

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

Soros has turned over nearly \$18 billion to Open Society, a move that transforms both the philanthropy he founded and his investment firm. A1

◆ Morgan Stanley's profit beat expectations as strong results at its wealth-management unit more than offset a slump in trading. B1

◆ IBM had gains in its hardware and AI divisions but sales and profit fell, a sign the company's transformation still has a way to go. B1

◆ SoftBank and Lendlease plan to form a joint venture to build or manage about 8,000 U.S. cell sites, challenging tower operators. B1

◆ Airbus agreed to take control of Bombardier's CSeries jet project, sending the Canadian firm's stock price to a more than two-year high. B3

◆ Amazon said Price quit as head of its film and TV operations following a sexual-harassment accusation. A10

◆ The Dow crept above 23,000 in intraday trading before closing up 40.48 points at 22,997.44. B17

◆ Saudi Arabia still plans an Aramco IPO in 2018, the energy minister said, after reports it may be scrapped. B16

◆ The USDA dropped efforts to tighten rules on how meatpackers deal with poultry and livestock farmers. B2

◆ UnitedHealth's core units grew, despite a dent in revenue caused by the firm's pull-out from ACA markets. B7

◆ J.P. Morgan agreed to buy WePay, its first sizable acquisition of a fintech firm. B16

### World-Wide

◆ Key senators reached a bipartisan deal aimed at shoring up the ACA, but the compromise could still be derailed by conservative House Republicans. A1, A4

◆ U.S.-backed forces captured the Syrian city of Raqqa from Islamic State, driving the extremists from their last major urban stronghold in the Mideast. A1

◆ Kurdish forces relinquished control over a huge swath of northern Iraq they had taken from Islamic State to Iraqi forces. A7

◆ Trump's new travel ban drew fire from a U.S. judge, who blocked implementation of restrictions on six Muslim-majority nations. A4

◆ Trump fired back at McCain after the GOP senator took aim at the nationalist and isolationist rhetoric in his party. A4

◆ The president's pick for drug czar removed himself from consideration. A6

◆ Two Chinese men were charged with running drug networks that shipped fentanyl to U.S. consumers. A6

◆ Trump's top trade envoy traded barbs with his Mexican and Canadian counterparts, magnifying the trading partners' rifts over Nafta. A2

◆ The U.S. Treasury declined again to label China a currency manipulator but criticized Beijing for its large trade surplus. A8

◆ Britain faces a rising threat of Islamic terrorism, its domestic intelligence chief said. A9

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## Bipartisan Health Bill Gains Steam

Outline of deal to help insurance markets takes shape, but some conservatives object

By STEPHANIE ARMOUR  
AND KRISTINA PETERSON

Two key senators reached a bipartisan agreement Tuesday aimed at shoring up the Affordable Care Act and lifting some of the health law's requirements, drawing support from President Donald Trump who called it a "short-term deal."

While some details are still being completed, the proposal by Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.) is the first major bipartisan effort to gain traction on health policy since the 2016 election. Still, the compromise could be derailed by conservative House Republicans intent on toppling the Obama-era law.

The deal, which caps off almost three months of work that started after GOP efforts to repeal the 2010 law known as Obamacare failed, could potentially affect many of the roughly 18 million people in the individual

market as well as employer coverage in some states.

Under the deal, Republicans would get changes that let states get speedier and more flexible federal waivers to the health law, as well as the ability of more people to sign up for bare-bone health plans with low premiums. Democrats would get restored funding for billions of dollars in insurer subsidies, funds that Mr. Trump proposed cutting this month.

The bill needs 60 votes to pass in the Senate, where Republicans hold 52 seats. The deal is most likely to get a vote

in both chambers if it is tethered to another issue. In the Senate, one possibility is that it could be combined with a disaster-relief bill passed by the House last week, lawmakers and aides said.

Prospects in the House are tougher. After the broader health-care overhaul came up short in the Senate, many House Republicans are resisting the idea of shoring up part of a law they pledged to dismantle. They view some provisions in the bipartisan agreement as cementing the 2010 law and an admission of defeat in their ef-

fort to roll it back.

"Obamacare is in a 'death spiral,'" Rep. Mark Walker (R., N.C.), chairman of the Republican Study Committee, a group of about 150 House Republicans, wrote on Twitter Tuesday.

Please see HEALTH page A4

## Travel Ban Blocked Again

A federal judge barred implementation of the latest Trump restrictions..... A4



The Kurdish-led Syrian Democratic Forces, backed by U.S. airstrikes and American special forces on the ground, on Tuesday said they had captured Islamic State's de facto capital of Raqqa.

## U.S.-Led Forces Retake Raqqa, Islamic State's Syria Stronghold

By MARIA ABI-HABIB

BEIRUT—U.S.-backed forces said they have captured Islamic State's de facto capital of Raqqa, driving the extremists from a Syrian city that became synonymous with their reign of terror and was used as a nerve center to stage attacks on the West.

The Kurdish-led Syrian Democratic Forces, backed by U.S. airstrikes and American special forces on the ground, on Tuesday said they had secured a sports stadium in the

city the group had converted into a fortified compound.

"The military operations within the city are completely over," said Talal Silo, a spokesman for the SDF, which led the monthslong battle against Islamic State in Raqqa. "We are combing through the city to make sure there are no sleeper cells and to defuse the mines."

Army Col. Ryan Dillon, a spokesman for the U.S.-led coalition fighting Islamic State, said the extremist group is "on the verge of a devastating de-

feat," adding that 90% of Raqqa has been cleared.

Islamic State hasn't commented.

With the fall of Raqqa—Islamic State's last major urban stronghold in the Middle East—the self-declared caliphate is meeting an inglorious end.

The first significant city to

Please see RAQQA page A7

◆ Iraqis push deeper into Kurdish areas..... A7

◆ Yaroslav Trofimov: Conflicts flare up as ISIS fades..... A7

## Soros Gives Bulk Of Fortune to His Foundation

By JULIET CHUNG  
AND ANUPREETA DAS

George Soros, who built one of the world's largest fortunes through a series of famous trades, has turned over nearly \$18 billion to Open Society Foundations, according to foundation officials, a move that transforms both the philanthropy he founded and the investment firm supplying its wealth.

Now holding the bulk of Mr. Soros's fortune, Open Society has vaulted to the top ranks of philanthropic organizations, appearing to become the second largest in the U.S. by assets after the Bill and Melinda Gates Foundation, based on 2014 figures from the National Philanthropic Trust.

Soros Fund Management LLC's 87-year-old founder now shares influence over the firm's strategy with an investment committee of Open Society. Mr.

Soros set up the committee and is its chairman, but it is meant to survive him, people familiar with it said.

A new chief investment officer at the Soros firm is less a trader than an allocator of capital to various internal and external asset managers. Unlike past investment chiefs, the official, Dawn Fitzpatrick, doesn't report to Mr. Soros or others at his firm but to the philanthropy's investment committee.

Mr. Soros doesn't plan to trade the billions that now belong to Open Society, said people familiar with the situation. Mr. Soros was trading his own money, held separately within the Soros firm, as recently as last year, when he bet—wrongly, it turned out—that stocks would slump after Donald Trump was elected president.

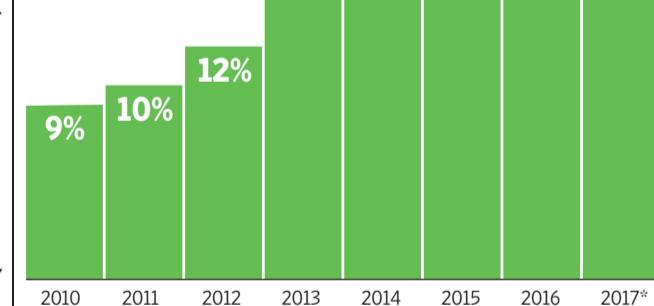
Though the \$26 billion Soros Fund Management was a pioneering hedge fund, it returned

Please see SOROS page A2

## Morgan Stanley's Big Bet Pays Off

The Wall Street firm is reaping gains from CEO James Gorman's post-crisis decision to go big into wealth management. His army of brokers more than compensated for a slowdown in trading last quarter. B1

Pretax profit margin at Morgan Stanley's wealth-management business



\*through Sept. 30

Source: the company

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## A New Curse On the Cubs: No Chalupas!

Fans rally to save their beloved

ballpark Taco Bell

By BRIAN COSTA

CHICAGO—Fans of the Chicago Cubs are famous for demonstrating fierce loyalty to their most beloved traditions and symbols, and for heaping wrath on all who dare besmirch them.

Their latest cause célèbre is a Taco Bell.

The fast-food joint, which sits just a home run's length away from historic Wrigley Field, is not remarkable on its face. It stays open 22 hours a day and has a drive-through lane. A Chalupa Supreme can be obtained on the premises for a base price of \$2.99.

But the recent sale of the property to a developer that

Please see CUBS page A8

## The Other Weinstein Was an Abusive Boss

Former associates describe a volatile temper

By ALEXANDRA BERZON  
AND BEN FRITZ

Over the years, movie producer Bob Weinstein has belittled and bullied employees, shoved an executive's spouse and pressured a subordinate to date him, people who worked for him said.

Bob Weinstein hasn't been accused of the kind of severe sexual misconduct that led to the ouster of his brother, Harvey, from Weinstein Co., the film and television studio they jointly ran. Instead, according to multiple former employees and business associates, he was a volatile executive whose behavior, which went on for years at his companies, wouldn't be tolerated in most American corporations.

Jeffrey Katzenberg, who ran

Walt Disney Co.'s movie studio

for some of the time it owned the brothers' former studio Miramax, said it was Bob Weinstein who caused problems for Disney executives. "Bob Weinstein was genuinely abusive to people in my company," Mr. Katzenberg recalled in an interview Monday at The Wall Street Journal's WSJ.D.LIVE technology conference.

"The one person who revealed himself in a way that was unacceptable to me was, in fact, Bob."

Last year, Bob Weinstein, then recently divorced from his second wife, pressed television producer Amanda Segel to join what he said were work-related dinners in which he seemed to be pressuring

Please see STUDIO page A10

◆ Amazon executive quits amid sex claim..... A10

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## U.S. NEWS

# U.S. Nafta Negotiator Takes Aim at Rivals

BY JACOB M. SCHLESINGER  
AND WILLIAM MAULDIN

WASHINGTON—President Donald Trump's top trade negotiator exchanged public barbs with his Mexican and Canadian counterparts as well as U.S. businesses on Tuesday, magnifying large gaps over the North American Free Trade Agreement and highlighting the obstacles to keeping the pact alive.

"Frankly, I'm surprised and disappointed by the resistance to change from our negotiating partners," U.S. Trade Representative Robert Lighthizer told reporters after a week of talks on renegotiating Nafta, as Mexican and Canadian ministers stood beside him.

The resistance, countered

Canadian Foreign Minister Chrystia Freeland, was in response to a "troubling" vision of change that would "turn back the clock on 23 years of predictability, openness, and collaboration" and in some cases would violate global trading rules.

Mexican Economy Minister Ildefonso Guajardo was more muted in his criticism, but in a later press briefing talked openly about the need for an alternative plan should the talks fall apart. Ms. Freeland did the same.

Mr. Lighthizer also made clear that any successful negotiation, in his view, will have to run roughshod over big U.S. business groups like the U.S. Chamber of Commerce, which

have traditionally been the

backbone of support for free-trade pacts. Mr. Lighthizer escalated his war of words with the Chamber and other groups that have campaigned to quash the Trump administra-

*'We don't really have a plan beyond trying to get a good agreement.'*

tion's proposals aimed at redefining Nafta in a way that would weaken many of its incentives and protections for creating a more integrated regional economy.

"Business says 'we want to

have the market decide, but we would like to have political risk insurance paid for by the U.S. government,'" Mr. Lighthizer said. "To me that's absurd. You're either in the market or you're not in the market."

Despite the harsh disagreements among the government representatives, they all agreed to keep on talking to try to salvage and modernize Nafta, setting a new round for late November in Mexico, and agreeing to push the talks past their earlier year-end deadline into the first quarter of 2018, according to a joint statement from the three countries.

And while business groups, economists, and Mexican and Canadian officials have been

increasingly vocal about their worries Mr. Trump would follow through on his threats to pull out of Nafta, Mr. Lighthizer went out of his way to play down that prospect.

"There's not an active process going on right now" reviewing termination, he said. "We don't really have a plan beyond trying to get a good agreement."

One proposal of Mr. Lighthizer that has drawn particular business scorn would inject a sunset clause into Nafta, forcing it to expire after five years unless the three countries took action to renew it.

Another would dilute a provision aimed at arbitrating disputes between foreign investors and foreign governments, giving multinationals confi-

dence to operate in countries, like Mexico, that don't offer developed-world legal protections.

Business groups say those changes would inject new uncertainty and unpredictability into Nafta, making it harder for them to plan around it.

Mr. Lighthizer said that was precisely the point. Nafta, he said has been "a great deal for businesses that want to take advantage of a situation" encouraging them to invest in Mexico.

"I think it's possible take a little bit of the sugar away and have them still say we're doing pretty well," he said.

A Chamber of Commerce spokeswoman declined to comment on Mr. Lighthizer's latest remarks.

## Pennsylvania Welcomes Fall Foliage



COOL DOWN: Frost was visible on bales of hay near a farm in Monroe Township, Pa., on Tuesday, after temperatures dropped overnight.

## SOROS

*Continued from Page One*  
outside investors' money several years ago and became a family office, a structure increasingly popular with wealthy clans.

Mr. Soros began his giving in 1979 and stepped it up to fight communism across Eastern Europe. In 1984, he set up a foundation in Hungary, the country of his birth, that distributed photocopiers to universities and libraries to break the government's hold on information.

Having lived under both communism and a Nazi occupation in Hungary, Mr. Soros hoped to foster "open societies" in places where authoritarian governments held power. He named his foundation after a book by the philosopher Karl Popper, one of his teachers, that defended liberal democracies.

Open Society today operates through a network of more than 40 foundations and offices in countries from Afghanistan to South Africa. It has funded refugee relief, public-health efforts and programs including a mobile court for gender crimes in the Democratic Republic of the Congo. It also advocates for rights of the Roma, one of Europe's largest ethnic minorities.

Open Society's activism has sometimes angered nationalist governments, such as the current one in Hungary, which has run poster campaigns singling Mr. Soros out for his support of refugees. He has urged developed countries in Europe and elsewhere to share the burden of increased migration from conflict-ridden countries.

In the U.S., where Mr. Soros is a major contributor to liberal and Democratic causes, he is a lightning rod for conservatives. Open Society has supported efforts to overhaul immigration policies and the criminal-justice system, including prisons, and funded mentoring programs for black and Latino young men. It has supported activists working on issues raised by the Black Lives Matter movement.

In all, Mr. Soros and Open Society have given \$14 billion so far, the foundation said.

A Hillary Clinton supporter, Mr. Soros was an outspoken critic of Mr. Trump, whose campaign cited him in a closing ad as part of a "global power structure" the ad said disadvantaged the working class. After the election, Open Society said it would spend \$10 million to fight



SEAN GALLUP/GETTY IMAGES

**Investor George Soros has given nearly \$18 billion, the bulk of his fortune, to his philanthropy, Open Society Foundations.**

### Open Society Projects

Open Society's activities fall under 10 main themes, which make up part of a 2017 budget of \$940.7 million.

Economic Governance and Advancement	\$99.5M
Justice Reform and the Rule of Law	\$89.6M
Equality and Anti-Discrimination	\$82.8M
Human Rights Movements and Institutions	\$81.7M
Democratic Practice	\$80.2M
Health and Rights	\$57.2M
Journalism	\$25.5M
Early Childhood and Education	\$22.4M
Higher Education	\$21.4M
Information and Digital Rights	\$14M
Cross-Thematic	\$12.8M

Source: Open Society Foundations

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active trading, such as during the financial crisis, when he helped guide his firm to big gains. Former employees say some past investment chiefs bristled at how Mr. Soros inserted himself in operations.

The longest-serving recent investment chief, Scott Bessent, stopped by Mr. Soros's estate in Southampton, N.Y., one July weekend in 2015 and said he was thinking of leaving to start a hedge fund of his own, adding he would want more authority were he to stay. He didn't get it. Mr. Bessent soon left, ending a strong run of 4 ½ years with a \$2 billion investment in his new fund from Mr. Soros.

The departure, the fifth by a Soros investment chief in 15 years, coincided with a stepped-up pace of change at the firm. Mr. Soros decided that year to form the Open Society investment committee that now wields power, and his wealth transfers to the philanthropy accelerated around the same time.

That most of his fortune would eventually go to Open Society has long been known. He plans to give it most of the rest in his lifetime or upon his death, said people familiar with the matter.

Ms. Fitzpatrick, a former options trader who began in April, arrived from UBS Asset Management, where she oversaw teams managing more than \$500 billion. Her priority isn't making her own trades but moving money as opportunities shift, said people familiar with the Soros firm.

They added she is whittling the number of managers given money to invest and is seeking to build a more collaborative approach, such as by linking employee pay more closely to returns of the firm as a whole. The firm has about \$6 billion in private-equity and related investing, from African cellphone towers to a stake in a restaurant chain called Dinosaur Bar-B-Que. The overseers of this chunk of money report to Open Society's investment committee.

Ms. Fitzpatrick, 47, and Mr. Soros speak regularly, with Mr. Soros sharing his view of the markets but so far refraining from interfering in her decisions.

Mr. Soros now spends about half the year on the road in connection with Open Society's work and rarely visits his office at his firm's Manhattan headquarters. He still gets a daily copy of its profit-and-loss statement.

**Failing to implement the Gainful Employment Rule leaves students vulnerable to exploitation and fraud," said New York Attorney General Eric T. Schneiderman, who is among those who filed the suit.**

The suit, filed in the U.S. District Court in Washington, D.C., calls Mrs. DeVos's suspension of those rules "unlawful" and accuses her of trying to "run out the clock" through a series of delays until she can implement new regulation.

Liz Hill, spokesman for Mrs. DeVos, called the suit politically motivated.

—Douglas Belkin

### ECONOMY

## Industrial Production Rises Modestly

U.S. industrial output picked up modestly in September, a sign a key sector of the economy is weathering the hurricane-related disruption that hit the prior month.

Industrial production—a measure of output at factories, mines and utilities—increased a seasonally adjusted 0.3% in September from the prior month,

The Bear Fire, which began Monday night in the Santa Cruz mountains about 70 miles south of San Francisco, by Tuesday had burned 200 acres, destroyed four structures and threatened 150 others. Five firefighters were hurt, but their injuries were not life threatening, officials said.

Since the wildfires started across California on the evening of Oct. 8, more than 245,000 acres have burned across the state, with more than 11,000 firefighters fighting the blazes, state fire officials said. The death toll remained at 41 Tuesday with more than 5,700 structures destroyed.

State fire officials said more than 34,000 people remained evacuated Tuesday, though many evacuation orders are being re-evaluated or lifted.

Mr. Long met with state and local officials and visited disaster assistance centers in Sonoma and Napa counties.

—Jim Carlton and Alejandro Lazo

## CORRECTIONS & AMPLIFICATIONS

**In countries where people are automatically cleared to donate organs unless they register not to, an average of about 90% remain in the donor pool. The Intelligent Investor column on Saturday incorrectly said that 90% end up donating. In countries where people must actively choose to donate organs, roughly 15% join the donor pool. The column incorrectly said 15% become donors.**

**Virginia is one of the**

states where plans to expand Medicaid programs were put on hold as Congress debated a repeal of the Affordable Care Act. A U.S. News article Tuesday about a Maine vote on Medicaid expansion incorrectly said West Virginia was one of the states.

**Reporter Christina Goldbaum's surname was misspelled as Goldblau in some editions Tuesday on a World News article about the recent Somalia bombings.**

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

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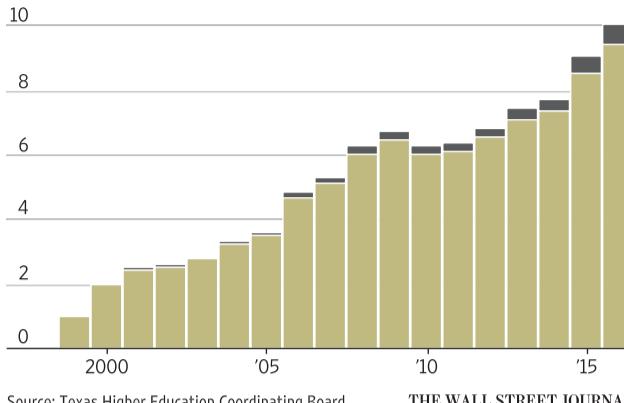
## U.S. NEWS

### Head Start

About 150,000 college students in Texas are still enrolled in high school, an increasing share, thanks to a rise in dual-credit course participation.

■ Dual-credit enrollment in public universities  
■ Dual-credit enrollment in community and technical colleges

12% of total enrollment



Source: Texas Higher Education Coordinating Board

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Hinkley High School in Aurora, Colo. The state is studying the benefits of its increasingly popular dual-enrollment programs.

CHET STRANGE FOR THE WALL STREET JOURNAL

# High Schools Push Classes For College

Dual-enrollment programs gain steam despite little research into long-term impact

BY MELISSA KORN

More high-school students are taking college classes as districts push low-cost paths to higher degrees.

The classes, often referred to as dual-enrollment programs, are expanding nationwide, with some states posting stunning growth in response to policy changes and legislative directives to increase the educational attainment levels of their residents.

In California, nearly 70,000 high-school students were enrolled in a college class last spring, double the count from fall 2014. More than 65,000

Ohio high-school students participated in dual-enrollment offerings last year, based on preliminary tallies. And in Texas, the number of dual-enrollment students jumped by one-third since 2012, to about 150,000 last fall. The classes are generally taught via area community colleges.

"Dual credit can be a tremendous boon for students. It reduces the cost of higher education; [students] can save 15, 20, 30 hours of college credit," said Raymund Paredes, commissioner of higher education for Texas.

School districts, which typically pay for the programs, are increasingly pitching them to young people with middling academic records, or who may be undecided on college. The goal is to make more students marketable in an economy where well-paying careers in fields in-

cluding technology and health care often require credentials beyond a high-school diploma.

They also attract academically advanced students looking to shorten their path to a two- or four-year degree or gain an advantage in admissions, though some experts question their rigor as compared with Advanced Placement courses capped by standardized exams.

Classes range from vocational offerings suited to individuals who want to earn associate's degrees and become automotive technicians straight out of high school, to general education math and English classes that fulfill basic requirements at most public colleges.

Research has found that earlier groups of students in dual-enrollment programs got better grades, stayed in college and ultimately graduated at higher rates than those who didn't

participate. But outcomes for more recent cohorts, which include a more diverse set of students and not just academic stars, are still unknown.

"There are some elements of the rapid expansion that concern me," Mr. Paredes said. "We can expand as rapidly as the pool of high-school students that are college-ready grows. I think we've outstripped that."

Mr. Paredes said Texas has roughly 120,000 high-school students meeting its "college-ready" benchmarks, below the 150,000 now taking dual-credit classes. A 2015 law in that state allowed high-school freshmen and sophomores to join upperclassmen in taking dual-enrollment courses.

Texas officials are awaiting results of a third-party study to determine outcomes for students included in that expanded pool.

Colorado, meanwhile, said this month it received a \$400,000 federal grant to study the benefits of its increasingly popular dual-enrollment programs.

"We need to be sure we understand how well the programs are functioning," said Kim Hunter Reed, executive director of the Colorado Department of Higher Education.

For example, prior research there showed participants ultimately earned more college credits than other students. But racking up credits doesn't necessarily equate to obtaining a degree if the courses don't count toward a major.

at a college, surrounded by regular college students.

Utah Valley University teaches many of its classes in designated sections of nearby high schools decorated with university paraphernalia. High schoolers across Colorado can take college classes down the hall from their homerooms.

That convenience helps boost participation, advocates say. Accreditors say they maintain quality control by mandating that teachers hold the same credentials as adjunct professors and that course materials are reviewed by university faculty.

Still, there is widespread skepticism. Tulane University in New Orleans will consider awarding credit only for dual-enrollment classes taught on a college campus, by a college professor, and intended mainly for college students—such as extra classes taken during the summer.

"Those are going to equate most to a real college course because they are college courses," said Tulane undergraduate admission director Jeff Schiffman, adding that the quality of classes run through high schools can be harder to determine.

—Melissa Korn

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## U.S. NEWS

# Judge Deals Blow to New Travel Ban

BY BRENT KENDALL

President Donald Trump's new effort to impose a travel ban drew fire Tuesday from a federal judge who blocked implementation of restrictions on people from six Muslim-majority countries, on the eve of the policy taking full effect.

The administration vowed a quick appeal of Tuesday's ruling, setting the stage for proceedings that could bring the matter back to the Supreme Court, which hasn't yet had an opportunity to rule definitively on Mr. Trump's efforts. The justices recently canceled oral arguments on the second travel ban after the president announced his new version of the policy.

Judge Watson, an Obama appointee, said the new restrictions, announced by Mr. Trump on Sept. 24, make improper judgments about the risks of certain travelers based on their nationality. The judge, who ruled against Mr. Trump's previous ban, said the president still hasn't demonstrated

that existing law is insufficient to protect national security.

The president's latest ban "suffers from precisely the same maladies as its predecessor: it lacks sufficient findings that the entry of more than 150 million nationals from six specified countries would be



U.S. District Judge Derrick Watson in Hawaii

detrimental to the interests of the United States," the judge wrote in a 40-page opinion.

The White House called the ruling "dangerously flawed" and said it "undercuts the president's efforts to keep the American people safe and enforce minimum security standards for entry into the United States."

The new ban applies to countries based on their "inability or unwillingness to share critical information necessary to safely vet applications, as well as a threat assessment related to terrorism, instability and other grave national security concerns," the White House said.

The latest travel ban sought to apply a range of restrictions to people from Chad, Iran, Libya, North Korea, Somalia, Syria, Venezuela and Yemen. It was slated to go into full effect on Wednesday.

Some of the countries were facing a near-total ban, while

others were facing more tailored restrictions that allowed some travelers, such as students, to come to the U.S. on nonimmigrant visas.

The restrictions involving North Korea and Venezuela were unaffected by the ruling because the state of Hawaii, which brought the lawsuit, didn't challenge those provisions.

"This is the third time Hawaii has gone to court to stop President Trump from issuing a travel ban that discriminates against people based on their nation of origin or religion," Hawaii Attorney General Doug Chin said. "Today is another victory for the rule of law. We stand ready to defend it."

