tried it knows, black licorice is far different from red licorice, which usually has no licorice in it, and therefore is merely as unhealthy as any other candy.

Nintendo Powers Up Its Results

Nintendo has switched on the growth engine. Now it has to keep it running.

The Japanese games giant reported blowout results for the quarter ended Sept. 30. Revenue nearly tripled from a year ago, beating analysts' estimates soundly.

Driving the beat was Switch, its new game console: Nintendo has already sold 7.6 million units since its launch in March. It now expects to sell 14 million in the year ending March 31, up from its previous forecast of 10 million. Nintendo also raised operating-profit guidance for this fiscal year by 85%.

That indicates Nintendo is confident a supply bottleneck will be alleviated ahead of the holiday season. The company has struggled to make enough Switch consoles to meet demand as it battles for parts with the likes of **Apple**.

Gaining users is important because game developers will likely stick only with systems that have a big base. On that front, Nintendo is making good progress.

Nintendo still needs to improve its network service, which has become a sustainable source of revenue for competitors.

Subscription-based online services lets players download games and extra items, as well as to play against one another.

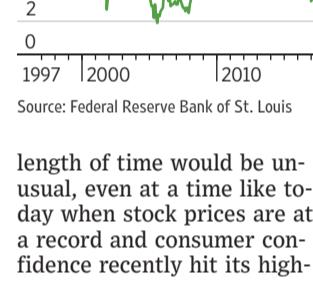
Sony now makes more than half of its games revenue from such services. Nintendo also could squeeze more profits from franchises like Super Mario by making them more available on mobile phones.

With its stock up 75% this year, Nintendo needs to keep playing the game well.

—Jacky Wong

Americans Don't Save Enough, but Fixing That May Hurt

Good Times



Source: Federal Reserve Bank of St. Louis

Consumers tend to spend money when they feel that their services are in demand or that their wages are rising. They really go into overdrive when asset prices are high. At least two out of three conditions have been met with unemployment so low and markets booming.

Comparisons with the housing boom are tricky, though. Back then, consumers not only felt wealthy but were able to withdraw actual dollars from their appreciating homes. Equity extraction at the peak of the housing boom at one point rose above 10% of disposable income, with that ratio having

doubled in six years.

While home prices have risen, they aren't exactly frothy nationwide and homeownership hit a multidecade low in 2016. A more apt comparison for today's disdain for saving is the late 1990s when rising stock prices made Americans feel wealthy. Yet the personal savings rate averaged 4.3% during 1999 and 2000 and it was 5.7% in December 1996 when Federal Reserve Chairman Alan Greenspan mused about "irrational exuberance."

Some increase in the savings rate would be normal and expected, but how it

happens is important for investors. Real disposable personal income could start rising at a faster clip—something that would encourage the Federal Reserve to keep tightening monetary policy. Alternatively, consumers could lose confidence and retrench. The latter wouldn't necessarily require an economic scare as consumer debt service as a share of disposable income already is at its highest level since the first quarter of the economic expansion back in 2009.

Rainy days really do tend to come when people haven't prepared for them.

—Spencer Jakab

MARKETS

Downgrades Deflate Retailer, Health-Care Stocks

By AKANE OTANI AND RIVA GOLD

Shares of retailers and health-care companies slipped following a slew of analysts' stock downgrades.

The declines weighed on major U.S. stock indexes at the start of a busy week that was set to include another round of earnings results, the monthly U.S. jobs report and policy decisions from central banks around the world.

The Dow Jones Industrial Average lost 85.45 points, or 0.4%, to 23,348.74. The S&P 500 fell 8.24 points, or 0.3%, to 2,572.83 and the Nasdaq Composite inched down 2.3 points, or less than 0.1%, to 6,698.96.

Shares of retailers, which have come under pressure this year as foot traffic has declined at many brick-and-mortar stores, took a fresh hit Monday.