Other cases are pending around the country, and a judge in Maryland held a public court session on Monday, in three combined cases brought by civil-rights and immigrant-rights groups. A ruling in that case could come at any time.

## WASHINGTON WIRE

CENTRAL BANK

### President to Choose Fed Leader Soon

President Donald Trump said he soon would choose a Federal Reserve chairman, having narrowed his search to five finalists.

"Honestly, I like them all, I do," the president said at a news conference Tuesday in the Rose Garden. "I have a great respect for all of them."

A White House official said earlier Tuesday that Mr. Trump is expected to make a decision before his trip to Asia, which begins Nov. 3.

The Republican president said he would make the decision over the next "fairly short period of time."

The finalists are current Fed Chairwoman Janet Yellen, who is scheduled to meet with the president Thursday; Fed governor Jerome Powell; former Fed governor Kevin Warsh; National Economic Council Director Gary Cohn; and Stanford University economist John Taylor, the White House official confirmed.

—Peter Nicholas  
and Kate Davidson

ADMINISTRATION

### FCC Chief Champions First Amendment

The nation's top telecommunications regulator brushed aside President Donald Trump's suggestion that the government revoke licenses of network television outlets over their news coverage.

"I believe in the First Amendment," said Ajit Pai, the chairman of the Federal Communications Commission, at a Washington conference on Tuesday. "The FCC under my leadership will stand for the First Amendment, and under the law the FCC does not have the authority to revoke a license from a broadcast station based on the content of a particular newscast."

Mr. Trump complained last week about a report by NBC News that the president had sought a 10-fold increase in the nation's nuclear arsenal. The Republican president denied that, saying such an increase was "totally unnecessary" and that he favored modernization of the arsenal instead.

"With all of the fake news coming out of NBC and the Networks, at what point is it appropriate to challenge their license? Bad for country!" Mr. Trump tweeted. NBC News declined to comment at the time.

Mr. Pai's remarks drew criticism on Tuesday from some Democrats who said the FCC chairman should have spoken sooner and more forcefully.

—John D. McKinnon



Sen. John McCain arrived at the Capitol in Washington on Tuesday. His speech the night before sparked a rebuttal from President Trump.

night, Mr. McCain spoke after the National Constitution Center bestowed on him an award honoring his fight for liberty. He emphasized the benefits that arise from the U.S.'s willingness to engage with the world.

"To fear the world we have organized and led for three-quarters of a century, to abandon the ideals we have ad-

vanced around the globe, to refuse the obligations of international leadership and our duty to remain 'the last best hope of earth' for the sake of some half-baked, spurious nationalism cooked up by people who would rather find scapegoats than solve problems is as unpatriotic as an attachment to any other tired dogma of the past that Americans

consigned to the ash heap of history," he said.

The senator, who is undergoing treatment for an aggressive form of brain cancer, delivered his remarks at an outdoor ceremony on a chilly autumn night in the company of his friend, former Vice President Joe Biden, a Democrat whose son died two years ago from the same

brain cancer that Mr. McCain is now battling.

Mr. McCain appeared to choke up as he accepted the award.

"Among the few compensations of old age is the acuity of hindsight," Mr. McCain, 81 years old, said toward the end of his remarks. "I see now that I was part of something important."

## How Democrats, GOP, Insurers Fare in Deal

BY MICHELLE HACKMAN  
AND ANNA WILDE MATHEWS

Tuesday's bipartisan health-care deal contains wins for Democrats—primarily a two-year guarantee that certain ACA subsidies will be paid—and includes several GOP priorities that make insurance plans more flexible.

### What do Democrats get?

The Alexander-Murray deal addresses the Democrats' most immediate concern: subsidies known as cost-sharing reduction payments, billions of dollars paid to insurers to limit out-of-pocket costs for low-income consumers. President Donald Trump said last week he would discontinue making the payments. Democrats and health analysts feared cutting them off would send costs soaring in the ACA market and might prompt some insurers to exit. A two-year guarantee will lend the law some measure of stability at a time when Democrats are attempting to ward off repeated GOP efforts to kill it.

Democrats also successfully negotiated for \$106 million in funding for outreach ahead of the law's open enrollment period, set to begin Nov. 1. That money helps make up for the \$116 million the Trump administration planned to cut from its outreach budget. The funding will pay for advertising around open enrollment and navigators, on-the-ground groups who help people sign up for ACA coverage.

### What does the plan mean for health insurers?

Insurers have been pushing for months for a deal in Congress to lock in the cost-sharing payments. But the pact comes so late that it might add more uncertainty, at least in the short term. Many insurers have already locked in their 2018 premiums and plan offerings on the ACA exchanges, with extra rate increases to cover the expense of the canceled federal cost-sharing payments. The plans are due to go on sale to consumers on Nov. 1, giving Congress a small window to act.

The bill will also allow anyone to buy catastrophic plans, which come at a lower price point but carry large deductibles. The ACA prohibited people over age 30 from purchasing such plans to encourage them to get more expensive, ACA-compliant plans with fuller coverage.

### What does the plan mean for health insurers?

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## HEALTH

Continued from Page One

"Anything propping it up is only saving what Republicans promised to dismantle."

Still, the House would be under intense pressure to take action if the Senate passes the bill, particularly given Mr. Trump's support for the deal.

While the GOP president had said he wouldn't sign a bipartisan deal that preserved payments to insurers, he has in the past signaled he would support an agreement if it came with more flexibility for states.

Expressing support on Tuesday, Mr. Trump said, "The solution will be for about a year or two years. And it'll get us over this intermediate hump."

The president said he ultimately believed block grants to states would be the answer, referring to a GOP plan that would have turned the health law's funding over to states to spend on their own health systems. That proposal never gained enough GOP support to move ahead.

A longer fix would fall to the next head of the Health and Human Services Department. For that post, Mr. Trump is considering Alex Azar, a White House official said Tuesday.

Mr. Azar, a lawyer who has worked as an executive at Eli Lilly & Co., could replace former HHS Secretary Tom Price who resigned in September.

For Democrats, the bill preserves for two years the billions of dollars in payments made to insurers to help offset consumers' out-of-pocket costs, lawmakers and aides said.

Mr. Trump said last week



Sen. Patty Murray (D, Wash.) and Sen. Lamar Alexander (R, Tenn.) at a Senate hearing on Tuesday.

that his administration would end the payments, which he claimed were giveaways to insurance companies. Democrats and health analysts feared the canceled subsidies would lead to rising premiums and scant insurer participation on the individual exchange markets.

But Mr. Trump had told at least one senator he was open

'The uncertainty and the dysfunction cannot continue,' Sen. Patty Murray said.

to a deal and he cheered on Mr. Alexander in weekend discussions. "President Trump has encouraged us. He said he doesn't want people to get hurt in these next two years," Mr. Alexander said, summarizing his phone calls with Mr. Trump. "There's an emerging, encouraging consensus."

The bill also appeals to Dem-

ocrats because it would restore \$106 million in federal funding for outreach over the ACA's open-enrollment season that begins Nov. 1, people familiar with the deal said. Mr. Trump's administration said in August it would cut much of that money.

Democrats have said that cutting the outreach is designed to undermine the law and is sowing confusion.

"The uncertainty and the dysfunction cannot continue," Ms. Murray said Tuesday.

The legislation would also initiate changes sought by Republicans, including allowing more people to buy "catastrophic plans," which are less comprehensive plans with high deductibles but low premiums.

Under the law, those plans are limited to people with financial hardships and those under age 30. Republicans have said expanding access to the plans would drive down monthly payments for many consumers.

It would also take steps aimed at making it easier and faster for states to get federal waivers from the 2010 law, a

change Republicans have also sought. The bill would allow for a shorter federal review period, for example, and other changes that would give states greater leeway to experiment with different health care models.

It is unclear how many people could be affected by the changes, but the waivers can touch some provisions that affect small businesses. That potentially expands the scope of the changes.

"Waivers are primarily about the individual insurance market, particularly since that's where the subsidy dollars are," said Larry Levitt, a senior vice president at the Kaiser Family Foundation, a nonprofit focused on health policy. "But, there are some provisions affecting small businesses that can be waived—such as the essential benefits—and there's nothing stopping a state from providing financial assistance to small businesses as part of a waiver."

But a House GOP aide said there was little appetite to take up a plan that they view as bailing out insurers without doing enough to fix the system and that most insurers had already priced ending the subsidies into their 2018 rates.

Still, the Senate deal received at least some GOP praise in the House. A bipartisan group of 23 House Republicans and 23 House Democrats, led by Reps. Tom Reed (R, N.Y.) and Josh Gottheimer (D, N.J.), commended the agreement in a statement Tuesday.

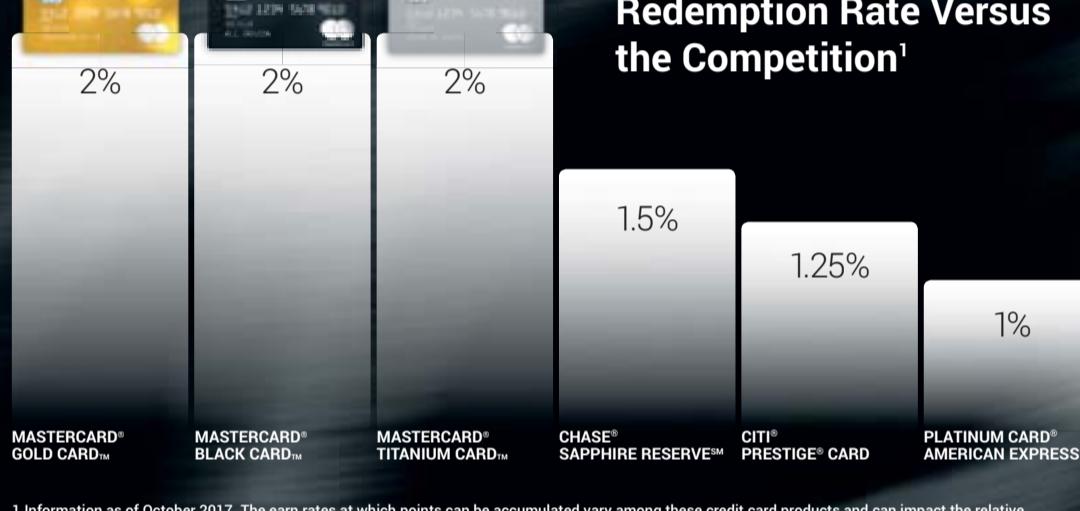
"It aligns closely with our framework and we look forward to working closely with Congress and the White House to pass bipartisan legislation," Messrs. Reed and Gottheimer said.

# "BEST IN CLASS"\*

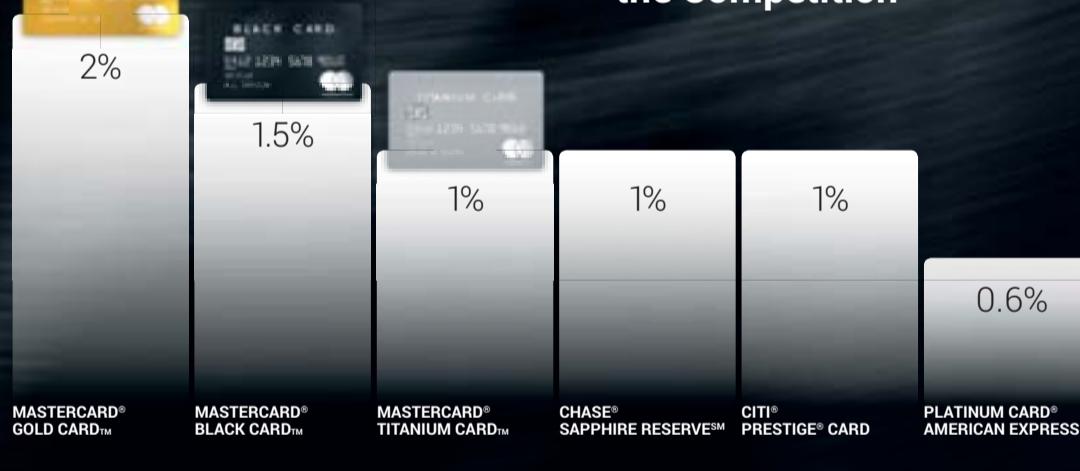
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## U.S. NEWS

# Drug-Czar Pick Withdraws Name

BY PETER NICHOLAS  
AND MICHELLE HACKMAN

WASHINGTON—President Donald Trump's pick for White House drug czar removed himself from consideration after a backlash over his reported role in a 2016 law that made it tougher to limit the spread of opioid drugs.

In a Twitter post Tuesday morning, the president said that Rep. Tom Marino (R., Pa.) "informed me that he is withdrawing his name" to lead the White House Office of National Drug Control Policy. The office, founded during the Reagan-era War on Drugs, coordinates policy among federal agencies that enforce criminal antidrug laws and focus on substance-abuse treatment.

Mr. Marino's withdrawal leaves three of the major federal agencies responsible for managing the opioid crisis—the White House drug-control office, the Department of Health and Human Services and the Drug Enforcement Administration—without nominees to lead them.

A national opioid commission formed by Mr. Trump to counter the crisis is expected to release a final report with recommendations next month.

Mr. Marino had come under



Rep. Tom Marino (R., Pa.) had come under fire for his role in a 2016 law involving opioid drugs.

helped write a 2016 law called the Comprehensive Addiction and Recovery Act, is considered a leading contender for the job, according to two people familiar with discussions.

Mr. Marino's withdrawal came a day after Mr. Trump said he would likely make a "major announcement" on the opioid epidemic next week. The president is expected to declare a national emergency, a move he promised over the summer but has since described as "complicated."

Sen. Chuck Schumer of New York, the Democratic leader, said "confirming Rep. Marino as our nation's drug czar is like putting the wolf in charge of the hen house."

Sen. Joe Manchin, a West Virginia Democrat who had urged the president to pull Mr. Marino's nomination, praised the withdrawal.

The report from the Washington Post and CBS News described Mr. Marino as the leading "advocate" of the law,

fire from Democrats in Congress in recent days after the Washington Post and CBS News' "60 Minutes" reported he had helped shepherd legislation weakening DEA power over pharmaceutical companies that produce opioid drugs.

Mr. Marino, in a statement on Tuesday night, defended his

actions along with the law he supported. "This landmark legislation will help to facilitate a balanced solution for ensuring those who genuinely needed access to certain medications were able to do so, while also empowering" the DEA "to enforce the law and prevent the sale and abuse of prescription

drugs," Mr. Marino said.

White House press secretary Sarah Huckabee Sanders said Tuesday that Mr. Trump "remains committed to confronting the opioid epidemic, which claimed over 60,000 lives last year alone."

Frank Guinta, a former New Hampshire congressman who

helped write a 2016 law called the Comprehensive Addiction and Recovery Act, is considered a leading contender for the job, according to two people familiar with discussions.

## Chinese Men Face Fentanyl Charges

BY DEL QUENTIN WILBER  
AND ARUNA VISWANATHA

Two Chinese men were charged with running massive drug networks that manufactured and shipped thousands of doses of the potentially lethal drug fentanyl directly to U.S. consumers.

Deputy Attorney General Rod Rosenstein said in Washington that such dealers were responsible for helping drive an increase in U.S. overdose deaths. More than 20,000 Americans died last year after taking fentanyl, an opioid painkiller that has gained favor among drug users in the U.S.

"Chinese fentanyl distributors are using the internet to sell fentanyl directly to U.S. customers," Mr. Rosenstein said. "They use multiple identities to disguise their activities and their shipments."

Federal grand juries in Mississippi and North Dakota returned indictments in September against the two Chinese nationals, Xiaobing Yan, 40 years old, and Jian Zhang, 38. The charges were unsealed Monday. Messrs. Yan and Zhang are in China and not in U.S. custody, Justice Department officials said.

Mr. Rosenstein said, "We are optimistic and hopeful that the Chinese will take appropriate action to ensure they are held accountable."

The department also announced charges against three Americans allegedly tied to Mr. Zhang's network: Elizabeth Ton, 26, and Anthony Gomes, 33, of Davie, Fla., and Darius Ghahary 48, of Ramsey, N.J. All three were arrested last week, officials said.

Robert Malove, an attorney for Mr. Gomes and Ms. Ton, said his clients are "100% not guilty." A lawyer for Mr. Ghahary couldn't be located.

## More Males Select Nursing as a Profession

BY SHARON NUNN

More men are joining the nursing field than have in previous decades.

Men made up about 13% of the nursing field in 2015, up from 2.2% in 1960 and 11.3% in 2010, according to a new study by economics professors Elizabeth Munnich and Abigail Wozniak.

More high-school-educated men and the increased demand for nurses as the U.S. expands its medical facilities have largely driven the trend.

"What positively moved men into nursing over time is

the rising demand for health-care workers overall, but we also find a sizable role for educational attainment," Ms. Wozniak said.

In previous decades, areas of the country that saw rising numbers of male nurses also saw rising numbers of men graduating from high school. In essence, when more men have a high-school degree, which is often a requirement for nursing certification and college-degree programs, more men have the ability to join the nursing field, and they have.

The simultaneous expansion of health-care offerings na-

tionwide, by way of new services in established medical facilities and new medical facilities in areas that previously lacked access, has helped drive demand for more nurses over the years.

"As baby boomers are aging, they're needing more health-care services. They are now the Medicare population. [And] on average, people across all ages have more chronic conditions, like kidney disease, diabetes, conditions that require more health care," Ms. Munnich said.

Changing views on men and women's responsibilities at

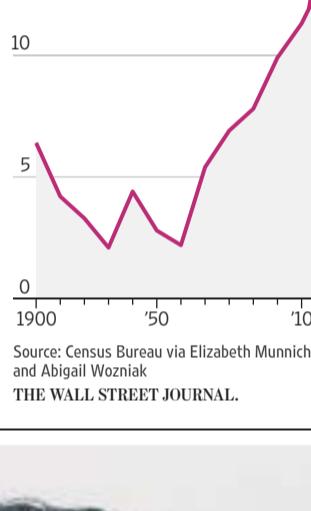
home and in their careers has also contributed to the rising number of men in nursing, the study found.

"As broad perspectives on gender roles become more similar, and more nontraditional roles become more accepted, more men have joined the nursing field," Ms. Munnich said.

The growth of men in the female-dominated nursing field hasn't been similar in other female-dominated industries. In the previous three decades, the share of men who said they were a primary or secondary schoolteacher decreased.

### Gender Shift

Share of nurses who are men



Source: Census Bureau via Elizabeth Munnich and Abigail Wozniak

THE WALL STREET JOURNAL.

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Ryan Phillippe,  
Hidden Heroes Ambassador

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#SPREADTHEWORDS

# WORLD NEWS

## Iraqis Push Deeper Into Kurdish Areas

Baghdad government's gains come a day after its army captured the northern city of Kirkuk

By ISABEL COLES  
AND ALI A. NABHAN

ERBIL, Iraq—Kurdish forces relinquished control over a huge swath of northern Iraq on Tuesday, ceding territory they gained during the war with Islamic State to triumphant Iraqi forces, who raised their flag over dozens of towns and villages for the first time in three years.

The retreat of Kurdish Peshmerga forces from the town of Sinjar and other disputed territories marks a dramatic reversal of fortunes for the semiautonomous region, which only three weeks ago voted in a controversial referendum to become an independent state.

It also shows how the political map of Iraq is shifting. As the threat of Islamic State recedes, disparate forces that came together to fight the terror group are now jockeying for position and territory.

Iraqi troops and government-backed paramilitaries advanced across a wide area stretching from the border with Iran to Syria, after recapturing the oil-rich city of Kirkuk on Monday. They faced only light resistance from Kurdish forces, despite vows to defend it until death.

Peshmerga soldiers, who fought to drive Islamic State



Kurdish Peshmerga fighters, seen on Tuesday in Karez east of Kirkuk, are being forced back into their semiautonomous region in northern Iraq by government forces.

from the area, described feelings of betrayal after being asked to withdraw.

"My feelings are worse than zero," said Hassan Nasir, a Peshmerga fighter whose unit on the Gwair front pulled back early Tuesday. "For three years we haven't slept. We have gone hungry and we have spilled blood. It was all for nothing."

In his first public words since Iraqi forces began their advance last week, the re-

gion's president, Masoud Barzani, insisted the dream of statehood wasn't dead: "Your loud voice calling for the independence of Kurdistan, which has reached the international community, will never be wasted or sacrificed," he said in a brief written statement.

Baghdad has said it would push the Kurds back only as far as the positions they held before the Islamic State onslaught in 2014, when the Iraqi army's northern defenses

disintegrated. Peshmerga forces filled the vacuum and drove the militants back, expanding the territory under their control as much as 40%.

Iraqi Prime Minister Haider al-Abadi said Tuesday there would be no civil war and that the disputed territories must be controlled by joint forces under Baghdad's command.

The advance comes as the war against Islamic State draws to a close more than three years after the militants

overran about one-third of Iraq and declared a caliphate for all Muslims straddling the border with Syria.

Islamic State fighters in Syria suffered a crushing blow Tuesday, when the Kurdish-led Syrian Democratic Forces, backed by U.S. airstrikes and American special forces on the ground, reclaimed the group's de facto capital of Raqqqa. The city was the militant group's last major urban stronghold in the Middle East.

Although Kurdish groups in Iraq and Syria have been key partners for the U.S. in the war against Islamic State, they lean in opposite directions ideologically and have adopted different approaches to the same cause.

The fallout from the referendum has also exposed divisions between the two Kurdish factions that have dominated the region for decades and are now trading blame for the turn of events.

## Simmering Conflicts Flare Up as Islamic State Fades



### MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

DUBAI—Islamic State may still be around, but the Middle East has moved on.

The extremist group's ouster from its main remaining stronghold of Raqqqa on

Tuesday is a watershed moment. But, as Islamic State's once vast territory has shrunk to a few

dwindling pockets in eastern Syria and western Iraq, the region is turning its focus to new, different conflicts amid changing alliances.

Now, it's all about who will take advantage of the vacuum previously filled by Islamic State, and how.

"The fall of ISIS is now seen as a fait accompli.

There is no longer a common ground between forces that opposed it, and with the demise of ISIS a lot of new conflicts will flare up in the region," said Basem Chabb, a Lebanese parliament member.

Islamic State isn't about to be completely eliminated in Syria and Iraq, let alone its far-flung affiliates from Libya to the Philippines. In fact, the extremist group is likely to lash out with renewed attacks in the region and the West, attempting to prove it

hasn't been defeated. The group's leader, Abu Bakr al-Baghdadi, promised to continue the fight in a recording released last month.

**Y**et the group is no longer in a position to redraw the map of the Muslim world.

Ever since Islamic State's rapid advances in 2014, the fight against the group created unusual alliances—including a de facto one between the U.S. and its regional nemesis Iran. The need to confront Islamic State also held in check longstanding rivalries between some of the region's main players.

Nothing highlights the collapse of this temporary unity more than this week's clash between Iraq's central government and the country's Kurds, the two forces that fought side-by-side against

Islamic State to liberate the other major city the extremists held, Mosul, just a few months ago. Baghdad took control of the ethnically mixed city of Kirkuk from Iraqi Kurdish forces on Monday after a brief fight, and seized several other strategic areas on Tuesday.

**P**otential for a similar confrontation lurks across the Syrian border. Syrian Kurds, backed by the U.S., were the main force driving Islamic State out of Raqqqa—which a spokesman for the U.S.-led coalition fighting Islamic State said had been 90% cleared—and before that out of a huge chunk of eastern Syria.

Yet now, it is probable that they, too, would be subjected to an assault by their country's central government. It's unclear whether the U.S.,

which proclaimed neutrality in Iraq's dispute with that nation's Kurds, will do anything to protect its Syrian Kurdish allies if that happens.

"The next conflict in Syria will be between the forces of the Syrian regime and the Syrian Kurds. These are the two major military powers left in the country now," said Marwan Kabalan, a Syrian academic at the Arab Center for Research and Policy Studies, a think tank in Qatar. "We may see in the next few months the repetition of what is going on in Kirkuk."

Other fractures, which emerged as Islamic State lost its sway, are sucking up the region's attention and resources. Saudi Arabia and its allies the United Arab Emirates, Bahrain and Egypt are locked in a struggle against the Persian Gulf monarchy of Qatar—a fight that has given

Iran an extra foothold in the region and perplexed Western powers.

**T**he disappearance of Islamic State as an entity with territory, subject populations and natural resources, means it's no longer as dangerous to the main players—allowing them to square off against each other, be it in Iraqi Kurdistan or Qatar, said Hisham Hellyer, a nonresident fellow at the Atlantic Council.

"The fact that Islamic State had territory meant that it threatened the very nature of the nation-states in the region," Mr. Hellyer said.

"When it turns into a group like Al Qaeda, it becomes dangerous for other reasons. But these terrorist groups, in general, don't threaten the very existence of the states."

## RAQQA

Continued from Page One  
come under Islamic State's control, in 2014, Raqqqa became a template for the group's brutality. Militants in the city carried out public beheadings for blasphemy and crucifixions for murder. Child soldiers were taught to kill. The city also held some of the most important assets and institutions for the group's statelike operations in Syria, such as its highest courts.

Raqqqa became a funnel for thousands of people from places as disparate as the U.K., China and Saudi Arabia to join the group. The recruits were processed and given their marching orders in the city, and some were given explosives training before being shuttled back to Europe to plan attacks there, Western officials said.

Islamic State's empire is now largely destroyed. At the height of its power in 2014, the group ruled a contiguous territory in Iraq and Syria the size of Belgium, while affiliates have sprung up from Nigeria to the Philippines. Now many of the cities it occupied have been reduced to rubble.

At the same time, Islamic State leaves in its wake radicalized youth and an extensive internet network still actively recruiting new jihadists.

For months, U.S. war planners have warned the insurgency is seeking to exploit a power vacuum in Libya. Islamic State in the Sahara, a new affiliate, killed four U.S. Green Berets in an ambush in Niger this month.

Even if Islamic State leader Abu Bakr al-Baghdadi is killed, U.S. officials say the group will continue, much as al Qaeda did after Osama bin Laden's death in 2011. The U.S. and its allies, as well as other countries that have fought Islamic State and other militant groups in recent decades, have been unable to kill off the extremist ideology that feeds the groups.

In a defiant speech in September, Mr. Baghdadi said that although his fighters were being uprooted across the Middle East, his organization's ideology and appeal will live on.

"We will remain steadfast, patient," he vowed, and laid out the group's strategy for defeating the U.S. and its allies by drawing them into costly, asymmetrical warfare.