Bond yields have swung in recent weeks as investors have

J.C. Penney slid 25 cents, or 8%, to \$2.87 and **Macy's** lost 85 cents, or 4.3%, to 18.84 after Citigroup analysts changed their rating for both stocks to "sell" from "neutral." **Nordstrom** and **Kohl's** each lost more than 2%.

Declines in health-care stocks also pulled major stock indexes lower.

Merck & Co. fell 3.53, or 6.1%, to 54.71 after Morgan Stanley and Barclays, among other firms, cut their ratings for the drugmaker's stock. The day's moves extended losses from Friday, when the company posted a third-quarter loss and said the lost sales and costs of responding to a June cyberattack would likely weigh on fourth-quarter results, too.

Meanwhile, government bonds rose, sending the yield on the benchmark 10-year U.S. Treasury note to 2.374% from 2.426% Friday. Yields fall as bond prices rise.

"What investors are trying to figure out is how much the tax-reform plan is already

watched for signs of progress on a Republican tax plan, as well as hints around whom President Donald Trump will nominate to be the next chairman of the Federal Reserve.

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Bond yields have swung in recent weeks as investors have

baked into the market," said Dave Donabedian, chief investment officer at CIBC Atlantic Trust.

Failure by the Republicans to pass a tax plan could pressure stocks in the short term, Mr. Donabedian said, although steady economic growth

should continue to support gains over the longer term. "We've had a great mix of economic growth and low inflation, and the fact that it's happening outside of the U.S. as well is supportive," he said.

Elsewhere, Spain's IBEX 35 index jumped 2.4%, recovering

from losses Friday, as investors reassessed the political climate in the country.

Spanish Prime Minister Mariano Rajoy set new elections in Catalonia for Dec. 21 and moved to impose direct rule after separatist lawmakers in Catalonia's parliament voted in favor of independence, in breach of Spain's constitution.

"This is not going to end in an independent state and the short period of time before regional elections should help offset any knock to confidence that may slow growth," said Andrew Mulliner, portfolio manager at Janus Henderson Investors.

The Stoxx Europe 600 edged up 0.1% as gains in Spanish companies helped offset postearnings declines in index heavyweight HSBC Holdings.

Early Tuesday, Japan's Nikkei Stock Average was down 0.5%, while Hong Kong's Hang Seng Index was down 0.4%.

Bonds Gain After Indictments

By DANIEL KRUGER

U.S. government bonds gained after Special Counsel Robert Mueller issued his first indictments in a probe into Russian meddling in the 2016 election.

The yield on 10-year U.S. Treasury note fell to 2.374% from 2.426%

Friday, its biggest one-day decline since Sept. 5, when Hurricane Irma made landfall in Florida. Bond yields fall as

prices rise.

Government bonds rose as Paul Manafort, former chairman of President Donald Trump's 2016 campaign, was taken into custody on Monday on charges that he laundered more than \$18 million in funds from his work for a pro-Russia party in Ukraine through offshore accounts.

Mr. Manafort pleaded not

guilty in court. A spokesman has said Mr. Manafort didn't collude with the Russian government to help Moscow interfere in the 2016 election.

Some investors said the charges may divert Mr. Trump's attention from his legislative priorities, most prominently the push to revamp the tax code by reducing rates for corporations and many individuals.

Bond yields rose last week after Congress passed a budget resolution that paved the way for tax cuts, which many investors say could boost economic growth and reduce demand for government bonds.

"It can't be good," said David Coard, head of fixed income at Williams Capital Group. "There's going to be speculation on how this impacts the legislative and executive agenda in Washington."

The extent of the rally may

be mitigated by expectations that events this week could have a significant impact on investors' views about the direction of the economy and Federal Reserve policy, some analysts said.

Mr. Trump is expected to announce his pick to head the central bank this week, while the Labor Department is scheduled to release employment data on Friday.

—DANIEL KRUGER

SHANGHAI—Chinese markets experienced a broad sell-off, losing some of the shine they maintained during last week's major congress of the Communist Party.

The country's \$9 trillion bond market led the losses. Benchmark government-bond prices reached fresh three-year lows as perceptions grow that Beijing will intensify efforts to cut back high levels of leverage in China's economy during President Xi Jinping's second five-year term as party leader.

Those concerns spread to the stock market, with shares in Shanghai snapping a six-day winning streak. Prices of commodities futures, from copper to iron ore, also headed south on China's domestic markets.

During the leadership gathering last week, Beijing stage-managed an artificial calm in China's stock markets with purchases by state-backed in-

vestment funds and unofficial bans on excessive selling by big investors.

Party's Over; Chinese Assets Slide

By SHEN HONG

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vestment funds and unofficial bans on excessive selling by big investors.

Referring to the preoccupation with preserving stability, known locally as *wei wen*, Qin Han, chief fixed-income analyst at Guotai Junan Securities, said, "Now that the Party Congress is over and the need to *wei wen* has eased, people have come to the conclusion that the authorities will focus back on the campaign to reduce financial leverage."

The bond market's gradual sell-off started as early as Wednesday, after China's central bank ended a six-day streak of injecting cash into the financial system. "That was a strong signal that the central bank has no intention to cheapen borrowing costs," Mr. Qin said.

The losses in bonds have since intensified, pushing the yield on the benchmark 10-year government bond to a three-year high of 3.93% Monday. Yields rise as prices fall.

The bond selling worsened the mood among China's stock investors, pushing the Shanghai Composite Index down by as much as 1.7% in the morning. The index then narrowed its losses to close down 0.8%.

Analysts said state-backed funds, known as the "national team," had been in the market buying large-cap stocks to help prop up the market. "It's clear that state funds were propping up the index by buying banks and oil [company] shares to ease the sell-off," said Zhang Xin, an analyst at Guotai Junan Securities.

The market contagion also spread to

MARKETS

Investors Boost Reward for Earnings Beats

As companies' results top estimates, the number of gains by their stocks turns up

By MICHAEL WURSTHORN

Shares of companies that topped analyst earnings expectations are faring better than they did in the previous quarter, a sign the economic and policy backdrop for stocks looks brighter than only a few weeks ago.

About 55% of companies in the S&P 500 that reported both better-than-expected earnings and sales so far for the third quarter have notched a stock-price gain during the trading session that followed, according to an analysis of FactSet data through Monday's close. That is lower than the average going back to 2015, but it is an improvement from the 49% of companies that got a boost from topping estimates in the second quarter, according to the data.

The percentage of companies that experienced a share-price decline after missing expectations for earnings or revenue is lower than in the second quarter, the data show.

More than half of the companies in the S&P 500 had reported earnings through Friday, and another 140 reports, including **Apple** Inc., are scheduled for this week.

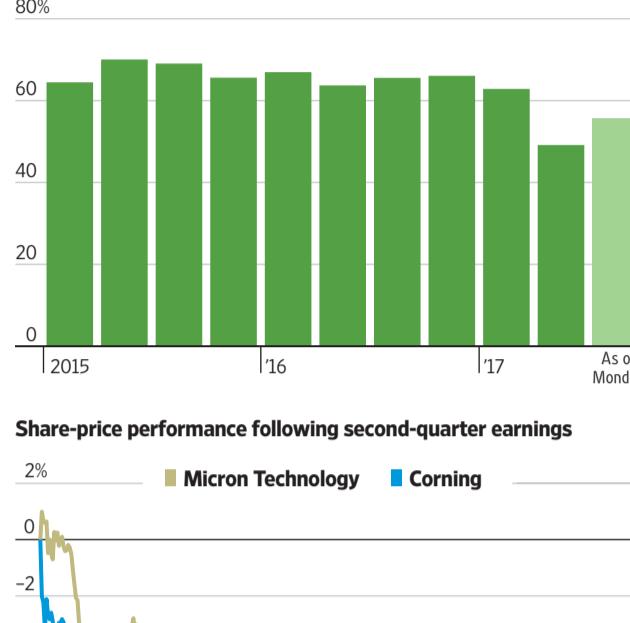
After several quarters of solid growth, some analysts have said beating expectations may not be enough to keep driving stocks higher. The second quarter was the first time since 2011 in which S&P 500 companies that reported positive earnings surprises saw an average price decline over the two sessions before and after results were released, according to FactSet.