U.S. and European officials predict that Islamic State will prioritize attacking Western capitals to remain relevant as the group is pushed out of the last patches of territory it holds in eastern Syria and western Iraq.

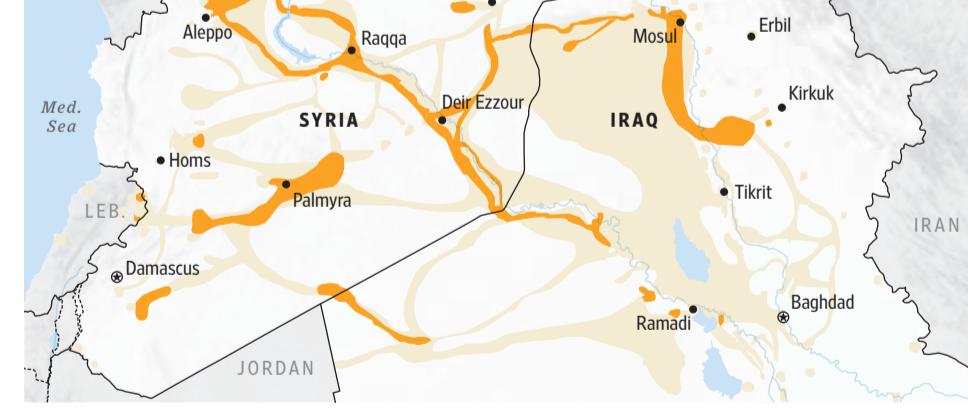
In Washington, Pentagon officials have long expected a defeated Islamic State to evolve into an general insurgency, potentially aligning with al Qaeda in Syria and fueling sectarian tensions by presenting itself as a Sunni vanguard against Syrian President Bashar al-Assad and his Iranian backers.

Newly uprooted fighters also are likely to pose a persistent threat by moving about the region, hovering in border areas or even trying to exploit the territorial struggle in Iraq between Iraqi forces and Kurdish units, experts said on Tuesday. The departure of Kurdish fighters from areas

### Shrinking Caliphate

U.S.-backed forces said they have captured Raqqqa, Islamic State's de facto capital in Syria, wrenching away its last major urban stronghold in the Middle East. Its shrinking territory over the past two years:

■ Islamic State control ■ Islamic State support/attack zones



Source: Institute for the Study of War

such as Kirkuk, Sinjar and Khanaqin in the east could create security gaps, said Jennifer Cafarella, an analyst at the Washington-based Institute for the Study of War.

The U.S. military estimates there are roughly 100 Islamic State fighters remaining in Raqqqa, from a peak of 2,500.

spokesman. About 400 have surrendered over the past month, he added. By comparison, a Defense Intelligence analysis concluded there are as many as 1,500 Islamic State fighters in Afghanistan, 1,000 in Egypt and 500 in Libya.

On Tuesday, Col. Dillon stressed that the fight against the extremists isn't over and there are still swaths of territory on the Iraqi-Syrian border still under militant control.

The head of Britain's domestic intelligence agency, MI5 chief Andrew Parker, said on Tuesday that there has been a dramatic uptick in the threat of Islamist extremism to the U.K. He said the types of threats are changing rapidly, leaving authorities with a smaller window to intervene.

A U.S. official specializing in European security said that while intelligence experts had predicted a flow of foreign fighters returning to Europe, so far it hasn't happened. The U.S. official cautioned the trend could reverse, but for now European officials have told their counterparts they don't expect the fall of Raqqqa to trigger a migration of militants.

Western counterterrorism officials say they worry Islamic State will try to take advantage of the crisis facing Myanmar's Rohingya Muslims.

"They're already messaging that the Rohingya are the new Palestinians, using it to recruit," one U.S. counterterrorism official said. "Southeast Asia is the new concern."

—Nazih Osseiran in Beirut, Julian E. Barnes in Brussels and Nancy A. Youssef in Washington contributed to this article.

## WORLD NEWS

# China's Xi Sets Stage for Long Rule

Leader likely to emerge from Communist Party congress with new allies, powers

BELJING—Chinese President Xi Jinping is set to emerge from a Communist Party congress that started Wednesday with all of the allies and authority he needs to monopolize decision making for the next five years.

By Jeremy Page,  
Lingling Wei  
and Chun Han Wong

The affirmation of Mr. Xi's political supremacy suggests he will double down on a drive to reassert party control at home, and project power abroad, during a second term likely to be marked by a slowing economy and volatile foreign relations, especially over North Korea.

Beyond that looms the question: Will he step down come 2022?

The twice-a-decade congress is expected to endorse Mr. Xi's rise to a level of political control in modern China comparable only to Deng Xiaoping or Mao Zedong. Both remained dominant figures till death.

As well as packing top party posts with Mr. Xi's lieutenants, the 2,280 delegates are expected to enshrine his political theory in the party's constitution and grant him even tighter control over China's armed forces, political insiders and analysts say.

And the congress could go further, opening a window for 64-year-old Mr. Xi to stay in power after his second term expires, political insiders say, despite retirement norms to protect against one-man rule.

Expectations that he will break with precedent by blocking a potential successor from joining the Politburo Standing Committee, the top leadership body, have mounted since one



A Chinese soldier stood guard outside the Great Hall of the People in Beijing on Tuesday, the eve of the Communist Party congress.

of two leading candidates was suddenly fired in July.

"The issue of potentially extending Xi's tenure will be discussed," according to one person directly involved in preparations for the congress. The person said the idea would be proposed by a senior party figure who would praise Mr. Xi's achievements.

Another possibility is that Mr. Xi gets a new title he could keep beyond 2022, such as party chairman—most closely associated with Mao.

China's government press office didn't respond to questions on whether such discussions would take place or any other expected outcomes of

the congress.

Mr. Xi, in a speech at the opening of the congress, hailed the achievements of the last five years and called on party members to "secure a decisive victory" in building a modern, prosperous, socialist nation in the "new era."

"We have solved many tough problems that were long on the agenda but never resolved, and accomplished many things that were wanted but never got done," he said. "What we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life."

In recent weeks, Chinese

authorities have gone to lengths reminiscent of the Mao era in lavishing praise on Mr. Xi's muscular leadership and his "China Dream" to rejuvenate the nation.

That resonates with many Chinese, who saw his predecessor, Hu Jintao, as out of touch and unable to protect China's international interests.

"Xi Jinping is different from other Chinese leaders," said Zhai Yifan, a 32-year-old railway engineer visiting a Beijing exhibition focused on Mr. Xi's achievements. "As a Chinese person, this makes me feel proud."

Still, that doesn't translate into unanimous popular support for Mr. Xi staying on after

2022. There are no official public-opinion surveys on that issue, let alone independent ones, but at the Beijing exhibition, views were mixed.

Internationally, Mr. Xi is expected to continue asserting China's territorial claims and expanding its military activities, while positioning China as a champion of global trade through its Belt and Road Initiative to build new East-West trade and transport links.

U.S. officials hope Mr. Xi will take bolder action to help halt North Korea's nuclear program and open Chinese markets, and will look for signals when President Donald Trump visits China in early November.

# U.S. Again Withholds Currency Complaint

By JOSH ZUMBRUN

The U.S. Treasury declined again to label China a currency manipulator, although it continued to criticize Beijing for its large trade surplus and restrictions on foreign investors.

"Treasury remains concerned by the lack of progress made in reducing the bilateral trade surplus with the United States," the department said of China in its semiannual report on international exchange rates. "China should take concrete steps to level the playing field for American workers and firms."

The department's report, released Tuesday, is the document in which Washington can formally criticize Beijing for manipulating the yuan lower to boost its exports.

As a presidential candidate, Donald Trump said he would label China a currency manipulator, but this is now the second of the semiannual reports in which his administration has declined to make the designation, a move that would intensify trade tensions.

The report comes as the U.S. is trying to encourage China to work with it in cracking down on trade and finance flows to North Korea.

The U.S. praised Beijing for allowing the yuan to rise this year and noted that China's trade surplus has been narrowing.

The report kept China on the Treasury's formal Monitoring List, which is what the U.S. uses to place countries on notice that the government considers their currency and other economic policies to be putting the U.S. at unfair disadvantage.

# President Uses Big Data to Tighten Big Brother's Grip

Information technology, far from undermining China's authoritarian model as many thought it would, is reinforcing it.

The German political scientist Sebastian Heilmann coined the term "digital Leninism" to describe the program Mr. Xi has engineered to try to ensure the Communist Party's survival.

The party calls the mission "top-level design," and it is intended to guide the next stage of growth led by advanced technologies such as robotics, 3-D printing and driverless vehicles.

Technicians are working on a plan to monitor the performance of these machines using sensors and cameras and measure it against industrial goals. Corporate data feeds will give regulators the ability to spot credit and investment flows in real time, along with fraud. Algorithms will supposedly use this granular information to optimize macroeconomic decision making, keep markets on an even keel and avoid speculative bubbles.

In public at least, the chief executives of China's data oligopolies, including Alibaba

and Tencent, are evangelists for the project that requires them to slice gushers of consumer data to state superstars. Alibaba founder Jack Ma in a seminar last year likened the role of big data in economic management

to joining Chinese startups in areas like health care and computer vision.

With the government as the best customer, such ventures can have enormous impact on Chinese life. A Shanghai-based company is attempting to develop a facial-recognition database with the Ministry of Public Security that will identify any of China's 1.4 billion people within three seconds. A linked "social-credit" system will collect data on all citizens and use it to rate their trustworthiness.

The huge planning experiment "presents a fundamental challenge to democratic political systems," Mr. Heilmann writes.

For years, Western politicians believed China would keep moving steadily toward a free-market economy to rectify the weaknesses created by state planning.

Greater economic openness, the thinking went, would induce political liberalization. If China delayed, it would be punished by low productivity.

Mr. Xi is upending these assumptions.

Even as China's state-owned industries like steel, aluminum and shipbuilding create monumental excess that

burdens the economy with debt, the consumer shortages that are the bane of planned economies are history.

"Smart" planning could help China shift to a more modern economy; what could go wrong?

First, data overload; collecting it is one thing, analyzing it intelligently quite another. Second, and more ominously for ordinary Chinese and the tech companies, bureaucratic overreach. A telling sign is a move by regulators to force the biggest tech companies to hand over a 1% equity stake to the government along with decision-making powers. The enthusiasm of tech moguls for Mr. Xi's planning ideas could rapidly wane if party apparatchiks start calling the shots.

Ultimately, Mr. Xi's approach takes the notion of "Big Brother" to a new level.

Economic planning "is not merely control of a sector of human life which can be separated from the rest," wrote the Nobel Prize-winning economist F.A. Hayek in "The Road to Serfdom." "It is the control of the means for all our ends."

That was written in the 1940s. Neither Hayek nor Mao could have imagined the knowledge-fueled totalitarianism that Mr. Xi has in mind.

struction, including a new hotel, restaurants, apartments and stores. That all sounds fabulous, activists say, but leveling the Taco Bell is simply more change than they can digest.

"The one thing we thought we could always count on was the Taco Bell being open late at night," said Jeff Yoders, a 41-year-old magazine editor. "But I guess that's not true anymore."

The Taco Bell preservation crusade started in August. C.J. Black, a 23-year-old area resident who works in financial software, created a Facebook page titled "Save the Wrigleyville Taco Bell." He scheduled a two-hour demonstration at the restaurant for Aug. 26, imagining it would be a light-hearted gathering of friends.

Before long, however, he said several thousand people had expressed interest in attending. "We can stop this if we stand



President Xi Jinping, seen in July, aims to fix past planning errors.

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to an X-ray or CT-scan in medical diagnosis. In the next 30 years, he declared, "the planned economy will get bigger and bigger."

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## WORLD WATCH

PHILIPPINES

### Duterte, Aides Differ On Fight for Marawi

President Rodrigo Duterte declared the southern city of Marawi freed of Islamic State-linked militants, apparently contradicting his own commanders.

"Ladies and gentlemen, I hereby declare Marawi City liberated from the terrorist influence," Mr. Duterte told troops Tuesday a short distance from the front lines in Marawi, where the military is fighting a few dozen remaining militants after more than four months of battle.

The military on Monday said it killed the militants' last two leaders. But in a joint press conference, spokesmen for Mr. Duterte and the military said the two leaders' deaths, while a positive development, don't signal "the end of the hostilities nor the end of the fighting in Marawi," an armed forces spokesman said.

—Jake Maxwell Watts

AFGHANISTAN

### Taliban Kill Dozens In Attacks on Police

Taliban fighters struck two police compounds in southern Afghanistan, killing at least 66 people in attacks that underscored the difficulties the Kabul government faces in securing many areas of the country.

In the first assault, militants overran a police headquarters in the district of Andar, in the province of Ghazni, shortly after midnight, leaving at least 19 lo-

cal and national police dead, government officials said.

Hours later, six Taliban fighters disguised as police officers stormed a police compound in the city of Gardez, about 55 miles east of Andar, which houses the provincial headquarters of the national police, border police and Afghan army.

That attack began when a truck and Humvee, both packed with explosives, were detonated at the compound's main gate, authorities and witnesses said.

—Habib Khan Totakhil and Ehsanullah Amiri

UNITED KINGDOM

### MIS Chief Warns of Rising Terror Threat

The head of Britain's domestic intelligence agency said there has been a dramatic uptick in the threat of Islamist extremism to the U.K., with plots occurring faster than at any point in his career.

In a rare public speech, MIS chief Andrew Parker said Tuesday the types of threats are changing rapidly and sometimes accelerate from inception to action in just a handful of days, leaving authorities with a smaller window to intervene.

"Today there is more terrorist activity coming at us more quickly and it can be harder to detect," Mr. Parker said. "There is a similar picture across Europe and beyond."

Five attacks have hit the U.K. this year, killing 36 people and injuring many more.

—Jenny Gross

NAVEEN CHITRAKAR/REUTERS

## Judge Warns on Brazil Graft

BY LUCIANA MAGALHÃES  
AND SAMANTHA PEARSON

CURITIBA, Brazil—Brazil's Car Wash corruption investigation has in the past three years led to more than 160 convictions, inspired a blockbuster movie and implicated hundreds of politicians, including the current president and four of his predecessors.

But as Judge Sergio Moro, who has headed the probe, prepares to finish the core investigation under his jurisdiction, he stressed that Brazil's fight against corruption ultimately depends on the will of the very politicians who perverted the country's political mores to change the laws and prevent their successors from doing the same thing.

"We shouldn't be under the illusion that the problem of corruption can be solved merely by the criminal-justice system. It just treats its most evident symptoms," said Mr. Moro, 45 years old, in a rare interview in this southern city.

Without new legislation that dramatically alters how money is spent in politics, he said, Brazil is in danger of following the same path as Italy. There, the Clean Hands investigation in the 1990s, which he used as a model for Car Wash, led to a power vacuum, fueled a degree of cynicism about judicial power and ultimately did little to reduce graft in the long term.

Super-Moro, as the judge is known by his followers, has made many enemies in Con-



A supporter holds up an effigy of Judge Sergio Moro, who has led Brazil's biggest corruption probe.

gress, where targeted politicians have called him a wannabe celebrity and an autocrat.

Mr. Moro, a part-time law professor who briefly studied at Harvard, landed the case of his lifetime in 2014 when a local money launderer led him to uncover Brazil's largest-ever corruption scheme at state-controlled oil company Petrobras SA.

As most of Mr. Moro's trials in this case near completion, the investigation will now center on courts in other jurisdictions investigating offshoots of the original corruption network. Also continuing

the work will be regional judges hearing appeals and the Supreme Court, which is the only body in Brazil allowed to sentence sitting politicians.

Mr. Moro urged lawmakers to consider changes to protections offered to politicians in office, and said Brazil must cut the cost of its expensive election campaigns and end political appointments at state companies.

"It's necessary for other institutions to also do their part with reforms that reduce the opportunities and incentives for corruption," Mr. Moro said.

The judge's comments come as Brazil's Congress has done

little to cut campaign costs, instead approving this month a controversial new bill to increase public funding for politicians after attempts at wider political reforms failed.

Mr. Moro's team in Curitiba has sentenced more than a hundred people for involvement in corruption crimes. That has won him praise here and beyond Brazil and raised hopes about an end to crony capitalism and impunity.

He predicted that other important investigations could come his way. "Who knows," he said, "maybe in a few years I will have other cases in my hands that are just as big."

## EU Faces Brexit Risks Too, BOE's Carney Says

BY JASON DOUGLAS

LONDON—Bank of England Gov. Mark Carney issued his clearest warning yet that a disorderly Brexit would pose a major risk to the European economy, not just to the U.K.

In testimony to lawmakers in Parliament, Mr. Carney said European Union policy

makers are just beginning to understand the magnitude of the financial-stability risks that could arise if the U.K. leaves the EU without a deal.

"I think that there's a learning process underway on the scale of some of the financial stability issues," Mr. Carney said. He listed a range of possible threats, in-

cluding the risk that legal contracts underpinning trillions of euros of derivatives become null and void and British insurers become unable to pay out to European customers. European banks might be left unable to operate in the U.K. without setting up a dedicated subsidiary, he added.

In the event that no agreement on divorce is reached, the U.K. will emerge after Brexit in 2019 "long financial services," with the EU short of capital, collateral and people relative to London, he said.

European officials have played down the risks of Brexit to the EU.

FIELD OF FLOWERS: In Kathmandu, Nepal, a woman collects marigolds to be made into garlands for the Tihar festival.

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IN DEPTH

# Amazon Executive Quits Amid Sex Claim

Roy Price steps down at entertainment studio days after harassment allegation emerges

BY JOE FLINT

Roy Price is out as head of Amazon Studios, days after details of a two-year-old accusation of sexual harassment became public.

The company said Tuesday that Mr. Price had resigned. Mr. Price didn't respond to requests for comment.

Mr. Price, who had overseen **Amazon.com** Inc.'s film and television operations, was suspended late last week when Isa Dick Hackett, a producer on the Amazon program "The Man in the High Castle," went public with her complaint that Mr. Price sexually harassed her in

2015. Ms. Hackett said Mr. Price had made inappropriate and crude remarks about his genitalia and then sexually propositioned her.

Albert Cheng, the chief operating officer of Amazon Studios, will serve as interim head of the entertainment studio.

Mr. Price's resignation comes in the wake of the scandal at **Weinstein Co.** where co-chairman Harvey Weinstein was forced out after disclosures of multiple allegations of sexual harassment and assault.

Since then, other actresses and executives have come forward with stories of verbal and physical abuse at the hands of Mr. Weinstein and others, amid a rising backlash against what is seen as a culture of harassment against women in Hollywood at the hands of male executives.

Mr. Price had also received



Roy Price, seen in July, oversaw Amazon's film and TV operations.

criticism for his close business relationship with Mr. Weinstein. Earlier this year, Weinstein Co. purchased an idea for a television show from Lila Feinberg, a writer who was Mr. Price's fiancée at the time.

The concept was originally pitched by Mr. Price to Amazon but after a conflict-of-interest review, the studio declined to buy the script, people familiar with the matter said. Mr. Price's wedding to Ms. Feinberg was

recently called off, a person close to her said.

Ms. Feinberg declined to comment.

Weinstein Co. also had two other shows in development with Amazon. One, a drama starring Robert De Niro and Julianne Moore with director David O. Russell on board as well was canceled last week. Another show from "Mad Men" creator Matt Weiner is continuing.

Ms. Hackett said she made her initial complaints to Amazon about Mr. Price in July 2015. She said she was interviewed by an outside investigator but never told of the results nor did she receive any apology. Former Amazon employees said the only reprimand to Mr. Price was that he was told not to drink at company events anymore.

An Amazon spokesman didn't respond to a request

for comment.

Last week, after the revelations about Mr. Weinstein, Ms. Hackett said she felt compelled to break her silence. She told The Wall Street Journal that she was inspired by the women who spoke out against Mr. Weinstein and hoped that telling her story would inspire others.

Amazon's creative efforts under Mr. Price were a mixed bag. Critical successes include "Transparent" and "One Mississippi" but neither drew big audiences. Several producers who made shows for Amazon, including David E. Kelley and Shawn Ryan, have complained that the company was not artist friendly nor well-versed in the ins and outs of production.

Ms. Hackett said Tuesday that "I'm pleased Amazon is taking steps to address the issues."

## STUDIO

Continued from Page One

her to date him, Ms. Segel said. At the time she was working on a show for the studio Weinstein Co. At one point, Bob Weinstein asked Ms. Segel's immediate boss before a work dinner if she had a boyfriend, she said. Ms. Segel said she invented one.

Ms. Segel later told Mr. Weinstein in an email she wasn't interested in him romantically. Soon after, on a conference call with several people discussing a coming episode of the show, he was highly critical of the series and her work, she said. She told a top network executive, in an email seen by the Journal, that Mr. Weinstein was a "disgusting predator."

Ms. Segel's immediate boss, who she said had witnessed some of her interactions with Mr. Weinstein, told her in an email reviewed by the Journal: "Obviously he needs to respect that you just want to keep it friendly and stop flirting with you. He is your employer."

In a subsequent email to Ms. Segel, Mr. Weinstein denied he had sexually harassed her and asked her to take back the accusation. She later had a lawyer call a top Weinstein Co. executive and Mr. Weinstein's outside lawyer to seek assurances that she would not have to interact with him further, she said. Those calls ended their contact, she said. Ms. Segel's allegations were first reported Tuesday by the trade magazine Variety.

"There is no way in the world that Bob Weinstein is guilty of sexual harassment, and even if you believed what this person asserts, there is no way it would amount to that," said lawyer Bert Fields on behalf of Mr. Weinstein.

Mr. Weinstein said in a written statement: "At times I have a temper, but I would not describe it as volatile, and I'm definitely not a bully." He said he was surprised by the comments of Mr. Katzenberg, whom he considers a friend. "In my experience, I have had nothing but a cordial relationship with him," he said.

*'At times I have a temper, but I would not describe it as volatile.'*



Bob Weinstein, left, and his brother, Harvey Weinstein, in 1989. People who have known both say they had a complicated relationship dating back to childhood.

### Weinstein Bidder Is A Hollywood Regular

Thomas J. Barrack Jr., the wealthy private-equity investor who is in negotiations to buy the **Weinstein Co.**, has spent most of his career trading real estate. But bailing out troubled celebrities has long been a favorite hobby.

The 70-year-old Los Angeles native made headlines outside the property world when his firm, Colony Capital, now part of **Colony NorthStar Inc.**, took control of Michael Jackson's Neverland ranch in 2008. That arrangement enabled the King of Pop to escape debts on the property, which Mr. Barrack's firm still owns.

Mr. Barrack helped out Annie Leibovitz, a photographer famous for her work with musicians and movie stars, a few years ago by buying out her millions of dollars of debt. He helped her raise the money back by promoting exhibits of her

work and sales of limited-edition prints.

Now, his firm is negotiating to buy "all or a significant portion" of the Weinstein Co.'s assets, the companies said Monday. The deal could be a lifeline for the film company. It isn't clear if either Mr. Weinstein or his brother Bob Weinstein would have roles at the firm.

The Weinstein Co. deal appears to be a variant of the Barrack playbook of providing much-needed capital to companies or people in exchange for greater control over their holdings. Under the Weinstein Co. deal, the companies said, Colony would provide an undisclosed amount of cash up front while it explores an acquisition of the studio's assets. A spokeswoman for Mr. Barrack said he declined to comment.

Mr. Barrack followed a well-trod path from Wall Street to Hollywood. Private-equity manager Ronald Burkle backed the struggling Relativity Media. Financier Steven Mnuchin, now Treasury secretary, was a Holly-

wood player who co-financed movies through his RatPac-Dune Entertainment LLC venture.

Mr. Barrack has also been in the limelight for embracing another powerful figure shunned by much of Hollywood: President Donald Trump. The real-estate investors got to know each other when Mr. Barrack was working for Texas investor Robert Bass and helped his boss sell the Plaza Hotel to Mr. Trump for around \$400 million in 1988.

The two struck up a friendship. Mr. Barrack was a fundraiser for Mr. Trump and served as chairman of the president's inauguration committee.

Mr. Barrack created a media-and-entertainment fund, whose partners included actor Rob Lowe. Colony, as part of a consortium, purchased Miramax from Walt Disney Co. for \$660 million—which had bought the company from the Weinsteins. It then sold Miramax to Qatar-based BelN Media Group in 2016 for an undisclosed amount.

—Craig Karmin,  
Erich Schwartzel

from Bob as much as Harvey. Others say Bob Weinstein had a softer side that only people who worked closely with him got to know.

"Bob was a tough taskmaster and a challenging boss, but also humane, with a great sense of humor," said Sanjeev Lamba, a former vice president at Dimension. When Mr. Lamba left Dimension to work for India's Reliance Entertainment, he said, Mr. Weinstein wrote him "a wonderful and warm handwritten note."

Bob and Harvey Weinstein feuded on-and-off for many years, said people who worked with them. During one period around 2003, the two communicated only through handwritten notes, which assistants passed between them, according to a former employee.

"As I've stated before, I have had very little communication with my brother in the last five years," Mr. Weinstein said.

In about 2011, after an argument over how to allocate the studio's resources between their respective movies, Harvey Weinstein punched his brother in the face in front of about a dozen other Weinstein Co. executives, knocking him to the ground, said two people who were present.

"I've been assaulted!" Bob yelled, according to those people. Bob, who was bloodied, wanted to press charges, but was talked out of it, according to a person familiar with the incident.

Weinstein Co. hasn't had many box office hits in the past few years. Dimension Films has been a particular laggard after the brothers were ousted in 2005 by Disney, then Miramax's owner, and launched a new company. Dimension has had a number of flops. Its only major success since 2010 was "Paddington," a surprise turn into animated family entertainment.

"He had the pulse of what Americans wanted at one time," said a former Dimension executive. "Can you get that back?"

Mr. Weinstein said he feels confident about his coming films.

—Jim Oberman  
and Lisa Schwartzel  
contributed to this article.

No one has suggested to the Journal that Bob Weinstein engaged in the degree of alleged misconduct that led to his brother's ouster from Weinstein Co., which includes accusations of sexual harassment and assault. Harvey Weinstein has apologized for past behavior with colleagues, and his spokesman has denied any allegations of nonconsensual sex.

Nevertheless, the saga of the lesser-known Weinstein appears to be entering a new chapter, with his future at the company and as a Hollywood mogul on the line.

Bob, 62 years old, said as recently as Friday that "business is continuing as usual" at Weinstein Co., with him in charge of the studio. In the wake of the allegations against Harvey, however, the company's board has entered into exclusive talks with private-equity firm Colony Capital to sell some or all of the company's assets.

People close to the talks believe it is unlikely Bob Weinstein would stay on after any sale.

Miramax eventually became a powerhouse of the independent-movie scene and was bought by Disney in 1993. Bob worked primarily behind the scenes, running finance and administration, while Harvey bought and produced the movies.

As competition for indie movies mounted, Bob in 1992 began buying inexpensive horror movies to diversify revenue. That spawned a division, Dimension, that Bob oversaw.

Within a few years, the quiet finance guy became a producer on his own, making hits such as the surprise smash "Scream" and the parody "Scary Movie."

By the late 1990s, Dimension was regularly earning more than the higher profile, more expensive prestige movies overseen by Harvey, according to former company executives.

As Bob Weinstein's power inside the company grew, many employees came to know him as a tempestuous and mercurial boss, according to interviews with many people who worked with him.

"In his element, he's a really

funny guy and people just want to be liked by him," said Michael Neithardt, a former assistant of Mr. Weinstein's. "But he was really socially awkward. The way he dealt with it was by just being a bully."

People who have known both Weinsteins say they had a complicated relationship dating back to childhood that often involved Harvey belittling Bob, who frequently sought his older brother's approval. As Bob's Dimension unit became successful, he "became more confident and he'd stand up to Harvey more," said a former Miramax executive.

After "Scary Movie 5" performed poorly in 2013, Harvey said to Bob, "Why would anyone make that movie?" recalled a person who witnessed the conversation.

"F— you," this person recalls Bob responding. "I don't work for you."

Nonetheless, Bob would brook no criticism of his brother in his presence. Richard Potter, a former assistant of Bob Wein-

stein's who rose to become a key executive at Dimension in the late 1990s, said that when he once went to tell Bob of what he considered threatening and unfair behavior by Harvey, Bob grew angry and said, "No one gets in between me and my brother." Bob Weinstein said he didn't recall the conversation.

Bob Weinstein was less likely than his brother to blow his top, people who worked with the pair said.

"Bob didn't yell the way Harvey did," said Brendan Deneen, a former Miramax, Dimension and Weinstein Co. executive. "He was more snarky and cutting."

Once, when a marketing executive showed him a potential trailer for the film "I Got the Hookup" and asked, "What do you think?" Bob Weinstein responded, "I think it f—ing sucks," and threw the videotape over an employee's head, according to a person who witnessed the incident. Mr. Weinstein denied the incident occurred.

As Weinstein Co. has fallen apart in the past two weeks, some former employees have sought to distance themselves

At the 2000 premiere of "Scary Movie," a Dimension executive attempted to introduce his wife to his boss. Bob Weinstein stuck out his arm and shoved the woman back, the former executive recalled, as he made a beeline for stars Marlon and Shawn Wayans and director Keenen Ivory Wayans, with whom he hoped to sign a deal to make more movies. Mr. Weinstein denied that occurred.

In the late 1990s, Mr. Weinstein called an assistant when he was lost on the way to a screening, irate that the assistant had hired a car service that didn't know the way, according to a former employee.

"Take your shit and get the f— out of here," he said to the assistant, according to the former employee. "You're fired." Later he called the assistant back to rehire him, the former employee said. Mr. Weinstein said that didn't happen.

As Weinstein Co. has fallen apart in the past two weeks, some former employees have sought to distance themselves

# GREATER NEW YORK

## Newark Revival Gains Convert

Old New Jersey Bell building will become a mixed-use tower in latest city upgrade

By KEIKO MORRIS

Investors who redeveloped and leased a historic Newark department-store site have secured more than \$100 million in financing to revive another city landmark.

L+M Development Partners Inc. and Prudential Financial Inc. have closed on funding that will allow the venture to convert the old New Jersey Bell headquarters building at 540 Broad St. into a mixed-use tower with 263 market-rate and affordable apartments as well as office and retail space.

The partners are hoping to continue the city's development momentum, which has brought residents to its downtown, revitalized parks and spurred plans for more office and retail space.

State and city leaders are pitching Newark, along with up to \$7 billion in tax incentives, to Amazon.com Inc. as the tech giant conducts a countrywide search for a second headquarters location.

Part of the venture's mission is to revitalize Newark's downtown as a round-the-clock neighborhood, injecting a residential element, said Ommeed Sathe, vice president and head of impact investments at Prudential.

"We wanted to be fuel for that momentum," said Jonathan Cortell, vice president of development at L+M Development Partners. "This is a great city that has long been overlooked and has such great infrastructure."

Citi Community Capital is providing a \$71 million construction loan and will provide \$14 million in funding through historic tax credits. Goldman Sachs Urban Investment Group is providing \$13.5 million in funding through various tax-credit programs.

The venture and its financing partners are no strangers to complex historic redevelopment projects. L+M, Prudential and Goldman Sachs Urban Investment Group teamed up to redevelop the Hahne & Co. building, where Rutgers University, Whole Foods Market and a bookstore operated by Barnes & Noble Education Inc. are tenants. The project included 160 apartments, 40% of which are designated affordable. Marketing began last winter, and those apartments were quickly leased, Mr. Cortell said.

"There is strong continued demand on the residential side," Mr. Sathe said. "And you are starting to see projects in surrounding municipalities start to advertise the proximity to Newark. It's a great sign of where we think the city is heading."

The 1929 art deco Bell building, purchased last year from Verizon Communications Inc., was designed by

architect Ralph Walker of Voorhees, Gmelin & Walker, a firm known for designing buildings for the Bell companies, according to federal documents. Rising 20 stories, the building's facade features massive sandstone figure reliefs representing telephone company workers, such as a lineman, operator and a supervisor.

When the building is converted, 20% of the apartments will be affordable at levels up to 50% of the area's median income.

The venture will replace the windows and remove a stairwell from the east side of the building, which has views of the New York skyline, and is considering a corporate auditorium space for options such as a community theater, Mr. Cortell said.

The project "represents a commitment to jobs, development, and to bring quality housing and economic growth to our downtown," Newark Mayor Ras Baraka said.

## Yankees Win, Even the Series



GAME FOUR: Todd Frazier and Greg Bird celebrated the Yankees' comeback victory over the Astros Tuesday night in the Bronx.

ELSA/GETTY IMAGES

## Man Convicted In Ponzi Scheme Gets 6 to 18 Years

By THOMAS MACMILLAN

A former investment manager was sentenced Tuesday to 6 to 18 years in prison for stealing nearly \$7 million in a Ponzi scheme.

Steven Canady, 45 years old, who owned the now-defunct Alliance Warburg Capital Management, received the sentence in Manhattan federal court following a June conviction on larceny, fraud and forgery charges.

Between May 2010 and June 2015, Mr. Canady stole millions of dollars by persuading companies looking for loans to pay him "fully refundable due-diligence fees" in exchange for the promise of funding, prosecutors say. Mr. Canady would then take the money for himself, using some of it to pay off other companies he had previously lured into the scheme.

Mr. Canady also stole \$150,000 from one company with the false promise of a big 30-day return on an investment in one of his business ventures, according to prosecutors.

Mr. Canady created fake personas, invented business relationships and forged documents to get clients to pay him, prosecutors say. He showed companies fake bank documents indicating he had

more than \$500 million in assets, prosecutors say.

Mr. Canady's lawyer didn't respond to a request for comment.

"In this multimillion-dollar Ponzi scheme, there was nothing legitimate about the defendants' business dealings, and every contract, letter, and bank account was used to commit fraud and steal from victims across the country, who lost hundreds of thousands of dollars,"

**\$7M**

Amount stolen by ex-investment manager Steven Canady

Manhattan District Attorney Cyrus Vance Jr. said in a statement.

Mr. Canady's sister, Ruby Canady Summers, 48, also played a part in the scheme, by pretending to be a lender and creating forged bank statements showing more than \$1 billion in an account, according to prosecutors.

Ms. Summers, who was also convicted in June, was sentenced last month to three to nine years in prison on larceny and fraud charges.



A runaway male calf trotted around a ballfield in Brooklyn before being tranquilized and captured by New York City police officers.

## Fugitive Hoofs It to Prospect Park

By ZOLAN KANNO-YOUNGS

A runaway calf raced along a Brooklyn highway and into Prospect Park, knocking a toddler out of a stroller before it was captured following a standoff with police Tuesday, authorities said.

The chase began at about 11:25 a.m. when the male calf was seen running north on the Prospect Expressway between exits 2 and 3, police said.

The bovine ran into a 2-

year-old girl being pushed in a stroller by her mother at Prospect Park West and Park Circle, a law-enforcement official said. The child was jolted from the stroller and was treated at a hospital for a cut on her lip, the official said.

The New York Police Department deployed its Emergency Service Unit and officers mounted on horses to Prospect Park after learning the calf had entered the area, Officer Arlene Muniz said.

By 12:45 p.m., dozens of onlookers surrounded a field in Prospect Park to watch the police contain the calf.

Instead of rushing to engage the animal, members of the Emergency Service Unit, who are trained to de-escalate tense situations with suspects, watched as it trotted around the field until about 1:20 p.m.

"They want to make sure it doesn't get hurt as well," Officer Muniz said. "It's a baby."

The young bull was "in cus-

tody" shortly after 1:30 p.m., Officer Brian Magoolaghan said. Authorities said the animal was tranquilized and then put in a horse trailer.

The calf was taken to the Animal Care Center of New York City facility on Linden Boulevard in East New York, Brooklyn. An ACC spokeswoman said the runaway—now nicknamed Jimmy K.—was transferred to Skylands Animal Sanctuary & Rescue in New Jersey.

## School-Bus Driver Violations Targeted by Attorney General

By MELANIE GRAYCE WEST

School-bus companies in New York rack up hundreds of tickets a year for red-light violations caught on camera, but companies aren't required to report the tickets to the state or consider them in driver assessments, according to a report released Tuesday by Attorney General Eric Schneiderman.

The loophole has potentially deadly repercussions, according to Mr. Schneiderman. He said state laws should be changed to require bus companies to report red-light violations to the state and school districts, and to include those violations in driver evaluations.

"We must crack down on the problem now, before it turns tragic," Mr. Schneiderman said in a statement.

Investigators for the attorney general's office randomly selected 15 bus companies in Westchester and Suffolk counties and found hundreds of tickets—300 alone in Westchester in 2016—for red-

light camera violations.

Under state law, bus companies must upon request provide to the state Department of Motor Vehicles reports on bus-driver convictions and accidents, but not red-light camera violations, which capture offenses not seen by a police officer. School-bus companies, not individual drivers, are ticketed for red-light camera

*'We must crack down on the problem now, before it turns tragic.'*

New York state attorney general

violations. But school-bus companies maintain detailed records and know the driver of an individual bus, investigators found.

New York state generally has some of the toughest laws regulating bus drivers, who must complete medical exams before employment and are subject to criminal history re-

views. They also have to pass regular road tests after starting work. If a school-bus driver operating a personal vehicle receives three tickets from a police officer for running a red light in an 18-month period, state law would prohibit that person from driving a school bus for a year.

Al Roney, a spokesman for the New York School Bus Contractors Association, a trade group, said safety is the priority for bus companies and the association will work closely with the attorney general's office to ensure that any loopholes are addressed.

In instances where a driver is found to have gone through a traffic light, said Mr. Roney, the offense is taken seriously. "While different companies may have different disciplinary procedures, the driver is subjected to retraining, suspension or possible termination," he said.

"School buses are, by far, the safest mode of transportation for students to get back and forth to school each day," said Mr. Roney.

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METRO MONEY | By Anne Kadet

# Greater New York

## Trailer Park Is a Hot Property

**A** When a newly built, two-bedroom home in the Goethals Community on Staten Island sold at the end of September, it fetched a record-busting high price for the neighborhood: \$150,000.

Yes, that is actually a freakishly low figure for a home in New York City. But there is good reason—Goethals is the city's only trailer park.

The 14-by-60-foot home, manufactured by Eagle River Homes with tan carpets, Formica counters and faux-wood flooring, sold before it was even installed on lot C-11, said Goethals resident manager George Valente.

Mr. Valente said he has a waiting list of more than 100 prospective buyers. With the median price for a two-bedroom in Staten Island's North Shore area topping \$425,000, the prospect of a similar-sized home selling for one-third the price appeals to many.

Prices for used homes are even lower. Realtor Geralyn Liverani recently listed a 1983 two-bedroom on lot F-5 for \$90,000. The home, with its hardwood floors, Jacuzzi and stainless-steel appliances, sold within a month.

Such prices only look like a bargain relative to other local options, of course. A new, two-bedroom manufactured home would typically cost less than \$50,000 in a trailer park outside the city.

Installation costs are higher in New York City, "but it's mostly about market forces," said Richard Freedman, chief executive of Garden Homes Management Corp., which owns 97 manufactured housing communities in the Northeast, including Goethals. "Our cost is, in the end, besides the point."

Zoning laws make it nearly impossible to build a new manufactured-home commu-



BYRON SMITH FOR THE WALL STREET JOURNAL (2)

Rich Auchmoody, top, prefers the comforts of his manufactured home in the Goethals Community, above, to apartment dwelling.

nity anywhere near the city, so the supply "has been effectively fixed for decades," Mr. Freedman said.

Goethals is home mainly to retirees like Suzanne Marano, a former Wall Street executive who used to share a ranch house five minutes away with her mother and sister. She bought a manufactured home in 1990 as a gift for her mom. The three used it as a vacation house.

"There's something about Italian people—they like a second home, and this was the best I could do," she said.

Ms. Marano now lives there full-time and has the place furnished with photos of Pope Francis, matching flo-

ral-print sofas and a very, very large television.

She has paid the mortgage so her housing expenses are limited to \$585 a month in lot rent, which covers water, private sewer service and trash removal. Gas and electric cost another \$150 a month.

"If you're retired, it's wonderful," she said.

The site originally served as a dump, then as a golf range. Two brothers bought the land in the 1980s and turned it into a trailer park. When they raised the lot fees, residents staged a rent strike.

After residents lost the ensuing court battle, many couldn't pay their back rent and had to leave. Opportun-

ists bought homes from desperate sellers—sometimes for less than \$5,000—and hauled them away. When Garden Homes bought the land in 1995, there were just 68 homes remaining on the 128-lot site. "It was lonesome," Ms. Marano said.

The community has long since rebounded and is fully occupied. The homes, in shades of white, beige and light blue, are packed 15 feet apart. Many residents install screened-in porches, back decks and gardens. Try that with your \$425,000 co-op!

Folks say they enjoy relative quiet. While it fronts the entrance to the busy Goethals Bridge, the community backs up to the Graniteville Swamp, commonly referred to as "the marsh." It is home to falcons and muskrats, not to mention an endless parade of deer who boldly stroll the community's asphalt lanes.

Residents acknowledge that trailer parks get a bad rap. But at Goethals, prospective buyers have to pass a screening interview with Mr. Valente, who keeps out the riffraff. "One guy was so high on heroin, he couldn't even stay awake for the meeting."

He is also responsible for enforcing four densely printed pages of regulations: No hot tubs, skateboard ramps or trampolines. Grass not to exceed 4 inches. No loud singing.

But there is still room for expression. Rich Auchmoody, a retired truck driver, has his carport festooned with Christmas lights, a ceiling fan, three barbecues and a fuzzy, life-size, singing deer head.

Mr. Auchmoody serves as the community's handyman, grows tomatoes and does his shopping on nearby Forest Avenue. A former apartment dweller, he prefers his current digs.

"You got more room, more chance to do things," he said.

Isn't there any downside to living in a trailer park on Staten Island?

"You tell me!" he said. "We'll both know!"

*anne.kadet@wsj.com*

## Greater New York Watch

NEW YORK CITY

### Sergeants Union Backs Malliotakis

State Assemblywoman Nicole Malliotakis's mayoral campaign got a boost Tuesday with an endorsement from the Sergeants Benevolent Association, a 13,000-member New York City Police Department union.

"She looks at the issues and she sees people," said Ed Mullins, president of the SBA.

The union has an acrimonious relationship with Mayor Bill de Blasio, a Democrat running for reelection. Tensions rose when a sergeant was charged with murder earlier this year after shooting an unarmed mentally ill woman in the Bronx. Mr. Mullins lambasted the mayor as too quick to pass

judgment in the case.

Ms. Malliotakis, a Republican from Staten Island, told the SBA: "Like so many other New Yorkers you recognize the damages this mayor has done to our city and to your police department."

Mr. de Blasio's campaign spokesman defended the mayor's record on police relations, saying he "strongly supports the uniformed men and women who serve New York City proudly."

—Mike Vilensky

NEW YORK STATE

### Solitary Confinement Standards Adopted

New York is adopting new standards for the treatment of prisoners held in solitary confinement in local jails, including mandated time outside their cell and increased reporting requirements, in an effort to prevent prisoner mistreatment.

Under the new rules, issued Tuesday by the state's Commission on Correction, inmates held in isolation in local jails must be provided with at least four hours outside their cells each day. Local jail officials would have to notify the state when a prisoner who is pregnant or under the age of 18 is placed in solitary, or whenever an inmate is held in seclusion for more than a month.

—Associated Press

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**A photo of Ahmad Rahimi** that accompanied an article about his conviction for planting bombs in Manhattan was taken by Mike Segar of Reuters. In some editions Tuesday, the photo credit was incorrectly given as Brent N. Clarke/Filmmagic/Getty Images.

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CORRECTIONS &  
AMPLIFICATIONS

# LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

## Mom, Dad: Welcome to the Conference

More schools are including students at parent-teacher meetings, and sometimes even calling on them to lead the discussion

**BON AND JUDSON** Crowder arrived at a parent-teacher conference for their 8-year-old daughter Kate last spring hoping to discuss some troublesome teasing on the playground.

They spent the 20-minute meeting listening to Kate talk about what she was doing in first grade instead. While Ms. Crowder enjoyed watching Kate, having a child present at a parent-teacher conference can be awkward: "It's really hard to discuss social issues when your kid is sitting right there," she says. She and her husband waited until a later event at the Houston school to mention the playground problem to Kate's teacher, who quickly resolved it.

Some educators are rethinking the parent-teacher conference. More students are attending and sometimes even leading fall conferences, starting even in the youngest grades.

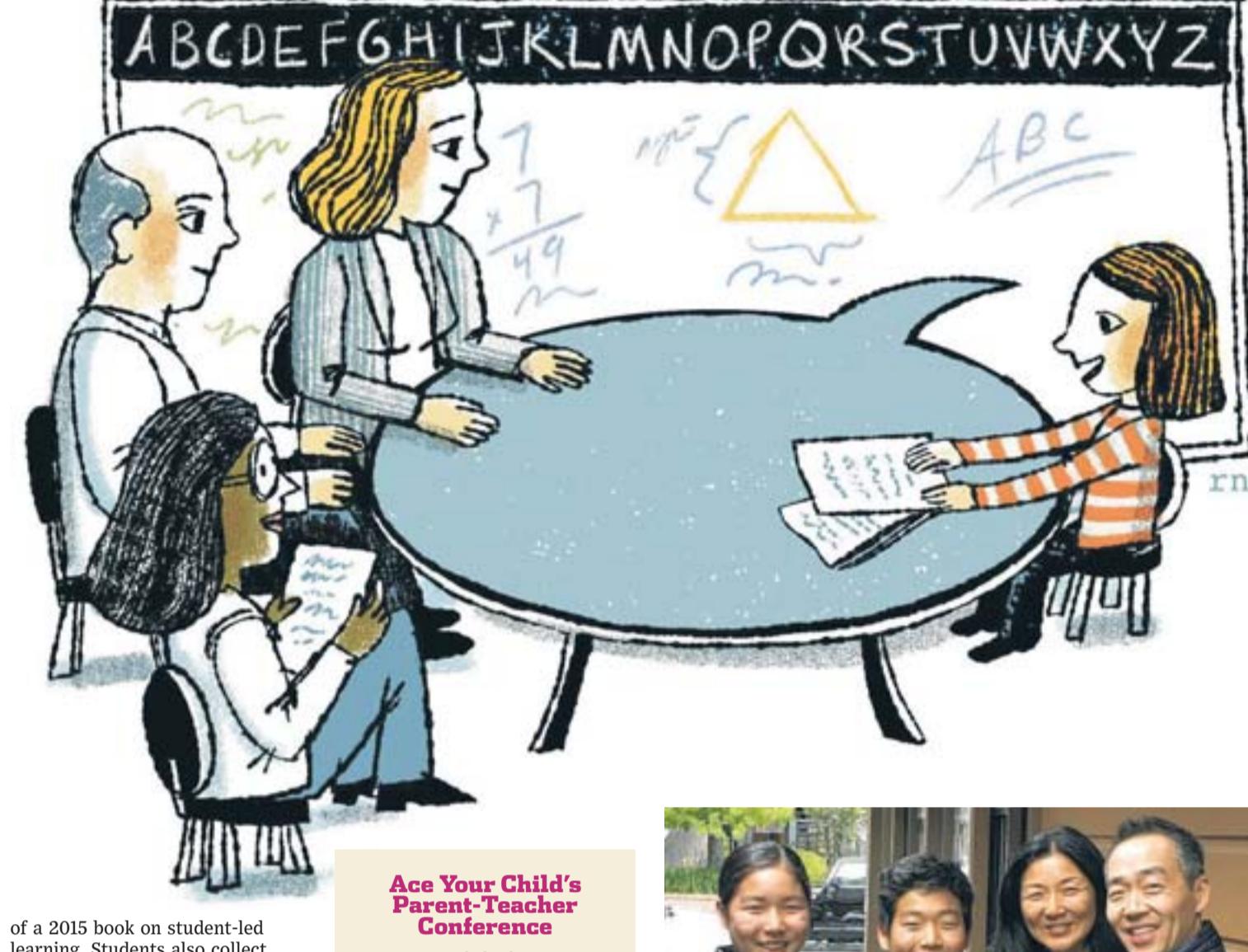
The shift is gradual, accelerating in the past few years. It reflects a growing emphasis on what educators call personalized learning—tailoring students' work to their individual needs and interests, and pressing them to take responsibility for mastering agreed-upon skills. The aim is to spawn lifelong learners who can adapt nimbly to change.

The format can be jarring at first for parents. "The first time you do it, it's a little disconcerting. You're wondering, 'why am I going to school to have a student-led conference with you when I could just talk to you at home?'" says Beth Simek of Surprise, Ariz., president of the 20,000-member Arizona PTA.

But after participating in student-led conferences starting in elementary school for her son Andy, who is now 16, Ms. Simek says she was pleased to see how proud he was of his work with other students on group projects. Letting students lead "gives your child a chance to show you the personality they have at school, and who they are when they're away from you," she says.

Some schools have students attend all parent-teacher conferences. Others allow teachers to decide whether students are present. Students often lead, but sometimes just take part. Principals at public schools in Arlington, Va., began embracing student-led conferences about five years ago, starting in fourth or fifth grade, a school district spokeswoman says. About half of the district's 28 elementary and middle schools now have students take the lead. Some private schools have included middle- and high-school students in parent-teacher conferences, but many are extending the practice to lower grades.

Teachers begin preparing for these sessions weeks in advance. They help students set learning goals, make plans to reach them and understand what their work will look like after they've succeeded, says Kara Vandas, a Castle Rock, Colo., professional-development consultant to schools and co-author with Mary Jane O'Connell



of a 2015 book on student-led learning. Students also collect samples of their drafts and finished work in notebooks, digital files, portfolios or posters to show their parents.

Tanya Marchman-Twete, a fifth-grade teacher at Lone Tree Elementary School in Lone Tree, Colo., says more parents attend student-led conferences because their children get excited about leading the conferences.

And students sometimes think more deeply about problems when they describe them with both their teacher and their parents present, she says. When one fifth-grader complained about conflicts he was having with other students, he had a eureka moment. The student realized he was fueling the tensions by always insisting on doing things his own way in games.

Kelli Lumaye says she had a similar epiphany when her 11-year-old daughter Eliza declared herself "bad in math" during a student-led conference two years ago. Eliza was more anxious about math than she had realized, she says. Both she and Ms. Marchman-Twete reassured Eliza that many students have similar problems and she wasn't as far behind as she feared, Ms. Lumaye says. They agreed on some exercises Eliza could do with Ms. Lumaye's help at home. She has since gained confidence.

Many teachers see traditional conferences with parents as stressful, tiring and time-consuming, research shows. Anxious parents

### Ace Your Child's Parent-Teacher Conference

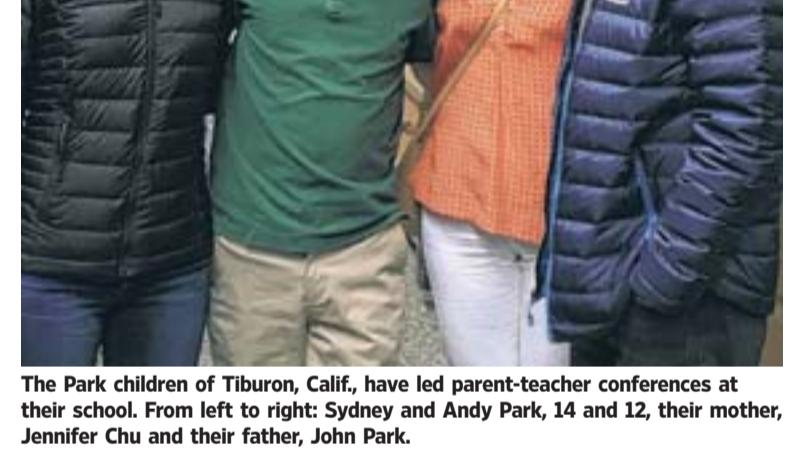
Some tips to help the meeting when your child is there, too:

1. Let your child take the lead.
2. Ask her to show some of her work.
3. Look for and comment on signs of progress.
4. Ask what she's most proud of.
5. Ask what her goals are for the term, semester or year.
6. Ask what you can do to help your child meet her goals.
7. Ask for an explanation of standards or goals you don't understand.
8. Praise effort rather than grades.
9. Save sensitive family or social topics for a private meeting with the teacher.

closely monitor every word the teacher says and try to show they're good parents by criticizing their child before the teacher does, says Danielle Pillet-Shore, an associate professor of communication at the University of New Hampshire, who has analyzed videos of the conversations.

A student's presence "changes the dynamic tremendously," Dr. Pillet-Shore says, shifting the focus away from the parent.

Parents can help by focusing on what the student is learning, rather than grades, and praising the student's effort. Most important, experts say, is for parents to



The Park children of Tiburon, Calif., have led parent-teacher conferences at their school. From left to right: Sydney and Andy Park, 14 and 12, their mother, Jennifer Chu and their father, John Park.

ask, "What can I do to help you meet your goals?"