Investors have been slightly more generous with third-quarter results. Some analysts

Improved Reactions

Investors are rewarding more companies for beating earnings expectations than they did in the previous quarter.

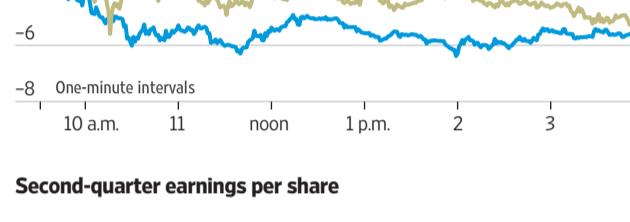
Percentage of S&P 500 companies that beat earnings and sales expectations, and posted a stock-price gain in the following session.



Percentage of S&P 500 companies that missed earnings and sales expectations, and posted a stock-price decline in the following session.



Share-price performance following second-quarter earnings



Second-quarter earnings per share

	Actual	\$1.62
	Estimate	\$1.52
Micron Technology		
Corning	\$0.42	\$0.40

Note: Reporting periods are based on calendar quarters.

Source: FactSet

and investors say that is partly because the backdrop for stocks has improved, as concerns over North Korea have subsided and Republican lawmakers have made some progress toward a tax overhaul, providing some support to the market as companies report

their results. And several companies endured a series of hurricanes better than feared.

As companies released their second-quarter earnings in July and August, investors were trying to gauge the impact of summer storms, escalating tensions between North

Korea and the U.S., terrorist attacks in Spain and the aftermath of protests in Charlottesville, Va.

Glassmaker **Corning** Inc. declined 5.3% on July 26 after its results topped analysts' expectations on earnings and revenue. Chip maker **Micron**

Technology Inc. also reported earnings and sales that exceeded expectations, but its stock slid 5.1% on June 30.

In the most recent earnings season, Corning and Micron beat sales and earnings expectations again. This time, Corning rose 6.4% in the subse-

quent trading session, while Micron gained 8.5%.

Insurance firm **Travelers** Cos.'s stock rose 2.4% Oct. 19 after the company posted sales that exceeded expectations and eked out a profit amid one of the costliest hurricane seasons on record.

While many investors say earnings are the biggest driver of stock prices over time, it is difficult to pin any one move on a single factor. However, they say they are encouraged by overall earnings growth in the S&P 500 for the third quarter, even as it is set to fall short of the double-digit gains posted in the first half of the year.

Just before the start of the reporting season, analysts expected earnings at S&P 500 companies to grow 4.2% from the year-earlier period, according to FactSet. The growth rate for the third quarter is now on track for 4.5%, based on FactSet data through Monday's close. Excluding insurance companies, which took a hit from the summer storms, FactSet says the growth rate would jump to 7.2%.

About three-quarters of companies in the S&P 500 are reporting actual earnings per share above estimates, which is more than the five-year average, according to FactSet. Both earnings and sales figures for companies that reported are above their five-year averages, it added.

Investors' faith in the health of American companies has helped send the S&P 500 up roughly 15% so far this year. Among the biggest threats to the rally, investors and analysts say, are stretched valuations, renewed aggression from North Korea and unexpected shifts around the Federal Reserve's plans.

"Our clients are nervous," said Michael Mullaney, director of global market research for Boston Partners. "Prices have caused people consternation and they're asking when is this going to reverse."



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