Student-led conferences can go awry if parents focus on disappointing grades, join the teacher in criticizing the student and demand to know why he or she isn't doing better, says Ms. O'Connell, a Sedalia, Colo., professional-development consultant. This can leave a student feeling deflated and wanting nothing more than to get everyone off his back, she says.

Kyle Redford, who teaches fifth grade at Marin Country Day School in Corte Madera, Calif., says student-led conferences help ensure that everyone is getting the

same story from the student. A student might pretend at school that he's managing his work just fine, then have an emotional meltdown about it at home.

Ms. Redford saves 10 minutes at the end of student-led conferences for parents to speak with her privately about a child's social skills, friendships or family issues.

"That's the most valuable part for me," says Jennifer Chu, a Tiburon, Calif., parent of two former students of Ms. Redford's, Andy, 12, and Sydney, 14. "I get to know what she really thinks, and I get to tell her what's going on outside the classroom."

### TELEVISION

## WHAT MAKES 'THE WALKING DEAD' SO HOT

BY PAUL VIGNA

**BY NOW, YOU'VE LIKELY** seen the barbed-wire baseball bat. You've probably heard somebody say, "look at the flowers, Lizzie." You're aware that there's some scruffy character out there named Daryl, and that women swoon over him, and everybody's threatening to riot if he dies. But you're still not a fan of "The Walking Dead."

"The Walking Dead" returns to AMC on Sunday for its eighth season, premiering with its 100th episode. Over its first seven seasons, this zombie show has become a ratings monster. In the key demographic of 18-49 year olds, "The Walking Dead" is the most popular show on television. It's bigger than the NFL. The controversial Season 7 premiere drew 17 million people. That episode, in which the villain Negan bludgeons to death two main characters, was so graphic that it sparked the first backlash against the show's violence. The audience drifted off (and producers toned down the bloodshed), down to around 10-11 million by midseason, but not enough for any other show to take the top spot.



"The Walking Dead" is the story of Rick Grimes (Andrew Lincoln), a small-town sheriff's deputy who wakes from a coma to find society destroyed by a zombie plague. The show follows Rick as he finds his family and leads a small band of survivors through the southeast, trying to fight off both the zombies and the living, who can sometimes be just as deadly.

Why all the fuss over a lowbrow zombie splatterfest? Here are some of the reasons for the show's success, and if you're willing

Please see DEAD page A13



Above, Melissa McBride as Carol Peletier and Norman Reedus as Daryl Dixon; right, the walkers.

## LIFE &amp; ARTS

MY RIDE | By A.J. Baime

# A Race Car She Built Herself

*Gracie Hackenberg, 21, a senior at Smith College in Northampton, Mass., on her 1999 Mazda Miata racing car, as told to A.J. Baime.*

This weekend, roughly 40 teams from all over the country will compete at the Grassroots Motorsports \$2017 Challenge at Gainesville Raceway in Florida. The basic rules are, you build a racing car for no more than \$2,017, and that includes all the parts except safety equipment. Drivers compete in drag racing, autocross (racing one at a time through a course to see who's fastest), and a concours (participants have three minutes to present their cars to judges).

I grew up in a car family, and I started helping my grandfather—a NASA engineer—work on his vintage cars when I was seven. I got hooked on racing around the time I got my driver's license at age 17. (I admit, I got some speeding tickets.) As an engineering student, I was looking for a motor-sports project I could take on. The Grassroots Motorsports event was perfect because it was accessible in terms of resources, and a really supportive community.

I began building my car last summer while interning for Hale Motorsports, a race shop in Old Saybrook, Conn. Randy Hale, my mentor, sold me a gutted Mazda Miata for \$600 and taught me how to weld in a roll cage. The Miata is the most popular production vehicle

for people who want to build race cars but do not have professional budgets, so it was an ideal start.

At the beginning of the school year, I took the car to campus. Even though the project is independent (I am not being graded), I got help from fellow students; the lab coordinator for the engineering department, Sue Froehlich, has been my main adviser.

At the beginning, I had about 40 Smith students helping, but the work got so intense over the last eight weeks (on top of school work); there are three left. While my teammates raised money for the car and travel expenses through a Smith college engineering grant and a GoFundMe page, I focused on the car. Working in a school machine shop, I installed an exhaust system, fabricated custom seat brackets, and installed the race seat, safety harness, and a spoiler. The 1.8-liter motor and the manual transmission are stock 1999 Miata.

As you read this, my adviser Ms. Froehlich's husband will be driving the car on a trailer to Florida, and I will be flying down to compete this weekend. Winners will get trophies and bragging rights, and I am gunning to bring them home for the whole Smith college team.

Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).



Clockwise: Gracie Hackenberg will race her self-built car this weekend; Ms. Hackenberg strapping into the harness she installed; the 1999 Miata sports the Smith College banner; the seat, among the car's many used parts; the car's nose.



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14 911 Carrera 4S Cabriolet PDK	Basalt Black/Black & Beige	14K mi CPO	\$89,900	
12 911 Carrera S Cabriolet PDK	White/Luxor Beige	31K mi CPO	\$73,900	
11 911 GT3 RS Coupe Manual	Oslo Blue/Black	2K mi	\$309,900	
11 911 Carrera S Coupe Manual	Dark Blue/Beige	21K mi CPO	\$69,900	
03 911 Turbo Coupe Manual	White/Natural Brown	5K mi	\$77,900	
03 911 Carrera Cabriolet	Seal Grey/Graphite Grey	45K mi	\$32,900	

> CAYMAN/BOXSTER				
17 Boxster S Cabriolet PDK	Agate Grey/Black & Bordeaux	204 mi	\$79,900	
16 Cayman PDK	Black/Black	147 mi	\$57,900	
14 Cayman PDK	Agate Grey/Black	17K mi CPO	\$46,900	
07 Boxster Manual	Silver/Black	33K mi	\$24,900	

> MACAN/CAYENNE				
17 Cayenne GTS	Moonlight Blue/Black & Cream	142 mi	\$102,900	
16 Cayenne	Jet Black/Agate Grey	12K mi CPO	\$57,900	
16 Cayenne S E-Hybrid	Moonlight Blue/Black & Cream	8K mi	\$72,900	
14 Cayenne Diesel Platinum Edition	Black/Black	43K mi	\$47,900	

> PANAMERA				
14 Panamera 4S	Black/Black	19K mi CPO	\$65,900	
14 Panamera 4	Rhodium Silver/Black	12K mi CPO	\$59,900	

2012 997 911 Carrera S Manual  
Black/Black | 7K mi | CPO  
\$79,900

2003 911 Turbo Coupe Manual  
Seal Grey/Natural Grey | 12K mi  
\$77,900 - 1 Owner

2015 Boxster S PDK  
White/Black | 15K mi | CPO  
\$60,900

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08 Scuderia Gry 7k	\$235K
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04 575M Sil/Blu	\$129K
99 355 Spider Series Fiorano Blk/Bge	\$129K
83 BB512i Red/Blk 1 owner	\$319K

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17 F12 Si/Blk 400 mi	SOLD
17 F12 Red/Tan DEMO	CALL
16 F12 Blk/Blk 7k	\$285K
15F12 Blk/Blk 2k	\$279K
15 FF Si/Blk 6k	\$195K
15 FF Blk/Bge 3k	\$199K
14 FF Blk/Blk 11k	DUE
11 GTO Blk/Blk 2k	\$697K
04 575M Sil/Blu	\$129K

## 488 MID ENGINE

17 Spider Red/Blk 1k	\$369K
17 Spider Blk/Blk	\$358K
17 Coupe Red/Tan	SOLD
16 Coupe Gry/Tan 3k	\$269K

## 458 MID ENGINE

15 Coupe Red/Blk 3k	\$244K
14 FIA GT3 Race	\$475K
14 Coupe Blk/Blk 4k	\$219K
13 Spider Nero/Coupe 11k	\$219K
13 Spider Blk/Bge 2k	\$239K

## CALIFORNIA

17 Whi/Blk HS	CALL
16 Sil/DkBrn 1k	\$195K
15 Red/Tan 7k	\$169K
15 Red/Tan 2k	\$184K
15 Whi/Blu 16k	\$165K
14 Gry/Bge 1k	\$159K
13 Dk Red/Dk Bge 5k	\$139K
12 Gry/Dk Bge 12k	\$139K
12 Blk/Blk 11k	\$139K

## 430 MID ENGINE

08 Spider Red/Tan 11k	\$149K
07 Spider Red/Blk 21k	\$119K
06 Spider Red/Tan 12k	\$129K
06 Coupe Blk/Tan 11k	\$114K

## 360 MID ENGINE

03 Spider Red/Blk 13k	\$89K
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## 328 GTS

89 GTS Whi/Blk 20k	\$99K
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13 Aston Martin Vantage ProDrive GT4	\$129K
12 Corv ZR1 Cent. Ed. 4k	\$89K
07 AM DB9 Volante 6sp 11k	\$85K
91 SCCA TA/Vint. GT1 Weaver Camaro	\$89K
89 SCCA TA/Vint. GT1 Corvette	\$275K
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## LIFE & ARTS

### CULTURAL COMMENTARY

# Seeing a Donor's Vision

The overhauled Freer is returned to its patron's original intent

BY BRUCE COLE

Washington

**WHEN IT OPENED** in 1923, the Freer Gallery of Art was the Smithsonian's first art museum. Charles Lang Freer (1854-1919), a Detroit railroad tycoon, had been encouraged to donate his collection of Asian art and work by James Abbott McNeill Whistler to the nation. Among the treasures of what is now a 26,000-work collection are a superbly carved sandstone Bodhisattva from northern China (c. sixth century), a fierce red wooden Japanese Aizen Myo'o (1293), and John Singer Sargent's "Breakfast in the Loggia" (1910), a marvel of dappled sunshine and shadow.

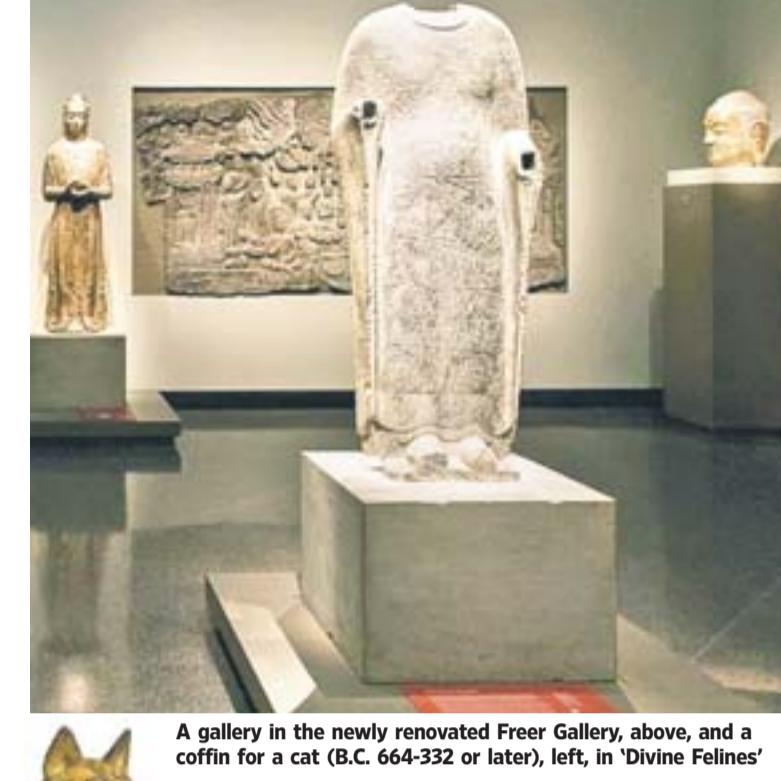
In addition, the museum boasts over a thousand Whistlers, including the famed Peacock Room, a sumptuously painted London dining room Freer bought in 1904 and reassembled in his Detroit home.

An autodidact guided by Whistler and the Asian art scholar Ernest Fenollosa, Freer pored over catalogs, read avidly, and traveled to explore works in situ (including five trips to China) and buy for his collection of Western and Asian objects. He believed that all art is linked by a beauty that is universal. Like those of his contemporaries Henry Clay Frick and Isabella Stewart Gardner, Freer's collection is a product of the taste of one discerning person with a hunger for art and deep pockets to fulfill it.

For the museum, Freer worked with Beaux Arts architect Charles Platt to design an elegant neo-Renaissance building whose beautifully proportioned, luminous rooms, around a garden court, perfectly showcase his collection. Sadly, Freer died before it was completed.

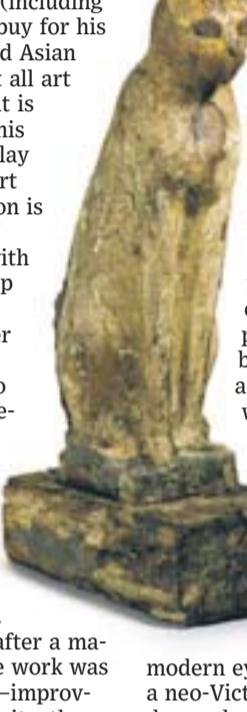
It has now reopened after a major upgrade. Much of the work was done behind the scenes—improving climate control, security, the elevators and auditorium. But in the public areas, the Freer has been restored to its donor's intent. Platt's rooms, marvels of architectural reticence complementing the art they house, and his severe barrel-vaulted corridors, wisely left unadorned, are themselves well worth a visit. Carpeting has been removed to reveal restored terrazzo floors, architectural details have been refreshed and natural illumination maximized.

Now seen in elegant, unobtrusive vitrines, the museum's treasures are beautifully illuminated by natural and artificial light. The objects are carefully paced, encouraging the breathing room, leisurely study and silent contemplation that Freer wanted for masterpieces like a jade Bi disk from the Han dy-



FROM TOP: FREER GALLERY OF ART AND ARTHUR M. SACKLER GALLERY, BROOKLYN MUSEUM

A gallery in the newly renovated Freer Gallery, above, and a coffin for a cat (B.C. 664-332 or later), left, in 'Divine Felines'



nasty (second century) or Whistler's portrait (1902) of Freer himself.

Its sister institution, the Smithsonian's Arthur M. Sackler Gallery, opened in 1987 to house a gift of some 1,000 works of Asian art from the New York psychiatrist and medical publisher, has likewise been refreshed, although a more striking and awkward marriage with

Freer's building would be hard to imagine (because they are connected underground, they are regarded as a single museum).

The building is a post-modern eyesore. Entering through a neo-Victorian pavilion, the visitor descends into a warren of windowless subterranean galleries. A greater challenge to curators would be hard to contrive.

Director Julian Rabys desire to attract, engage, instruct and sometimes amuse a large audience informs the temporary exhibitions in the Sackler celebrating the museums' reopening. It's an approach that Freer might have frowned on, but is a perhaps necessary nod to the different cultural climate in which the museum is operating.

Divided into five thematic sections, "Divine Felines: Cats of Ancient Egypt" (organized by the Brooklyn Museum and on through Jan. 15, 2018) is an intriguing, often lighthearted, examination of "the role and meaning" of the animal in Egyptian society. It will appeal to the legion of cat lovers who

may view statuettes of cats, cats on rattles, and even a feline's coffin. They also may be fascinated to learn that when a pet cat died, its owners shaved their eyebrows.

Featuring "two experiential spaces," video, digital tablets and more than 300 objects spanning 18 centuries, "Encountering the Buddha: Art and Practice Across Asia" (through Nov. 29, 2020) seeks to "illuminate the ways in which art and place express the teaching of Buddhism." The exhibition serves as a good introduction, not only to one of the world's major religions and the diversity of its interpretations, but also to some of the grandest objects in the museum's collection, including two imposing busts of arhats from the Ming dynasty.

"Resound: Ancient Bells of China" (through 2020) is a user-friendly display exploring the many functions of Chinese bells. One learns that these bells—there are 60 of them here—are works of art that just happened to ring. Their history, manufacture, use and different sounds are interestingly explored, the last through digital graphs generated by visitors tapping two modern bells.

There's also an installation piece by the contemporary Indian artist Subodh Gupta (through Feb. 3, 2019) featuring towers (some 13 feet high) made of brass food containers interwoven with strings.

Cognoscenti of Asian art as well as tourists to the National Mall will find joy, knowledge and instruction in the Freer and Sackler Galleries. It's good to see them in such fine fettle.

*Mr. Cole, a former chairman of the National Endowment for the Humanities, is a senior fellow at the Ethics and Public Policy Center.*





## OPINION

### REVIEW & OUTLOOK

## The Realtors Take a Tax Hostage

**R**epublicans had hoped to mute opposition to their tax blueprint by preserving the deduction for mortgage interest, but no bad policy goes unpunished. The Realtors are still howling that the reform will hurt homeowners, and they're trying to take a central element of reform as a political hostage.

One goal of the GOP framework is to simplify the tax code by eliminating preferences that distort economic behavior. Most itemized deductions other than mortgage interest and charitable contributions would be nixed. But the individual standard deduction would increase to \$12,000 from \$6,350 (\$24,000 for married couples) to reduce taxes for most Americans.

The Realtors are upset because they say this middle-class tax cut would make fewer taxpayers use the mortgage-interest deduction. The National Association of Realtors trashed the framework in a statement, saying it "would all but nullify the incentive to purchase a home for most, amounting to a de facto tax increase" and ensure "that only the top 5 percent of Americans have the opportunity to benefit from the mortgage interest deduction."

Where to begin? The brokers are right that the reforms would reduce the utility of the mortgage-interest deduction for many middle-income earners who currently itemize. But this is a virtue, not a bug. While only those with large mortgages and charitable contributions would likely continue to benefit from the break, this doesn't mean other homeowners would be worse off.

Two-thirds of all income-tax filers already take the standard deduction. Increasing it to \$12,000 would mainly affect homeowners earning between \$50,000 and \$100,000 who on average itemize \$7,000 in mortgage interest and \$6,342 in local and state taxes. Some of these middle-income itemizers—particularly those with smaller mortgages who live in lower-tax states—would instead take the standard deduction. But if their overall tax liability is reduced, they're still better off. The Realtors want to keep taxes higher on all Americans so they can keep their subsidy.

The well-to-do with large mortgages could still itemize deductions—the average mortgage-interest deduction for those earning more than \$250,000 is \$15,500—but the subsidy's value would diminish due to a decline

in marginal tax rates. But that is also the point of reform—to lower rates across the board rather than subsidize one form of economic or social behavior (like owning a home) over another.

The Realtors say the GOP framework would reduce the incentive to buy and own homes. This is highly doubtful. Home-ownership is higher in countries with no deduction such as Canada (69%) and the United Kingdom (71%) than in the U.S. (64%). The U.S. also heavily subsidizes housing in other ways, such as the low-income housing tax credit and Fannie Mae and Federal Housing Administration loan guarantees.

The subsidies get baked into higher home prices, thereby making ownership less affordable for lower- and middle-income earners. California, Washington, D.C., New York and Hawaii have among the largest mortgage-interest tax deduction claims per return but the lowest home-ownership rates. On the other hand, taxpayers in Southern and Midwestern states with high home-ownership derive less benefit from the deduction.

Taxpayers in coastal states that benefit most from the state and local tax break also reap some of the biggest gains from the mortgage-interest deduction. Many of these states have higher home prices due to scarcity of land and restrictive zoning. Homes in California's coastal metros are four to five times more expensive than in most of the rest of the country, but the disparity in rents is about half as large.

This is another way of saying that the mortgage-interest deduction subsidizes housing consumption for the upper and upper-middle class. Republicans could help tax fairness if they reduced the current \$1 million cap on the size of a deductible loan to \$500,000. The Tax Foundation estimates this would raise about \$300 billion in revenue over 10 years, which could be used to lower tax rates. GOP tax writers should do this if the Realtors insist on partially restoring the state and local tax deduction.

Like other carve-outs, the mortgage-interest deduction favors some taxpayers over others and distorts economic decisions. Tax reform would benefit all Americans in lower rates and faster economic growth, and Republicans should hold fast against the housing lobby's self-serving tax flimflam.

## Jerry Brown's Title IX Veto

**A** regular test of the Trump era will be hewing to fundamental principles despite polarization over the 45th President. Full marks, then, to Governor Jerry Brown, the California Democrat, who on Sunday vetoed a bill that would have codified Obama-era policies on campus sexual assault.

The Obama Administration in 2011 issued the notorious "Dear Colleague" guidance, which ordered universities to create Title IX kangaroo courts or risk losing federal funds. Education Secretary Betsy DeVos is moving to replace that guidance with new regulation restoring due process.

But the California Legislature, in full resistance mode, passed a law explicitly "to protect the Obama-era guidelines," said Santa Barbara state Senator Hannah-Beth Jackson, the bill's sponsor. Adherence would be "a condition of receiving [state] financial assistance."

Enter Mr. Brown, who echoed Mrs. DeVos's concerns in a letter with his veto: "Thoughtful legal minds have increasingly questioned

whether federal and state actions to prevent and redress sexual harassment and assault—well-intentioned as they are—have also unintentionally resulted in some colleges' failure to uphold due process for accused students."

Mr. Brown said accused students must be granted "the presumption of innocence until the facts speak otherwise" and warned that "depriving any student of higher education opportunities should not be done lightly, or out of fear of losing state or federal funding." He added, in an affront to the idols of identity politics, that "we have no insight" into "whether there is disproportionate impact on race or ethnicity." All of which is true.

Mr. Brown's second term ends next year, so perhaps he feels politically liberated to resist the resistance mob when it tramples bedrock due-process protections. But adults in both political parties need to keep their eyes on those principles regardless of what they think of the Trump Administration.

## Prosecutorial Impunity

**F**ederal appeals judge Alex Kozinski has noted that abusive behavior by prosecutors is reaching "epidemic proportions." That epidemic will get worse after Tuesday's ruling by the Second Circuit Court of Appeals absolving prosecutors for using false information to put David Ganek's hedge fund out of business.

A three-judge panel, led by prosecutorial soft-touch Reena Raggi, overturned a lower court ruling and found that prosecutors and FBI investigators have immunity from Mr. Ganek's suit seeking damages. The court ruled that immunity applies even though prosecutors falsely claimed Mr. Ganek had traded shares based on what he was told was inside information.

An FBI informant in fact testified that he had never told Mr. Ganek the information had been illegally obtained, and an FBI agent corroborated that testimony. Yet the FBI and prosecutors included the false claim in an affidavit to obtain a warrant for a highly publicized raid on Mr. Ganek's firm. Mr. Ganek was never charged, but the negative publicity forced him to roll up his Level Global fund in 2011.

Prosecutors deserve some measure of immunity lest they be sued every time they lose a close case. But immunity should not be impunity, and Judge Raggi's opinion all but provides it by refusing to let Mr. Ganek's suit proceed to gather evidence about whether prosecutors knew the information was false.

### An appeals court winks at false evidence that destroyed a hedge fund.

they have other evidence to dress up a warrant. Never mind that in this case the warrant was used to justify a raid on an innocent party and destroy his business.

The Ganek raid and smear were typical of former federal prosecutor Preet Bharara's method in his assault on Wall Street. The smearing continued even during the oral argument at the Second Circuit. Sarah Normand, an assistant U.S. Attorney, accused Mr. Ganek of participating in "a scheme with regard to many, many pieces of inside information from many public companies."

This was long after her office had decided not to charge Mr. Ganek. But instead of remorse or an apology, Ms. Normand doubled down on prosecutorial innuendo.

Mr. Ganek could appeal, but the Supreme Court is unlikely to take a case that hangs on such a factual dispute. The Justice Department could discipline the prosecutors for spreading false information, and it ought to investigate whether it was a lie, but Justice is an insider's club. The only real check on prosecutorial abuse are judges willing to enforce standards of honesty. Judge Raggi has set a standard that will encourage more dishonesty.

information. Yet the trial judge looked at the same facts and concluded the opposite. Judge Raggi's ruling means in practice that there is no mechanism for an innocent person like Mr. Ganek to seek redress if a claim is a lie, and no legal remedy.

This is incentive for prosecutors to think they can get away with lying as long as

## LETTERS TO THE EDITOR

### The Many Reasons Americans Own Firearms

Peggy Noonan's "The Culture of Death—and of Disdain" (Declarations, Oct. 7) overlooks the main reason I have guns. I no longer trust my government to do the right thing, to protect our nation and its Constitution or my family. I'm a retired naval officer who came by this distrust reluctantly and over a long period. I took an oath to protect and defend our Constitution against all enemies, foreign and domestic, and I took both parts of that oath seriously. So I watch politicians' actions more than their words. They want to remove our guns so we won't have that reason to be fearful. I live in Texas and see what has happened in neighboring Mexico where the drug lords have guns and the citizens don't. I read about Chicago, the gun-control mecca and murder capital. Does strict gun control work in England? Maybe, but I don't see it working here.

CDR. HAL DANTONE, USNR (RET.)  
Kingsville, Texas

Why is it when trucks are used to drive into crowds and kill people, all the talk is about mental health, but when guns are used, it's all about the guns?

NICK HEBERT  
Akron, Ohio

I find it ironic that the same day Ms. Noonan's column ran, the World Watch section reported 51,000 firearms were collected by Australian authorities during a gun amnesty drive. More fascinating is the statistic that only 13% of homicides in Australia in 2014 were gun related compared with 64% in the U.S. Why? Because Australia has had the political will to impose tougher gun laws.

Until we impose similar sanctions

in recognition that our Second Amendment was intended only to guarantee that a new and fragile republic could quickly raise an army to defend itself, we'll have too many guns and too many mass shootings.

MICHAEL W. SHERER  
Mercer Island, Wash.

Americans have guns because they are independent, free, have always had arms and will continue to do so. Americans are not fearful. Americans have the right to protect themselves at all times. Americans expect the right to self-defense and self-determination and this, a singular trait of the U.S., makes it different from other countries. When elites and politicians argue that arms ownership by the citizens should be restricted, Americans go out and buy weapons. I did after many years of not owning any guns because I was determined to exercise my right to self-defense. Americans don't like government coercion.

D. SCOTT STEWART  
Niceville, Fla.

Dear Ms. Noonan: We carry guns because, unlike the elite, rich and privileged, we cannot afford armed guards.

STEVE SZYMCZAK  
Klein, Texas

Why do Americans have so many guns? It's because Americans have so much of everything. We collect guns for the same reason we collect shoes, handbags, guitars, fine wine, cars and watches. It isn't due to class or political differences. It isn't a culture of death. It's a culture of consumerism.

PAUL R. MANUELE  
Whitestone, N.Y.

### What Wasn't Considered in the College Survey

We, along with the presidents of Agnes Scott College, St. John's College and Bennington College, worry that your exclusion from The Wall Street Journal/Times Higher Education College Rankings of some of the most outstanding small colleges in the country simply because their enrollments don't top 1,000 students or because they don't meet a specific level of faculty research output does a disservice to your readers and to the very students and parents you are attempting to help ("U.S. College Rankings," Journal Report, Sept. 27).

These colleges have amazing reputations for outstanding classroom teaching, strong student living and learning communities, innovative research conducted by faculty experts and their undergraduate students, cutting-edge pedagogy development and achievements in preparing graduates to become successful leaders in multiple disciplines. They have been noted for their successes in various national rankings, in news stories highlighting their work and accomplishments, in academic scholarly re-

search on effective teaching methods and across a spectrum of other media. By any meaningful measure, these small colleges are each providing students with unique and wonderful educational experiences and are highly cherished for their efforts. Their exclusion from your rankings deprives readers of valuable information for making college choices.

College size can be a crucial consideration when families are selecting the appropriate college experience. With their small student-to-faculty ratios, our colleges are focused primarily on providing the highest quality teaching for undergraduates. In many cases, colleges like ours have made conscious choices to remain small to better serve our students and our missions.

GREGORY D. HESS PH.D.  
President  
Wabash College  
Crawfordsville, Ind.  
MARIA KLAWE PH.D.  
President  
Harvey Mudd College  
Claremont, Calif.

### Sen. Paul's Proposal Won't Solve the Problems

Sen. Rand Paul brings out the fact that if every senator cast exactly the same vote that was cast in the 2015 repeal attempt, repeal of ObamaCare would have passed in 2017. This seems naive because those who voted as they did in 2015 knew that their vote was meaningless since the president would have vetoed anything they passed ("I'm Champion of the Real ObamaCare Repeal," Letters, Oct. 3).

The good senator's position that it is better to live to fight another day for complete ObamaCare repeal is preferable than voting for Graham-Cassidy is preposterous. There

won't be another day. The 2018 elections will probably punish the current Republican Congress by putting Democrats back in the majority and paving the way for the single-payer insurance being pushed by progressive Sens. Elizabeth Warren and Bernie Sanders.

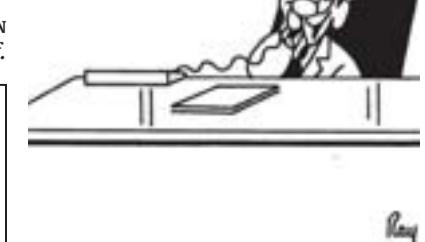
Sen. Paul says he has a plan to solve the problems in ObamaCare by allowing individuals to buy health insurance across state lines. This indicates a lack of understanding because this does nothing to solve out-of-control Medicaid spending and doesn't deal with mandatory policy provisions that increase premiums dramatically.

Nor does it cover individual and employer mandates, medical-device taxes, taxes mandated by ObamaCare, provide a realistic method to cover those with pre-existing conditions or deal with the financial disarray in exchanges mandated under ObamaCare.

BILL STEPHENSON  
Nichols Hills, Okla.

### Pepper ... And Salt

THE WALL STREET JOURNAL



"Oh, under sedation—and you?"

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## OPINION

# Where Critics of Tax Reform Go Wrong

By Laurence Kotlikoff  
And Jack Mintz

The Republican framework for tax reform is taking considerable heat. Former Treasury Secretary Lawrence Summers calls it an "atrocity." Economics Nobel Laureate Paul Krugman describes it as "ten big lies." These strong reactions rest in large part on a preliminary analysis of the plan from the Tax Policy Center. It claims that the tax plan won't expand America's economy or its tax base but will produce massive deficits. This pessimistic view does not reflect the best economic analysis.

**The Tax Policy Center's models don't simulate how the GOP plan would draw investment to the U.S.**

Start on the business side. By our estimate, the GOP framework reduces the tax on investing in the U.S. from 34.6% to 18.6%. That's a hefty tax cut and should greatly stimulate investment. The extra capital should, in turn, make workers more productive, raise their wages, and increase tax revenues. Given how little revenue the corporate tax collects thanks to its many loopholes, this part of the framework could, conceivably, pay for itself.

So why does the Tax Policy Center assume there will be "little macroeconomic feedback effect on revenues"? One answer might be that the framework's changes to personal income taxes would create huge

government deficits. Some "closed economy" models of a single country suggest such deficits would absorb Americans' savings that would otherwise be invested, negating the positive effects of the business tax reform.

But this isn't the answer given by the Tax Policy Center. Its analysis estimates that the personal tax reforms will generate more revenue, not less. The huge deficits it foresees will come, it says, solely on the business side.

The Tax Policy Center justifies this curious position based on its study last year of the framework's predecessor—the "Better Way" plan released by House Republicans. Following the trail back, we find that last year's study relied on two closed-economy models that do not simulate the current, let alone the future, global capital market. Yet it's impossible to guess how corporate tax changes would affect America's open economy without explicitly factoring in the conditions in competing countries—including not just their corporate tax rates, but their propensities and capacities to save and, thus, supply capital to the world.

Fortunately, a study posted this week co-written by one of us (Kotlikoff), along with MIT's Seth Benzell and the Inter-American Development Bank's Guillermo Lagarda, fills the gap. The study estimates the effects of the GOP tax framework using the Global Gaidar Model. The GGM simulates the entire world capital market—every country is included, broken down into 17 regions—and is calibrated using demographic information from the United Nations and fiscal data from the International Monetary Fund. It was developed over



ISTOCK/GETTY IMAGES

three years by Kotlikoff and a team of Russian and U.S. economists.

The GGM is a direct descendant of the AK model, an early macroeconomic simulation developed in the late 1970s by Alan Auerbach, a Berkeley economist, and Kotlikoff. Closed-economy versions of the AK model are used by the Congressional Budget Office, the Joint Committee on Taxation and even the Tax Policy Center.

Building and calibrating a single-country AK model is one thing. Creating a 17-region version is a much bigger challenge. Consequently, the GGM may well be the world's only up-to-date global AK model. In our view, it's the only one that is up to the task of predicting the effects of the Republican tax framework.

Unlike the "closed-economy models" being used by the Tax Policy Center, the GGM recognizes that foreigners can put capital into the U.S. Hence, the amount of investment depends on

two things: the attractiveness of investing here, and the global supply of savings. It doesn't depend on the size of Washington's deficit because foreigners can buy the extra bonds issued by Uncle Sam. Putting it more formally, deficits leave our bills to our kids, but in an open economy they don't "crowd out" domestic investment. That the Tax Policy Center suggests the opposite shows it is using the wrong models.

Simulating the Republican tax framework in the GGM produces a very different estimate. The GOP plan would raise America's gross domestic product by 3% to 5%, depending on the year in question. It would increase the U.S. capital stock by 12% to 20%. And it would raise real wages by 4% to 7%, which translates into roughly \$3,500 a year for the average working household. Moreover, due to the economy's expansion, the framework's tax plan is essentially revenue-neutral.

The GGM's strong supply-side response to the corporate tax reform reflects the mobility of global capital and the inefficiency of today's tax code—with its high investment disincentive and many loopholes. But the model does not have a built-in supply-side bias. The GGM predicts that cutting personal income taxes would produce deficits, crowd out capital and diminish long-run economic welfare. It also estimates that setting the corporate tax much below the 20% rate proposed by the GOP framework would necessitate personal income tax increases to prevent America's debt-to-GDP ratio from rising.

The Tax Policy Center also suggests that the Republican framework is highly regressive. This ignores, however, the increase in workers' wages predicted by the GGM. That said, we do share critics' concern that the plan would disproportionately benefit the top 1%. One way to rectify the fairness problem and address the country's long-term fiscal gap would be to add, as the framework foresees, a fourth personal tax bracket for those with very high incomes.

No economic model is perfect. But some are far better than others when it comes to the specific questions they were designed to answer. Unfortunately, notwithstanding its truly outstanding staff, the Tax Policy Center is influencing a critical debate using closed-economy models. Such models are simply unable to simulate accurately how the GOP tax plan will affect the economy—let alone its tax revenue, wages and fairness.

*Mr. Kotlikoff is a professor of economics at Boston University. Mr. Mintz is a fellow at the University of Calgary's School of Public Policy.*

## Thurgood Marshall's Approach to Politics Still Deserves Respect



One of the final scenes in "Marshall," a new film about the early legal career of civil rights superstar Thurgood Marshall, shows the future Supreme Court justice in a train station in Mississippi. It's 1941—peak Jim Crow—and a large "Whites Only" sign hangs above a water fountain beside him.

Marshall ignores the sign, takes a paper cup from the dispenser, and draws water from the fountain. An elderly black gentleman quietly watches him, in seeming awe of this defiant act. The two men exchange glances but no words as Marshall exits the station, yet his message to the older man is clear: Don't be afraid.

The cultural critic James Bowman has remarked that movie history is history for suckers, and that's often the case. But "Marshall" gets a lot of the history right, even as it fudges details of the sensational trial at the center of the movie, which involves a black man who is accused of raping

and attempting to murder a wealthy white woman in Connecticut. Marshall is a young lawyer for the NAACP who traipses the country representing black defendants the organization believes were unjustly accused out of racial prejudice. The movie is, above all else, a wondrous glimpse back at how a previous generation of black leaders dutifully went about the task of advancing the race and making America more just.

Marshall is portrayed as a confident, intelligent and fearless advocate who went about his work under the most difficult circumstances. He tried cases in courthouses with no bathrooms or water fountains available for blacks. His challenge was not simply to win cases but also to survive the aftermath. That could mean sneaking in and out of court buildings to represent clients and hiding his whereabouts when he wasn't in court. It was not uncommon for him to be run out of town at gunpoint after a trial, or to have to resort to decoy drivers to evade lynch mobs.

Yet he continued to put himself in harm's way for the cause. It is hard to square this kind of fortitude with

black leaders today who become squeamish at the sight of Confederate statues or melt down over a "microaggression."

"He was almost lynched once after a trial in Columbia, Tennessee," Marshall biographer Juan Williams told me recently. "And there are other instances where people bring him into town in the back of a hearse

so that it won't be obvious that it's Thurgood Marshall coming into town. And then they move him from house to house at night so you can't tell where he's sleeping."

Mr. Williams, author of several black civil-rights histories, said black leaders of yesteryear obsessed over their public appearance and presentation: "How they spoke, how they dressed. It mattered to them."

Marshall frowned on the violent activism of the late 1960s and believed outward demonstrations of black self-respect and self-respect were essential to improving race relations. What Marshall and other civil-rights leaders of his era personified—and what "Marshall" celebrates—is what many of today's liberal elites derisively call "respectability politics."

People today who encourage underprivileged blacks to adopt middle-class mores are accused by prominent black thinkers like Michael Eric Dyson and Ta-Nehisi Coates of playing down the role of white racism in racial disparities. But an older generation of blacks believed that it mattered how they were perceived by nonblacks, not because it guaranteed protection from racist misconduct—it didn't—but because it would help facilitate black upward mobility. In 2016, according to census figures, the U.S. poverty rate was 22% for blacks and 11% for whites, but it was only 7.5% for married blacks. Maybe Marshall's generation was on to something.

Fifty years ago this month, Thurgood Marshall was sworn in as the

first black justice on the Supreme Court, but he'd already earned his place in the history books decades earlier. Notwithstanding his reliably liberal jurisprudence, many black activists in the 1970s and '80s viewed him as a member of the conservative law-and-order establishment.

He didn't much care for them, either, according to Mr. Williams. "Marshall was so contemptuous of the Jesse Jacksons and Al Sharptons in the 1980s," he told me. "To him, they weren't seriously advancing the constitutional protection of rights, which is what Marshall was all about, and they weren't advancing goals like better education or employment opportunities. He saw them as a carnival, a distraction."

Sadly, the carnival continues and if anything has gotten sillier. (In August the NAACP urged blacks to "exercise extreme caution" while traveling in Missouri due to recent police shootings in the state.) But for anyone interested, "Marshall" vividly recalls a time when civil-rights activists and organizations deserved to be taken seriously.

## Why the Eurocrats Can't Stand Poland's Law and Justice Party

By Ryszard Legutko

Since Poland's last parliamentary elections in November 2015, members of the losing Euro-federalist party, Civic Platform, have accused the ruling Law and Justice Party of violating the Polish Constitution and steering the country toward authoritarianism. The charge has been loudly repeated by European Union officials. But what critics call authoritarianism is merely an attempt to reclaim for the Polish state the basic instruments of power held by governments in France, Germany and every other European state.

State institutions in postcommunist societies have always been weak and prone to corruption. As one Civic Platform member said in a wire-tapped 2013 conversation with a colleague: "The Polish state exists only in theory." Law and Justice was elected on a promise to reform the

Polish judicial system, much of which retains troubling connections to the communist past. Judges who sent anticommunist activists to prison in the 1980s still sit on Poland's Supreme Court. Some are former members of the Communist Party.

Many Polish judges are unabashedly partisan. They attend political rallies, make public statements on partisan issues, and openly work with politicians to advance certain policies. In 2012 the president of the district court in Gdańsk accepted a call from a journalist who pretended to be working for then-Prime Minister Donald Tusk, a co-founder of Civic Platform. The judge seemed ready to accommodate the phony aide's requests. Mr. Tusk's son had been employed by a company owned under a pyramid scheme that had been tried before that very judge, making the judge's solicitousness all the more suspect.

Law and Justice's proposed reforms included restoring checks and balances among the three branches of government. The process for staffing the court system is a collaborative one between the legislature and several professional associations representing judges. In most European countries the goal is to incorporate political input while maintaining judicial independence. In Poland, however, the judges have been granted carte blanche to fill out their own ranks. The professional associations are determined to hold on to these privileges.

In July, Poland's president, Andrzej Duda, vetoed two of the three proposals put forward by his Law and Justice colleagues, but reiterated his commitment to radical reform. In this, he has the support of a vast majority of the population who are clearly dissatisfied with how the courts work. Whatever their current

differences, the president and Parliament are unlikely to give in to EU pressure and drop the reforms.

Why did reasonable reforms provoke such strong reactions from the European Commission and the European Parliament? One reason is the double standards that plague European institutions. When Mr. Tusk's government changed the law to

**Seeing Eastern European countries regain their political agency drives them crazy in Brussels.**

treaties be respected. The "Rule of Law Recommendations" the commission issued this summer exceeded the power granted to it by Europe's founding treaties. Targeting Poland is a part of Commission President Jean-Claude Juncker's plan to make the body "more political."

Western European governments and the leadership of EU institutions have long treated the countries of Eastern Europe as adolescents under their tutelage. European commissioner Günther Oettinger asked the Polish government to bring legislative proposals to Brussels before submitting them to the Polish parliament. During an informal meeting with Polish politicians last year, German Chancellor Angela Merkel couldn't disguise her irritation at Poland's new economic relationship with China, arguing that such an opening should have had the blessing of "friends."

Most irritating to the Eurocrats has been the growing cooperation among the Visegrád Four—the Czech Republic, Hungary, Poland and Slovakia—and the Trimarium, composed of the V4, the three Baltic states, Austria, Slovenia, Croatia, Bulgaria and Romania. Poland has played a major role in bringing these Central and Eastern European perspectives together.

The EU functionaries seek to enlarge their power by centralizing it. Watching Eastern European countries regain their political agency drives them crazy. After all, in politics no one likes their power taken away.

*Mr. Legutko is co-chairman of the Conservatives and Reformist Group in the European Parliament, a professor of philosophy at Krakow's Jagiellonian University, and author of "The Demon in Democracy: Totalitarian Temptations in Free Societies" (Encounter, 2016).*

## THE WALL STREET JOURNAL.

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## Notable & Quotable

From an interview with historian Jacob Remes at [PSMag.com](http://PSMag.com), Oct. 4:

What's the central idea behind disaster studies as a field?

At the heart [of the field] is a saying that became common in the 1970s: There's no such thing as a natural disaster. There are hazards, some of which are natural (earthquakes, tornadoes, river floods) and some of which aren't (industrial fires, pollution, dam collapses, nuclear bombings). But what makes them a disaster is how they intersect with individual and community vulnerability, which is socially constructed. Once we understand this fundamental paradigm, we can understand how disasters are political events with political causes and solutions, not just . . . technical failures.

have the Constitutional Court composed almost entirely of Civic Platform appointees, no one in the EU raised an eyebrow. When the Law and Justice government sought a more balanced court, the EU saw it as a threat to the rule of law. When the previous government sent anti-terrorist forces to interrupt an editorial board meeting at *Wprost*, a weekly magazine that had published transcripts of conversations among high-ranking Civic Platform officials, European newspapers ignored the story.

Poland is now accused of controlling the media, which is an absurd charge. Poland has a robust and independent media, representing a far larger spectrum of opinion than you find in France or Germany. Poland is one of the few countries in Europe where political correctness has not managed to stifle the public discourse.

The European Commission simply has it out for Poland because we dare to oppose the centralizing tendencies in Europe, defend national sovereignty as delineated by the EU founding treaties, and insist that the

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# BUSINESS & FINANCE

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## Morgan Stanley Thrives

Wealth management's strength delivers best showing for the first nine months since '07

By LIZ HOFFMAN

**Morgan Stanley** chief James Gorman's outsize bet on wealth management is paying off in a big way.

The firm's army of brokers—many of them far from Wall Street, scattered at 600 offices from Eugene, Ore., to Alpharetta, Ga.—more than compensated for a continued slowdown in trading and set Morgan Stanley on track for its most profitable year in a decade.

Morgan Stanley's \$5.5 billion in net income for the first nine months of the year is its best showing since 2007. In the third quarter, the firm posted earnings of 93 cents a share and revenue of \$9.2 billion, which were both higher than a year earlier and easily beat analysts' expectations.

Morgan Stanley, along with **Goldman Sachs Group Inc.**, rounded out big banks' quarterly earnings Tuesday. The five biggest Wall Street firms all improved from a year ago, each relying on a different cocktail to overcome continued torpor in the once-lucrative securities business. **J.P. Morgan Chase & Co.** and **Citigroup Inc.** leaned on commercial

lending and credit cards. **Bank of America Corp.** was aided by lending and expense discipline, while investment gains and merger fees helped Goldman.

Morgan Stanley's engine increasingly is its wealth-management business, which oversees \$2.3 trillion for 3.5 million Americans and continues to rake in assets. It is the centerpiece of Mr. Gorman's effort to turn Morgan Stanley from Wall Street's problem child to a steadier firm prized by investors, largely by focusing on wealth and asset management.

Those businesses are ascendant on Wall Street. Baby boomers have hit their peak earning years and are manag-

ing for retirement, while the number of millionaires looking for advice and concierge services is growing.

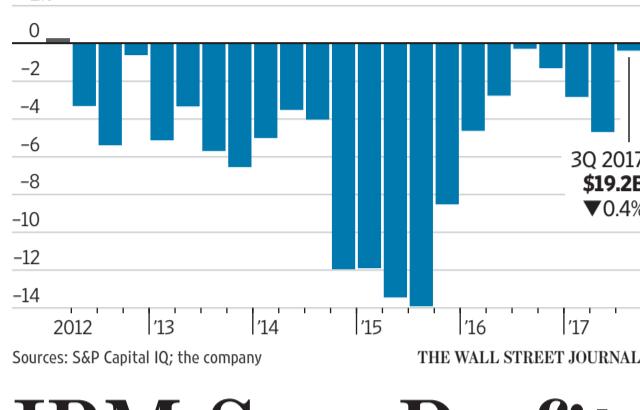
Meanwhile, postcrisis rules and quiet markets have shackled trading desks and raised the cost of the capital they need to operate.

The boom in wealth management extends beyond Wall Street. Regional brokerage Edward Jones recently passed the \$1 trillion mark in total client assets.

At Morgan Stanley, the firm's multiyear purchase of Citigroup Inc.'s brokerage, Smith Barney, is now fully integrated, and executives have squeezed much of the obvious. Please see MORGAN page B2

### Blue Streak

Change from a year earlier in IBM's total revenue



Sources: S&P Capital IQ; the company

## IBM Says Profit And Sales Drop

By TED GREENWALD

tioned to deliver exactly what we said in the fourth quarter."

Wall Street agreed, sending shares of Big Blue up 5.4% in after-hours trading after finishing off slightly at \$146.54 during the regular trading day. The stock had fallen 12% this year, compared with the S&P 500's gain of 14%.

IBM is trying to transition from older, shrinking businesses such as building and maintaining technology on customers' premises to higher-growth operations such as delivering pay-as-you-go services over the internet.

The company has placed big bets on emerging technologies such as its Watson AI platform and blockchain, the networked ledger at the heart of digital currencies such as bitcoin.

The newer businesses IBM calls strategic imperatives, which include cloud computing and Watson-driven applications in health care and finance, grew 11% to \$8.8 billion. Cloud revenue rose 20% to \$4.1 billion.

Strategic imperatives are the crux of IBM's prospects for transformation. Those newer businesses accounted for 45% of total revenue in the past 12 months, up 2 percentage points from a quarter ago, and are approaching the mark where they could push the company back to growth.

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### FRONTLINES SHIFT FAST IN TECH WARS

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### HARLEY SALES AREN'T HIGH ON THE HOG

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## SoftBank to Launch Cellular Sites in U.S.

By DREW FITZGERALD

Lendlease Towers, with plans to snap up \$5 billion of telecom assets "over the medium term" as the venture grows, a Lendlease spokesman said. The new company also plans to strike agreements with more wireless carriers.

"Our intention is to become sizable in this arena," said Denis Hickey, chief of Lendlease's business in the Americas.

The venture's backers didn't say how much of that future commitment they plan to fund themselves but said they are seeking more capital partners. A Sprint spokesman said the arrangement could help the company cut its expenses in the long run.

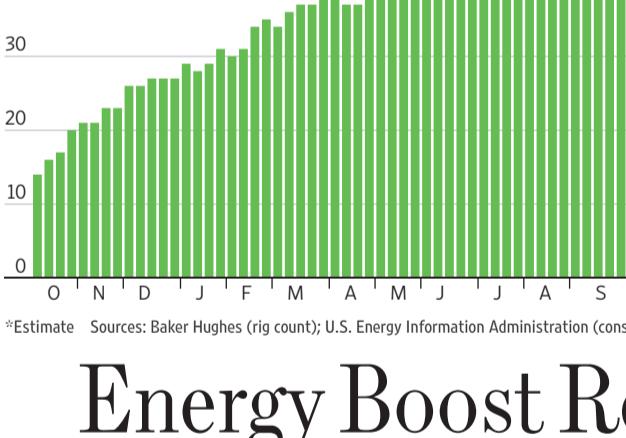
SoftBank Chairman Masayoshi Son has placed big bets on a variety of companies big and small over the past year. Many of the investments

Please see SPRINT page B4

### Gas Guzzlers

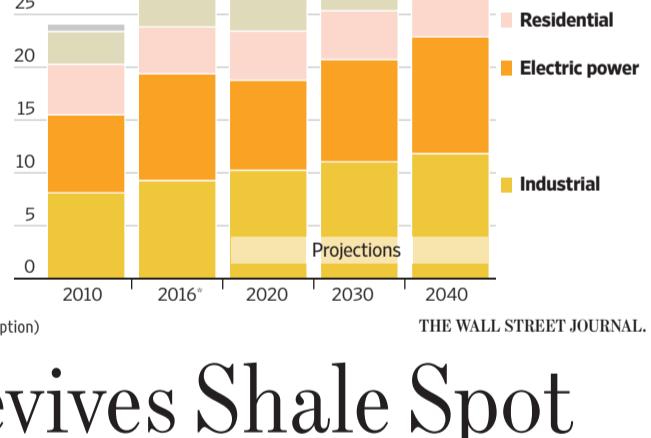
Shale drilling is coming back to the Haynesville gas field as demand from industrial users and power plants rises.

#### Active drilling rigs in the Haynesville gas field in Louisiana and Texas



\*Estimate Sources: Baker Hughes (rig count); U.S. Energy Information Administration (consumption)

#### Natural gas consumption by sector



THE WALL STREET JOURNAL.

## Energy Boost Revives Shale Spot

Haynesville natural-gas field buzzes with help from new fracking techniques

By LYNN COOK

An early center of American shale drilling is roaring back to life, boosted by a building boom of petrochemical plants, fertilizer factories and gas-export terminals along the Gulf Coast.

The Haynesville Shale, a giant natural-gas field in northwest Louisiana, was one of fracking's hottest spots a decade ago. But it fizzled out about five years ago as gas prices plunged

and drillers focused on finding oil next door in Texas. Now, the Haynesville is being reborn as companies with longstanding positions in the area, such as **Chesapeake Energy Corp.**, and newcomers seeking opportunity rush back in and drill again.

Gas production from the Haynesville has risen more than 20% so far this year, to more than seven billion cubic feet a day from less than six billion in January, according to the **U.S. Energy**

**Department.** The number of rigs active in northern Louisiana parishes and the Texas portion of the field has more than tripled in the past year to 44, according to oil-field-services company Baker Hughes Inc.

"The Haynesville is where it began," said Frank Patterson, Chesapeake Energy's vice president of exploration and production.

The company has been learning how Please see FRACKING page B2

HEARD ON THE STREET | By Paul J. Davies

## A Credit Suisse Breakup Isn't the Answer

Calls to split up global banks became quieter as profits revived and Europeans finally grasped the nettle of deep restructuring, but it couldn't last.

**Credit Suisse Group**, part way through a multiyear overhaul, has a new activist investor buzzing around. Full details of the plan from RBR Capital Advisors, a small Swiss investment firm, are to be published later this week, but it has been talking to the bank about a three-way split into investment banking, asset-management and wealth-management

firms. It is an odd time to make this move. Credit Suisse's stock is far below its value when Tidiane Thiam became chief executive in 2015, but the shares are up almost 20% since its \$4 billion rights issue in June.

Mr. Thiam appears to be winning shareholder support for his plan. Compared with rivals Barclays and Deutsche Bank, Credit Suisse has made progress. However, its position is far from secure, and RBR would be right to point out inconsistencies in what it does. Like **Barclays** and **Deutsche Bank**, it has continued to shed revenue and lose market share to U.S. peers in investment banking,

only partly deliberately. The bank's overarching strategy is to do three main things for its wealthy clients. One is to lend them money so they can enjoy wealth without selling their businesses. Another is to help them expand businesses and perhaps eventually sell them. The last is to find them all kinds of investments, especially higher-margin complex, private and illiquid assets that typically only institutional investors would buy.

It isn't easy to say why some of its businesses fit with that.

The trouble is that not all of Credit Suisse's pieces

would stand on their own. The wealth-management arm, untethered from the poor returns on the investment bank, might be more highly valued than today. Asset management, under pressure from passive investing and small in the grand scheme of things, could struggle to be relevant.

A stand-alone investment bank would certainly be too small and too expensive to fund, unless it slashed more of its financing and trading businesses.

There are things about Credit Suisse that don't make sense, but RBR seems unlikely to provide the answer.

Japanese telecom giant **SoftBank Group Corp.** plans to form a joint venture with Australia's **Lendlease Group** to build or manage about 8,000 cellular sites across the U.S., challenging tower operators that dominate the industry.

Most of the infrastructure will initially come from **Sprint Corp.**, which plans to shift its leases for rooftop transmitters and other sites to the joint venture, according to the companies. SoftBank, which owns about 80% of Sprint's outstanding shares, has struggled to turn the carrier into a profitable business since it took a controlling stake in the company in 2013.

SoftBank and Lendlease will each initially contribute \$200 million toward the new infrastructure company, called

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Pulls Rule, A Big Blow To Farmers
By JACOB BUNGE AND HEIDI VOGT
The Trump administration reversed efforts to make it easier for livestock farmers to challenge meatpackers over pricing and allegations of uncompetitive practices.
Some farmers have complained for years that big meat companies enjoyed excessive control over farmers' livelihoods by leveraging their broad influence over pricing and supplies needed to raise poultry and livestock. The U.S. Department of Agriculture in December outlined the new rules that would have made it easier for farmers to contest their big customers.
Meatpackers had argued the rules would have mired processors and farmers in costly litigation and made U.S. meat more expensive.
Nearly all domestic chickens are owned by companies like Tyson Foods Inc. and Pilgrim's Pride Corp., and raised by farmers under contract. A large portion of hogs are raised under similar deals.
The planned rules would have established new grievance procedures to handle disputes between farmers and meatpackers and detailed unfair practices. The system was never implemented, and the agency said Tuesday that it was dropping the rules because of "serious legal and policy concerns."
Some poultry farmers who had pushed for the rules said they felt abandoned by the new administration and USDA Secretary Sonny Perdue, previously governor of Georgia, one of the largest chicken-producing states.
"I am extremely disappointed in the Trump administration and I'd like to know how this applies to making America great again," said Mike Weaver, a West Virginia chicken farmer who said he posted Trump campaign signs in his front yard last year. "All this does is support the big corporations, not the farmers."
Mike Brown, president of the National Chicken Council, a Washington-based group representing the U.S. poultry industry, said the decision "recognized these rules would have come with deep economic consequences for American poultry and livestock producers."

FRACKING
Continued from the prior page to get more out of the ground by drilling and fracking longer wells, Mr. Patterson told investors this month. Chesapeake, which produces over 1.2 billion cubic feet of gas daily in the Haynesville, plans to boost efforts to re-frack old wells where production is starting to peter out to squeeze more out of them, using newer technology.
QEP Resources Inc. is also re-fracking 30 Haynesville wells this year.
"The payouts on these wells are extremely attractive at \$3 gas," said Charles Stanley, QEP's chairman and chief executive. Gas this year has averaged roughly \$3 per thousand cubic feet at Louisiana's Henry Hub, a benchmark for U.S. prices.
Comstock Resources Inc. sold some Texas oil properties in 2015 to fund new gas wells in the Haynesville, and now has three rigs running in the area. The company ex-
panded a Haynesville deal with USG Properties and plans to drill a further 34 wells as part of that joint venture in East Texas.
A new report by the U.S. Geological Survey estimates the Haynesville and nearby Bossier shales contain over 300 trillion cubic feet of natural gas, up from roughly 70 trillion cubic feet in its previous survey in 2010.
Private companies have piled into the Haynesville over the past 15 to 18 months, thanks to backing from private-equity firms. Dallas-based Covey Park, backed by Denham Capital, and Vine Oil & Gas LP, backed by Blackstone Group LP, have collectively spent billions buying property in the area from Royal Dutch Shell PLC, Exxon Mobile Corp. and others.
"If you have Haynesville acreage, it's a good time to drill," said analyst Clay Lightfoot of energy consulting firm Wood Mackenzie.
Driving the trend is a sharp cut in costs. Three years ago, the Haynesville had the most expensive well costs in the Lower 48 States, in part because its fuel-bearing rocks are the deepest in the U.S., some more than 15,000 feet underground. But in 2014, when oil prices started to plunge from over \$100 to less than \$50, some companies refocused on natural gas and began experimenting with technology such as long lateral wells, helping improve the economics of extraction.
Rising demand for gas has boosted the area's pros-

MORGAN
Continued from the prior page savings from the business. Quarterly revenue of \$4.2 billion and a profit margin of 26.5% in the quarter were both records.
"The obvious low-hanging fruit is off the table," Mr. Gorman said Tuesday. "But these businesses are scale businesses," so profitability should improve as account balances grow.
A key initiative is pushing mortgages and other loans to wealth-management clients, which hit a record \$76 billion at the end of the quarter. Another is adding digital offerings: Morgan Stanley is rolling out a robo adviser for smaller account balances—hopefully without losing the loyalty of its 15,800 human brokers.
The old model of charging clients commissions to buy and sell stocks is falling away, with Morgan Stanley and rivals embracing a model where advisers charge a flat fee to manage portfolios.
Morgan Stanley's assets in this type of account topped \$1 trillion for the first time last quarter, up from \$855 billion a year ago. Bank of America, which encompasses the giant brokerage Merrill Lynch, also surpassed \$1 billion in fee-based assets in the quarter, up from \$871 billion a year ago. These accounts face fewer regulations and appear to better align brokers' incentives with those of clients. And because they don't rely on clients to buy and sell

Goldman Posts Rise in Earnings
Goldman Sachs Group Inc.'s investment bankers and portfolio managers drove a surprise increase in quarterly profit, compensating for another rough spell for the Wall Street firm's once-unstoppable traders.
Earnings of \$5.02 a share and revenue of \$8.33 billion were both higher than last year and ahead of the expectations of analysts, who thought Goldman would be the only big bank to make less money than it did a year ago.
Goldman lacks the big lending and consumer businesses that buoyed larger rivals last quarter. Instead, its gains came courtesy of its merger unit and a rising stock market that boosted the value of Goldman's own investments in other companies.
Those gains were enough to overcome a 17% decline in its trading arm, which is on pace for its worst year since

## BUSINESS NEWS



REGIS DUVIGNAU/REUTERS

An Airbus A320neo and a Bombardier CSeries jet near Toulouse, France, Tuesday. Under the companies' tie-up, Airbus plans to use its sales and marketing infrastructure to help sell CSeries aircraft.

# Airbus Takes Wingman in Boeing Fight

European plane maker adds Bombardier deal to increase strength in single-aisle jet market

By ROBERT WALL

Airbus SE and Boeing Co. have spent decades trying to outbuild and outsell each other at air shows and on factory floors around the world.

On Monday, their battle for the \$200-billion-a-year commercial aviation market took a turn into the deal room: Airbus agreed to take a majority stake in Bombardier Inc.'s CSeries jetliner project, effectively pulling the Canadian company into the European plane maker's corner.

The deal is the first of its kind for Airbus, which is putting in no equity upfront for its 50.01% stake. Bombardier has agreed to finance as much as \$700 million of any near-term funding needs.

Airbus, meanwhile, will take operational control and put its enormous sales and marketing infrastructure to work selling the CSeries.

The tie-up sent Bombardier's share price to its high-

est level in over two years—erasing losses this year—as it renewed investors' confidence in a program that has been plagued by delays, the threat of crippling U.S. tariffs and customer concerns about the company's financial health.

The single-aisle jet has won positive reviews from passengers and airlines. Bombardier has struggled to sell the plane, however, amid uncertainty over whether the Canadian company had the money to sustain the program. That worry is now gone.

Whether Airbus's backing alone can make the plane a hit is another question. The plane is slightly smaller than the workhorses that have become the industry's best sellers. It is a plane size Boeing and Airbus have stayed away from in the past, amid questions over demand from airlines, especially in the U.S. They have tended to prefer either smaller regional planes seating as many as 100 passengers or larger short-haul planes carrying 150 people or more and even bigger intercontinental versions.

Airbus expects the CSeries, which typically seats between 100 and 150 passengers, to dominate what it says is a new

market for 6,000 planes over the next two decades, said Patrick de Castelbajac, Airbus head of strategy. "We see a big growth reservoir in a market that is largely untapped," he said. Bombardier has so far sold just 360 CSeries planes in almost a decade.

*The pact would give Airbus a majority stake in Bombardier's CSeries jet project.*

Shares in Airbus rose 4.8% in Paris on Tuesday, while Bombardier's stock closed up 16% in Toronto.

Airbus, of Toulouse, France, and Chicago-based Boeing have effectively had a duopoly in the market for big commercial planes—ones that seat over 100 passengers—since 1997, when Boeing bought rival McDonnell Douglas.

The Airbus-Bombardier tie-up is much more limited in nature than that megadeal. It nonetheless presents the biggest potential change in the balance of power in the mar-

ket in 30 years.

For decades, Boeing and Airbus have essentially engaged in trench warfare. The rivalry has been most fierce in the narrow-body sector, the hottest market for big planes in recent years. Airbus had won 5,202 orders through September for its workhorse in the category, the A320neo. It has delivered 158. Boeing has won 3,902 orders so far for its 737 Max. It has delivered about 30. The new Airbus plane rolled out before the latest Boeing version.

The deal "strengthens Airbus's hand in that duopoly," said Nick Cunningham, aerospace analyst at investment adviser Agency Partners.

Russia and China in May each began flight testing rival single-aisle planes as well, though they might not enter service for several more years. Airbus decided to make a bid for the CSeries in part to avoid the plane maker falling into the hands of Chinese rivals, said a person close to the talks. Airbus held talks with Bombardier in 2015 about a partnership on the CSeries before that deal unraveled.

—Jacquie McNish contributed to this article.

## Full Fleet

Airbus is expanding its dominance of the single-aisle market by adding Bombardier's CSeries to its product mix.

### Aircraft orders

■ Airbus ■ Boeing ■ Bombardier = 100 (rounded)

A320neo



5,202

737 Max



3,902

CSeries



360

### Aircraft by size

PLANE	RANGE	SEATS
A321neo	4,258 miles	240
737 Max 10	3,700	230
737 Max 9	4,045	220
737 Max 8	4,045	200
A320neo	4,258	189
737 Max 7	4,401	172
A319neo	4,315	160
CS300*	3,798	160
CS100*	3,567	133

Source: the companies

\*CSeries

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# Bombardier's Stock Flies High Amid Jet Agreement



The cockpit of a Bombardier CSeries jet. Shares in the company rose nearly 19% in Toronto early Tuesday, before finishing up 16%.

By JACQUIE MCNISH  
AND PAUL VIEIRA

Cember. Cameron Doerksen, an analyst with National Bank, said in a report Tuesday that the partnership will improve Bombardier's cash flow and lower production costs as it shifts production for U.S. sales to Airbus's Alabama plant.

Although the move might cost Canadian jobs, one union official supported the alliance.

"This was a question of survival," Jerry Dias, president of Canadian union Unifor, told Canada's CTV network. "Am I thrilled that they will be building CSeries aircraft in Alabama? No. But ultimately I don't see that any other decision could be made."

Unifor represents some Bombardier workers.

Canadian officials said Monday night that the government had guarantees from Airbus about CSeries production and employment levels in Canada and maintaining headquarters in Montreal.

The deal is subject to a foreign-investment review, but officials signaled that approval is likely. Airbus's investment in the CSeries represents "the survival of the aerospace industry in Canada," said François-Philippe Champagne, Canadian trade minister.

## J&J Net Income Falls After Actelion Deal

By JONATHAN D. ROCKOFF  
AND CARA LOMBARDO

Johnson & Johnson increased its 2017 sales and adjusted profit guidance for the third quarter in a row, though net income in the quarter fell because of one-time items and amortization related to the company's Actelion acquisition.

J&J, one of the largest health-products companies by revenue based in the U.S., urged lawmakers in Washington to "unite behind" a plan to overhaul the corporate tax system but said its 2017 guidance doesn't assume there will be a tax overhaul this year.

Overall in the third quarter, J&J's revenue rose 10% to \$19.7 billion. The company posted earnings per share of \$1.37 on net income of \$3.7

billion, which decreased 12% from \$4.3 billion in the previous year's quarter.

A J&J spokesman said profit fell because of "amortization and inventory step-up charges primarily related to" the company's recent \$30 billion acquisition of rare-disease drugmaker Actelion.

Adjusted earnings per share, which exclude one-time items and amortization expenses, were \$1.90 on adjusted net income of \$5.2 billion, which rose 11% from a year ago.

J&J is now forecasting adjusted earnings per share for the year of \$7.25 to \$7.30, up from \$7.12 to \$7.22. The company also raised its sales outlook to \$76.1 billion to \$76.5 billion, from \$75.8 billion to \$76.1 billion.

## U.S. Looking Into Kobe Steel Scandal

By SEAN McLAIN

TOKYO—The U.S. Justice Department is wading into Kobe Steel Ltd.'s spiraling data-falsification scandal.

Kobe Steel said Tuesday that it received a request from the department to hand over information related to substandard products sold to customers in the U.S. The company is complying with that request, a company spokesman said.

The involvement of the Justice Department raises the specter of legal action for the first time since Kobe Steel admitted on Oct. 8 to doctoring product-quality paperwork. Workers at the factories rewrote product-quality information that gets shipped to customers on tens of thousands of tons of metal. The information was changed to

make it seem that the product met customer specifications when it didn't, the company said.

The scandal threatens to shake confidence in Japan's manufacturing industry. Kobe Steel is one of the country's largest producers of steel and aluminum—and a vital sup-

plier to the auto industry.

The government has set a deadline for the end of this month for Kobe Steel to determine whether there are any safety issues with its products.

Since the initial disclosure, Kobe Steel has gone on to make a series of admissions about a widening scope of



KIM KYUNG-HOON/REUTERS

Kobe Steel executives say 500 companies are affected.

data falsifications, which brought the total number of companies affected by the scandal to 500. Some of the falsifications went back as far as 2007.

Kobe Steel said the investigation into its operations is continuing and more disclosures about further product-quality issues could be made as they are found.

The Justice Department request was sent to Kobe Steel's U.S. subsidiary on Monday. Kobe Steel said it was unsure what impact the request would have on its business.

Shipments of substandard aluminum made it into vehicles made by General Motors Co. and Toyota Motor Corp., and airplanes made by Boeing Co. So far no safety problems have been reported that are connected to the issue and no recalls have been ordered.

## TECHNOLOGY

WSJ.com/Tech

# Tech Firms Muscle Into Each Other's Turf

Michael Wolf gives outlook, noting that extra \$300 billion a year in revenue is at stake

By ELIOT BROWN

LAGUNA BEACH, Calif.—The war for tech supremacy is shifting quickly to newer technologies such as augmented reality and voice assistants.

That is one finding presented Tuesday at The Wall Street Journal's WSJ D.Live technology conference by Michael J. Wolf, co-founder and managing director of the consulting firm Activate Inc.

**Alphabet Inc., Facebook Inc., Amazon.com Inc., Apple Inc.** and others are poised to bump into each other in online sports viewing, movies, news and even podcasting.

Up for grabs is an extra \$300 billion a year in revenue that Activate projects will flow into the \$1.7 trillion global consumer media and internet market by 2021, through internet-access fees, ads and paid content. Activate estimates the market will grow 4.1% a year.

Mr. Wolf's outlook estimates people spend 12 hours a day on average consuming tech and media, including moments when they are multitasking.

"Everybody's trying to get into everybody else's space because what they're really



Michael J. Wolf, co-founder of Activate, discussed industry trends at the WSJ D.Live 2017 conference.

fighting for is somebody else's time," said Mr. Wolf, a former Yahoo Inc. board member, in an interview before his presentation.

The most fertile ground is the digital voice assistant found in smart speakers and smartphones.

With Amazon's Alexa, Alphabet's Google Assistant and Apple's Siri, the internet giants are rushing to make more advanced products. Sales of

smart speakers, though, will likely peak in 2019, Mr. Wolf said, as the voice interface breaks free of the devices.

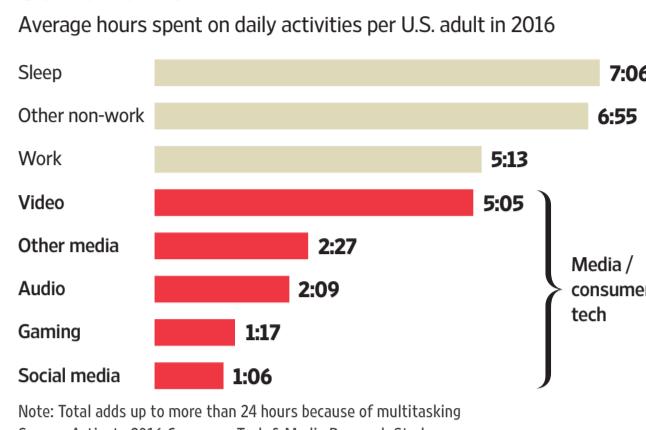
"The real war is about who gets to win the digital assistant and the voice interface," Mr. Wolf said. "It's an existential threat to each of the major technology companies."

Along with opportunities to shape the future of voice-enabled devices, there are potential clashes as tech giants in-

vade each other's turf. Many questions asked of Alexa, for instance, require general web searches—Google's expertise—while people who own a Google Home might shop for everyday goods, a task in which they otherwise might have turned to Amazon.

In shopping, Activate suggests consumers will move even further toward generic or private-label goods and foods as online retailers push their

## Screen time



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own products.

Other growing markets include podcasts, an older technology enjoying a resurgence. Activate estimates the U.S. podcast audience will nearly double to 112 million active monthly listeners in 2021. Revenues, though, are still tiny in the young industry, expected to rise to \$642 million from \$237 million this year.

A similar nascent fight is shaping up in virtual and augmented reality, where **Microsoft Corp.**, Google and Facebook have already dived in—and others are watching.

Despite years of high expectations, virtual reality will still be slow growing, Activate projects. Augmented reality, including glasses that display digital images over a person's

view of the real world, has big potential with sales to businesses, however. Activate estimates the AR and VR markets combined will grow to \$71 billion in sales by 2021, up from \$6 billion this year, with 66% made up by augmented reality sales to businesses.

In the news business, Mr. Wolf said he expects trusted brands to take on an increasingly dominant role amid concerns of fake news and dimming revenue prospects for small and local publications.

## MORE ON MOBILE



Get the latest news from WSJ's D.Live technology conference, at [WSJ.com/Tech](#).

## HIGHLIGHTS FROM WSJ D.LIVE CONFERENCE

### Diller Anticipates More Regulation

The dominance of the biggest U.S. technology companies is reaching a point when the government will need to regulate their expanse, media mogul Barry Diller said Tuesday.

"Inevitably it has to face regulation," said Mr. Diller in an interview at The Wall Street Journal's WSJ D.Live technology conference. "This is a different situation than the standard fear that down the street in a garage somewhere is your competitor...The dominant companies do not have fundamental competition."

Mr. Diller, chairman of **IAC/InterActive Corp.**, didn't specify which companies he thinks will

face greater regulation, but his comments come at a time of widening concern about the influence of tech giants including **Facebook Inc.**, **Amazon.com Inc.** and Google parent **Alphabet Inc.**

Mr. Diller said that "everyone and their mother" is trying video on the web. But in Mr. Diller's view, only two companies are succeeding unequivocally: **Netflix Inc.** and Amazon.

—Eric Schwartzel

### Alibaba's Tsai Gives Views on China's Role

**Alibaba Group Holding Ltd.** Executive Vice Chairman Joseph Tsai pushed back on perceptions that the Chinese government

has access to all Chinese corporations' data, as Beijing pushes for a stake in some of China's tech giants. "I would disagree with the premise that the central government has access to all this corporate data. That's just not true," he said. "If they want data from you, just like in the U.S., they have to have a reason."

He added that just like other governments, Beijing will ask for access to data when it comes to security and terrorism, which he called "understandable."

The Chinese government is pushing for a stake in some of China's tech giants, including social-media powers **Tencent Holdings Ltd.** and **Weibo Corp.**, as well as Youku Tudou, a YouTube-like video site owned by Alibaba.

—Jack Nicas

### Facebook Pitches In On Intel's New Chip

**Intel Corp.** on Tuesday said it is working with **Facebook Inc.** and other firms on a coming chip specially designed for artificial intelligence, as the semiconductor company moves to capitalize on a fast-growing market and aims a direct shot at rival **Nvidia Corp.**

Intel's new chip will be among the first of a new breed of processors designed from the ground up to accelerate the popular AI technique known as deep learning, which enables computers to recognize objects in photos, words in spoken statements, and other features that otherwise would require human judgment.

Called the Nervana Neural Network Processor, the chip is the fruit of Intel's acquisition last year of startup Nervana Systems. Intel expects to ship the initial version on a limited basis later this year and make it widely available next year through Intel Nervana Cloud, a cloud-computing service, and as an appliance that customers can install in their own data centers.

—Ted Greenwald and Jack Nicas

Network Processor, the chip is the fruit of Intel's acquisition last year of startup Nervana Systems. Intel expects to ship the initial version on a limited basis later this year and make it widely available next year through Intel Nervana Cloud, a cloud-computing service, and as an appliance that customers can install in their own data centers.

—Ted Greenwald and Jack Nicas

### GM to Make Systems For Autonomous Cars

**General Motors Co.** plans to make the bulk of the systems that go into an autonomous car, a shift from its

previous strategy that thrusts it into direct competition with tech giants.

GM wants to have a hand in the creation of the software, electrical architecture, sensors and large-scale manufacturing of the next wave of vehicles. President Dan Ammann said Tuesday. "The approach that we are taking to that is to control a lot of that system ourselves because it allows us to move more quickly," Mr. Ammann said.

At first, GM seemed eager to team up. In early 2016, for example, GM announced a \$500 million investment in **Lyft Inc.**, where Mr. Ammann sits on the board of directors, and a partnership with the ride-sharing company to develop self-driving vehicles.

—Georgia Wells

# North Korea Ties Seen in Taiwan Bank Cyberheist

By DAN STRUMPF

HONG KONG—A North Korea-linked cybercrime ring suspected of raiding Bangladesh's central bank last year was likely responsible for the recent theft of \$60 million from a Taiwanese bank, cybersecurity researchers say.

The ring, called the Lazarus group, has been implicated in an \$81 million theft from the central bank of Bangladesh, as well as the disruptive WannaCry ransomware attack earlier this year and the 2014 hack of Sony Pictures Entertainment.

A blog post Tuesday, cybersecurity researchers at U.K. defense company **BAE Systems**

also implicated Lazarus in the Taiwanese theft, saying that tools used in the attack on the Far Eastern International Bank include those used by Lazarus in the past.

"The attack this month on Taiwanese Far Eastern International Bank has some of the hallmarks of the Lazarus group," BAE researchers wrote.

The suspected ties to Lazarus suggest the group's continued focus on financial cybercrimes. Besides the suspected Bangladesh Bank theft, the BAE researchers said the group has been targeting bitcoin and is behind attacks on banks in Mexico and Poland.

Representatives at North Korea's Beijing embassy and Hong Kong consulate weren't available to comment.

The post sheds further light on the breach of the Taipei-based Far Eastern International Bank. The breach re-

**The Lazarus group has been linked to thefts from banks and ransomware attacks.**

sulted in the transfer of funds to accounts in Sri Lanka, the U.S. and Cambodia after the perpetrators penetrated the bank's access to the financial-messaging service known as

the Society for Worldwide Interbank Financial Telecommunication, or Swift.

Other cyberattacks in the past year have penetrated banks' access to Swift, including the Bangladesh Bank theft.

In a written statement, Swift said: "We have no indication that our network and core messaging services have been compromised."

Sri Lankan authorities arrested two people suspected in the theft. Taiwanese state media reported last week, with one of the individuals caught after trying to withdraw the equivalent of about \$520,000. A representative from the Far Eastern International Bank

didn't respond to a request to comment.

The BAE researchers said they found clues implicating Lazarus in the Taiwanese breach. Among them was the use of accounts in Sri Lanka and Cambodia as destinations for the stolen funds, as well as the use of malware previously used in Lazarus attacks on banks in Poland and Mexico.

While the group has succeeded in penetrating financial institutions, it still has trouble making off with its plunder, the BAE researchers said.

They said payments are often quickly reversed after they are uncovered.

## SPRINT

**Continued from page B1** have come from his \$100 billion Vision Fund, a massive private-equity arm backed by partners that include **Apple Inc.** and Saudi Arabia's sovereign-wealth fund. It was unclear whether the latest U.S. tower investment will come from that fund or from the Japanese telecom company.

The investment could put pressure on the few companies that own most U.S. cell towers and the land beneath them. **American Tower Corp.**, **Crown Castle International Corp.** and **SBA Communications Corp.** have enjoyed strong returns over the past decade by renting their structures to wireless companies, serving as suppliers to a sector that spends billions of dollars a year on capital improvements.

The market already has the makings of a free-for-all as new entrants lay the groundwork for miniaturized cell radios that can be installed on streetlamps, traffic signals



Sprint plans to shift its leases for rooftop transmitters and other sites to the new joint venture.

and the like. These small cells allow some carriers and fiber-optic cable owners to compete with tower operators, though many, including Sprint, are struggling with local resistance.

Shares of Sprint, now the No. 4 carrier by subscribers, have barely appreciated over the past five years. Mr. Son, who is also Sprint's chairman, has privately complained that limits on where carriers can

install their gear has made it harder for the company to invest in the infrastructure it needs, according to people familiar with his thinking.

—Ryan Knutson contributed to this article.

### Wireless Carriers Hit Bump in California

The wireless industry suffered a setback this week after California's governor vetoed a bill designed to make it easier for companies to install new cellular transmitters.

Gov. Jerry Brown said Sunday that he wouldn't sign a state bill easing deployments of so-called small cells, or short-range networking gear. He said a simpler permitting process for new technology should be balanced with the interest local governments have in managing their own rights of way.

The decision was a rare setback for cellphone companies, which have lobbied for simpler rules for new radio transmitters that can fit onto streetlamps, traffic signals and other structures that usually belong to cities or local utilities.

Jonathan Adelstein, head of the Wireless Infrastructure Association, an industry-backed

group, said the bill would have helped carriers handle more traffic.

"California needs to enact laws that streamline the permitting process and grant greater access to public rights of way or its residents will be left behind," he said.

Wireless companies say they are counting on small cells to handle the loads of data their customers are downloading on the go and to support next-generation technology standards.

Their new infrastructure model relies on thousands of radios to carry the network traffic a handful of cellphone towers alone can't handle.

Most states have granted the items on wireless companies' wish lists this year. At least 12 states have passed laws that limit cities' abilities to charge excessive fees or hold up the approval process for the small cells, according to the CTIA, a telecom trade group. Local government advocates say many state laws override residents' right to control their streetscapes.

—Drew Fitzgerald

## TECHNOLOGY

WSJ.com/Tech

# Head of Facebook's Hardware Lab Resigns

By DEEPA SEETHARAMAN

The head of **Facebook** Inc.'s cutting-edge hardware lab, Building 8, is stepping down after a year and a half.

Regina Dugan, formerly a Pentagon research chief and top executive at **Alphabet** Inc.'s Google, will leave Facebook in early 2018 "to focus on building and leading a new endeavor," she announced on Tuesday in a Facebook post. Ms. Dugan has been in charge of Building 8 since the lab's creation in April 2016.

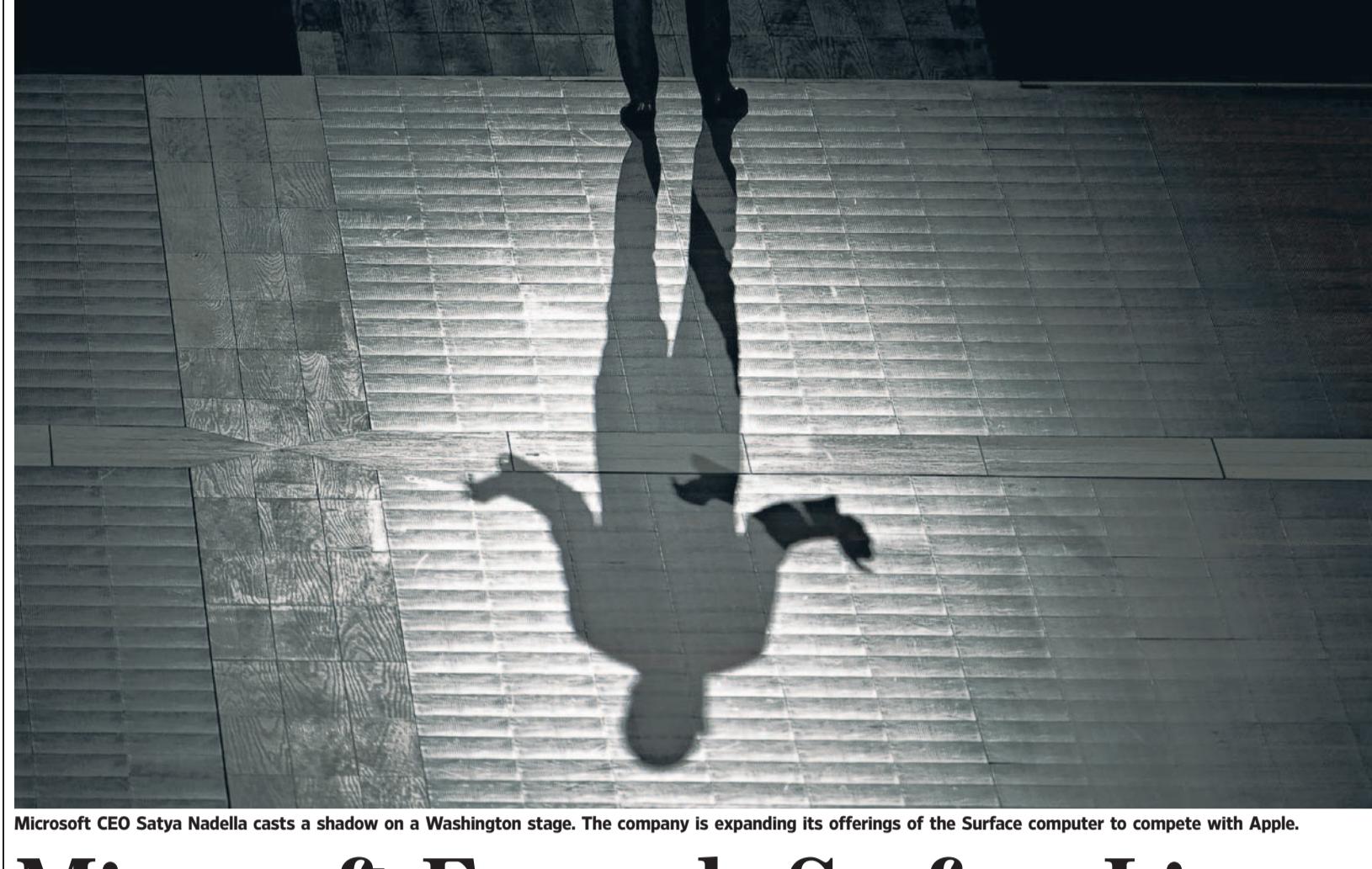
Ms. Dugan didn't mention her next project.

In her post, she quoted from John F. Kennedy's 1961 inaugural address. The speech urged Americans to find a common bond despite differences, in hopes that "a beach-head of cooperation may push back the jungle of suspicion."

In a separate statement provided by a Facebook spokeswoman, Ms. Dugan tied her departure to the tech industry's broader reckoning with the way their products are used for harm. Facebook, in particular, has been in the spotlight since it disclosed last month that Russian actors purchased advertisements on its platform in hopes of stoking divisions before and after the 2016 U.S. presidential election.

"There is a tidal shift going on in Silicon Valley, and those of us in this industry have greater responsibilities than ever before," Ms. Dugan said in the statement. "The timing feels right to step away and be purposeful about what's next, thoughtful about new ways to contribute in times of disruption."

Building 8 focuses on bleeding-edge ideas, such as technology that can allow people to type directly from their brains and "hear" with their skin.



**Microsoft CEO Satya Nadella casts a shadow on a Washington stage. The company is expanding its offerings of the Surface computer to compete with Apple.**

# Microsoft Expands Surface Lineup

By JAY GREENE

Even as personal computer sales slow, **Microsoft** Corp. is adding yet another model to its growing line of Surface computers.

The software giant on Tuesday announced a new 15-inch laptop geared toward creative professionals seeking a powerful device to work with images, video, music, software design and the resource-guzzling programs they use.

Microsoft's 15-inch Surface Book 2 is aimed squarely at **Apple** Inc.'s MacBook Pro with an Intel Core i7 processor, 256 gigabytes of storage and 16 gigabytes of memory, at a starting price of \$2,499. Apple offers a 15-inch MacBook Pro with the same processor, and

storage and memory amounts, for \$100 less. The MacBook Pro, though, doesn't have touch capabilities or a detachable screen like the Surface Book 2.

The new 15-inch Surface Book 2, along with an updated 13.5-inch model that starts at \$1,499, can be ordered Nov. 9 and will be available Nov. 16.

The computers are part of an expanding Surface lineup that includes the Surface Pro tablet-laptop hybrid refreshed in May, the lightweight Surface Laptop introduced the same month and the 28-inch touch-screen Surface Studio PC launched a year ago.

Microsoft is expanding the Surface portfolio despite the brand seeing uneven results. In April, fiscal third-quarter

revenue for the entire Surface line fell 26% to \$831 million, something Amy Hood, Microsoft's finance chief at the time, attributed to stiff price competition as well as a dearth of new Surface products. Microsoft narrowed those revenue declines to 2% in the fiscal fourth quarter.

The overall PC market isn't making things any easier. Earlier this month, market-research firm Gartner Inc. reported global PC shipments slid 3.6% in the third quarter, the 12th consecutive declining quarter. The U.S. market saw a particularly steep 10% drop, in part because of a "very weak back-to-school sales season," the firm said.

Still, Microsoft sees these Surface devices as show-

cases—premium computers intended to both highlight the capabilities of its Windows operating system and inspire high-end designs from the company's hardware partners. In an interview, Terry Myerson, Microsoft's executive vice president in charge of Windows, said the new 15-inch Surface Book 2 is a mobile workstation that can handle robust videogames as well as high-end computing work.

The software giant also began rolling out a new major update to its Windows 10 operating system on Tuesday, something it now does twice a year. The latest update includes a new photo application that uses artificial intelligence to suggest animated slideshows from a user's media collection,

pulling together snaps of horses, for example, based on image recognition technology.

Microsoft is adding new virtual-reality and augmented-reality features to Windows. The update includes Microsoft's Mixed Reality Viewer, software that lets users see 3-D objects on their computer screens.

The company's first virtual-reality headsets that connect to Windows 10 PCs—from Acer Inc., Dell Inc., HP Inc. and Lenovo Group Ltd.—are available in stores and online. A VR headset from a fifth partner, Samsung Electronics Co., is available for preorder and will be in stores Nov. 6.

In May, Microsoft said 500 million devices were running Windows 10; it declined to update that figure.

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Interested candidates send resume to: Google LLC., PO Box 26184 San Francisco, CA 94126 Attn: A. Johnson. Please reference job # below: Financial Analyst (Multiple Positions); New York, NY: Perform financial and data models and tools that provide a platform for Google decision making. #OCT2017NYC-FA Exp Incl: financial analysis, financial modeling, or financial operations projects; presentation of financial data to relevant shareholders; data analysis, data mining, data modeling, or data warehousing; and Business Intelligence tools, databases, SQL, ETL tools, or Excel

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## Computer

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## CAREERS

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Quantitative Research

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Deutsche Bank seeks an Associate, Risk Management Analyst, in New York, NY to develop advanced approach rating methodologies under SFA (Supervisory Formula Approach). Requires a Master's degree in Mathematics, Statistics, or related quantitative field or equivalent and one (1) year of experience building quantitative models using Excel and VBA. Must include at least one (1) year of experience writing business requests and business specifications; developing use test scenarios for system improvement; participating in user acceptance testing and status calls in the production Go-Live phase; building data management tools using Excel and MS Access; utilizing predictive modeling; utilizing pivot tables for database management; liaising between various business functions and departments across multiple international locations to facilitate communications; and delivering technical presentations to senior management on process and calculation. Apply to [www.db.com/careers](http://www.db.com/careers) and search by professionals, keyword SR1723.

## CAREERS

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**#OCT2017NYC-QA** Exp Incl: Optimization methods; quantitative analysis, statistical analysis, or statistical modeling; databases, data mining, data analysis, or SQL; and C++, Java, Javascript, Perl, Python, Shell, or XML; and databases, data warehousing, information retrieval, or SQL.

**#OCT2017NYC-ID** Exp Incl: Interaction Designer (Multiple Positions); New York, NY; Define the user model and user interface design, user-centered design, visual design, graphic design, desktop application design, web application design, mobile application design, motion design, industrial design, or accessibility design; HTML, CSS, JavaScript, PHP, REST, or JSON; and OmniGraffle or Adobe Suite products.

**Quantitative Analyst** (Multiple Positions); New York, NY; Research methods for improving Google technology. #OCT2017NYC-QA Exp Incl: Optimization methods; quantitative analysis, statistical analysis, or statistical modeling; databases, data mining, data analysis, or SQL; and C++, Java, Javascript, MATLAB, Perl, Python, R, SAS, S Plus, or Shell.

**Business Systems Integrator** (Multiple Positions); New York, NY; Integrate Google technology into client systems in such a way that satisfies the needs of the business. #OCT2017NYC-BSI Exp Incl: Bash, C, C++, HTML, Java, JavaScript, Perl, Shell, Python, XML, or CSS; collection of software requirements, development of business applications, integration of software applications; creation of software platform components; or implementation of software applications; and databases, data warehousing, data management, or program management for technology-based products.

**Product (Program) Specialist** (Multiple Positions); New York, NY; Ensure that Google technology programs satisfy the business needs of internal and external users. #OCT2017NYC-PPS Exp Incl: information gathering, information retrieval, data mining, statistical analysis, qualitative analysis, or object oriented programming; operations planning, supply chain management, sales planning, market analysis, or technical sales support; product management; and product strategy, product management, or program management for technology-based products.

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**Vice President, Index Options Trader**  
New York, NY. Ident. trade opps to enhance strat. returns. Reqs: Bachelor's in Engg. (any), Finance, Econ, or other quant. field of study + 5 yrs. exp. in job offered or as Equity Derivatives Trader, Opt's Trader, Sec's Lend, Trader, or rel occ. Reqs: 5 yrs of exp. w/ equity derivatives trad. in emerg. mrkts in Brazil; local equity mrkt.; ident. & assess. risks gen. by trading; pricing & execut. opt's trades for clients; dispersion of bus. cap.; risk mgmt incl. understand. & analyz.

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## BUSINESS NEWS

# UnitedHealth's Core Units Gain Despite ACA Exit

By ALLISON PRANG  
AND ANNA WILDE MATHEWS

**UnitedHealth Group** Inc.'s core insurance and health-services businesses grew in its latest quarter, despite a dent in revenue caused by the company's decision to pull out of most Affordable Care Act markets.

The results from UnitedHealth come as the market faces policy changes related to the ACA. President Donald Trump last week signed an order seeking to provide lower-cost plans in the individual insurance market, and he has said his administration will end payments to insurers that offset subsidies to low-income

see the Trump administration expand the length again, as the executive order suggested.

Mr. Wichmann also said he expects "any impact to be extremely small" related to the Trump administration's move to end the cost-sharing reduction payments to insurers.

Shares were up 5.5% at \$203.89. They are up 27% year to date.

UnitedHealth also said Tuesday it expects 2017 earnings on an adjusted per-share basis to "approach" \$10, up from its prior forecast of \$9.75 to \$9.90.

For 2018, Mr. Wichmann said that earnings could be affected by an ACA tax on health plans that is slated to return next year after being suspended. If the tax isn't reinstated, Mr. Wichmann said UnitedHealth earnings next year will likely grow in the 13%-to-16% range. If the tax does return next year, the impact on earnings-per-share growth would be roughly 75 cents, the company said. Overall, the CEO said that UnitedHealth expects adjusted per-share earnings for next year "within a typically sized range, with the top side of that range" in line with analysts' current consensus estimates.

UnitedHealth has grown in recent months after it bought Surgical Care Affiliates Inc. and confirmed last month it was exploring the purchase of Banmédica, a health-care company in Chile, in what analysts estimate could be a \$2.8 billion deal.

The Advisory Board Co. recently said it was selling its health-care business to Optum, UnitedHealth's health-services business, in a deal that is expected to close at the end of this year or early next year.

Overall, UnitedHealth reported adjusted net earnings of \$2.6 billion, or \$2.66 per share, compared with \$2.1 billion this time last year. Analysts were predicting \$2.56 per share. Revenue rose 8.7% to \$50.3 billion, but consolidated revenue took a \$1.6 billion-dollar hit from ACA-related factors, including the withdrawal from markets.

## BUSINESS WATCH

**CSX** CEO Is Optimistic After Service Snags

**CSX** Corp. Chief Executive Hunter Harrison said the railway expects to win back any market share lost during the summer and sought to reassure investors that service problems were resolved.

Speaking Tuesday on the company's third-quarter earnings call, Mr. Harrison once again blamed poor execution of his so-called precision scheduled railroading plan for congestion, delays and erratic service in July and August. Customers scrambled to ship goods by truck and, where possible, a competing railroad to keep orders flowing and factories running. Mr. Harrison said that any lost business should shift back "immediately" once the service is sorted out.

"This is about who's got the best product, who's got the lowest price," Mr. Harrison said. "We think we're going to be there."

Service problems hit industries including producers of chemicals and coals, auto makers and food companies, and culminated in a hearing before federal railroad regulators last week.

They also softened third-quarter results, as revenue rose just 1% in the period as pricing rose 3.5% on a slight increase in volume. Earnings rose to \$459 million, or 51 cents a share, matching the average forecast by analysts.

—Paul Ziobro

## MALAYSIA AIRLINES

### Carrier's Head Quits Unexpectedly

**Malaysia Airlines** Bhd. Chief Executive Peter Bellew said Tuesday he is leaving the company, in a surprise resignation that could upset the Southeast Asian carrier that lost two jets that killed hundreds in 2014.

Mr. Bellew, who was promoted to what he described as the "toughest job in aviation" in July last year after his boss

Christoph Mueller abruptly quit, wasn't available for a comment.

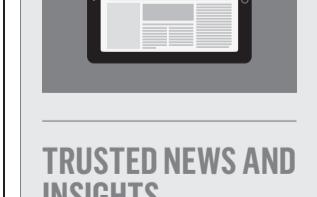
Mr. Bellew is returning to **Ryanair Holdings** PLC as chief operations officer. In a statement by the Irish discount carrier, Mr. Bellew said he was "excited to return home." Before joining Malaysia Airlines, he was involved in a senior operations role at Ryanair.

The announcement caught Malaysia Airlines by surprise. The airline said it "takes note of the unexpected announcement" by Ryanair, adding that Mr. Bellew had "expressed his commitment" to Malaysia Airlines last month.

Malaysia Airlines, which said its turnaround remains "on track and on schedule," has made some progress after it was taken private by its main shareholder—Malaysia's sovereign-wealth fund **Khazanah Nasional** Bhd.

Malaysia Airlines is associated with two of aviation's worst disasters. In March 2014, Flight 370 disappeared en route from Kuala Lumpur to Beijing, with 239 people on board a Boeing 777. Four months later, another Malaysia Airlines Boeing 777 was shot down over Ukraine, killing 298 people.

—Gaurav Raghuvanshi



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### GOVERNMENT OF MAHARASHTRA PUBLIC WORKS REGION, PUNE PUBLIC WORKS CIRCLE, KOLHAPUR SPECIAL PROJECT (P.W.) DIVISION, KOLHAPUR NOTICE FOR Hybrid Annuity (online) Tender E-TENDER NOTICE NO.17 FOR 2017-18 (Second Notice)

Bid/package no – MRIP/package PN -10/2017

Dated – 05/10/2017

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Special project (P.W.) Division, Kolhapur (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation/maintenance of the Project (the "Project") on [Design, Build, Operate and Transfer (the "DBOT")] **Hybrid Annuity basis**, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project maybe awarded.

Brief particulars of the Project are as follows:

Sr. No.	State	Dist.	Packag-es	Project	Project length in km	Project Cost	Earnest Money/ Bid Security	Duration of the project	Cost of Tender Fee Doc-ument
1	Maha-rashtra	Kolha-pur	PN-10	PN - 10 A ) Improvement to Vite Peth Malkapur Anuskura Satavali Pavas SH-150 (section District Border to Anuskura District Border) km 0/00 to 84/00 Dist-Sangali ( km 0/00 to 83/700 Dist-Sangali) (Length -71.69 km) PN - 10 B ) Improvement to Vite Peth Malkapur Anuskura Satavali Pavas SH-150 (section District Border to Anuskura District Border) Km 84/400 to 133/400, Dist. Kolhapur (Km 83/700 to 133/400, Dist. Kolhapur) (Length -48.67 km)	120.36 km.	256.93 Crore	2.57 Crore	18 (months)	Rs. 10,000/- Online payment through NEFT/ RTGS

#### e-tender time table

Sr. No.	Event Description	Date
1.	Invitation of RFP (NIT) (Download period of online tender)	Dt. 12.10.2017 at 10.00 Hrs. to Dt. 23.11.2017 at 23.00Hrs.
2.A	Last date for receiving queries for pre- bid-1	Online or in the Office of the Chief Engineer, P.W. Region Pune, Dt.07.11.2017 up to 10.30 Hrs.
2.B	Pre-Bid meeting 1	Dt. 07.11.2017 upto 11.00 Hrs.
2.C	Authority response to queries for Pre-Bid Meeting 1 latest by.	Dt.13.11.2017
3.A	Last date for receiving queries for pre-bid-2	-----
3.B	Pre-Bid meeting 2	-----
3.C	Authority response to queries for Pre-Bid Meeting 2 latest by.	-----
4.	Bid due Date (submit Hash to create online tender by bidder) (Technical and financial Bid Last date and time)	Dt.24.11.2017 till 15.30 Hrs.
5.	Physical submission of Bid Security/ POA etc (as per clause 2.11.2 of RFP)	Till 15.30 hrs on 27.11.2017 in the Office of Superintending Engineer, P.W. Circle, Kolhapur-416003
6.	Opening of Technical Bids.	(at 15.30 on 27.11.2017 to 29.11.2017) Office of Superintending Engineer, P.W. Circle, Kolhapur-416003

#### Note:

- The payment towards the cost of Tender forms will be done online only through RTGS/NEFT. It should be noted that one should complete these activities at least one day in advance.
- All eligible/interested Bidders who want to participate in tendering process should compulsorily get enrolled on e-tendering portal "<http://mahatenders.in>"
- Contact on numbers given below for difficulties in online submission of tenders,:-(NIC- Toll Free Ph. No. 1800 30702232 / 7878107985-86)
- Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 27/11/2017 upto 15.30 hours.
- Other terms and conditions are detailed in online e-tender form. Right to reject any or all online bids of work, without assigning any reasons there of, is reserved with department.
- Short Tender Notice is displayed on P.W.D. website: [www.mahapwd.com](http://www.mahapwd.com).

Jadhav Pravin Raghunath

Executive Engineer,  
Special Project (P.W.) Division,  
Kolhapur

DGIPR 2017/2018/3744

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E-TENDER NOTICE NO.11 FOR 2017-2018 (Online)

#### (Date Extend)

Read the B-2 Tender Notice No.11 for 2017-2018 Published in Daily Dabang Duniya, Hindi Bhopal Dt.07/09/2017, Daily Indian Express, English Delhi Dt.07/09/2017, Hans India, English Hyderabad Dt.07/09/2017, Daily Chaitnya Lok, Hindi Indore Dt.07/09/2017, Daily Hindi Abroad, English Canada, Dt.07/09/2017, Daily Aaj ka Anand, Hindi Pune Dt.07/09/2017, Daily Pudhari, Marathi Pune Dt.07/09/2017, Daily Navbharat, Hindi Pune Dt.07/09/2017, Daily Life-365 English Pune Dt.07/09/2017, Daily Express, English London Dt.07/09/2017, Wall Street Journal, English Washington/Asia/Europe Dt.07/09/2017, Daily Lokmat, Solapur Marathi Dt.07/09/2017, Daily Pudhari, Marathi Solapur Dt.07/09/2017, Daily Nalanda Express, Marathi Solapur Dt.07/09/2017, Daily Janmat Sarvasamanyaanchi, Marathi Solapur Dt.07/09/2017, Download Period of Online e-tender Period-28/08/2017 to 11/10/2017 Instead Dt.28/08/2017 to 03/11/2017 there is no change in other Conditions.

(Suresh Raut)

Executive Engineer  
Public Works Division, Pandharpur

# THE PROPERTY REPORT

## Amazon Locks Up Delivery Deal

Online firm signs pacts with apartment landlords to install lockers in buildings

By LAURA KUSISTO

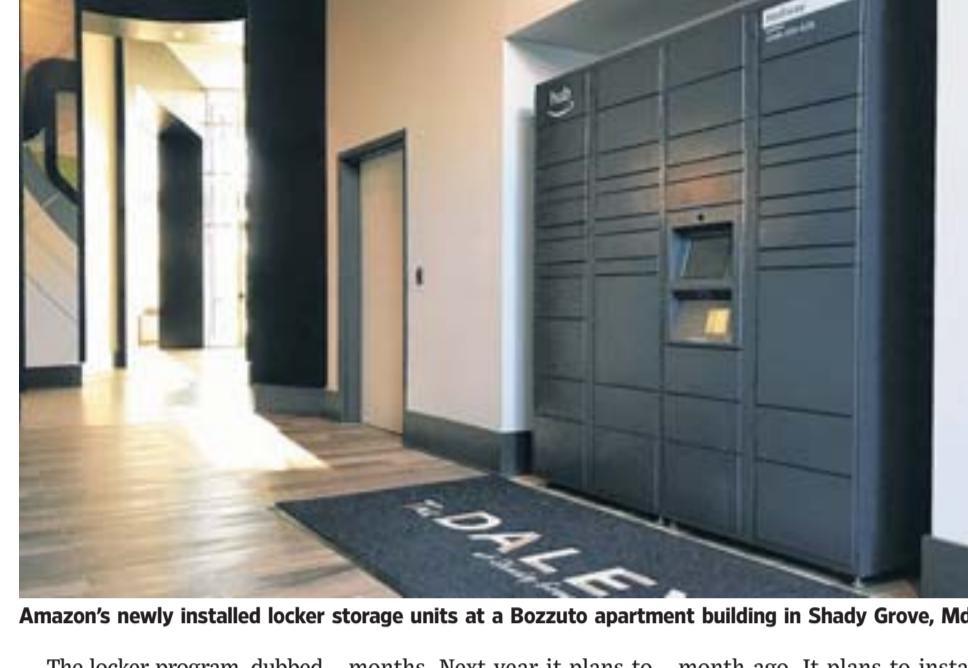
Amazon.com Inc. is taking over the package rooms of some of the country's largest apartment landlords, in a move that could help consolidate its control over how goods make it from the warehouse floor to the front door.

Amazon has signed contracts with apartment owners and managers representing more than 850,000 units across the U.S. to begin installing Amazon locker systems in their buildings, according to the landlords. Amazon has commitments to install the lockers in thousands of properties, many before the peak holiday shopping season, according to a person familiar with the matter.

Several of the nation's largest operators, **AvalonBay Communities Inc.**, **Equity Residential**, Greystar and **Bozzuto Group**, have signed up, company executives said.

For several years, landlords have struggled with how to manage the mountains of packages they receive each day. Staff at larger buildings end up devoting several hours a day sorting mail, while boxes are piled in every spare cranny. Most say it is the single largest problem they face.

Amazon's move, if successful, is likely to shift how the biggest apartment operators deal with packages toward a fully automated system that residents will be able to access 24 hours a day.



Amazon's newly installed locker storage units at a Bozzuto apartment building in Shady Grove, Md.

The locker program, dubbed Hub by Amazon, will accept packages from all carriers and not just for purchases made on Amazon. They will be open only to residents, not the wider community. Residents will receive a notification when they have a package and a code allowing them to open one of the slots.

Apartment owners pay about \$10,000 to \$20,000 to purchase the lockers initially and don't pay a monthly fee. Most landlords said they don't plan to charge residents initially but to offer it as an amenity. They could also make back some of that cost in savings on staff labor.

Greystar, the largest apartment manager in the U.S. with more than 415,000 units, has commitments to install the Hub system in 125 communities over the next several

months. Next year it plans to offer the locker system to all buildings that Greystar owns or manages, said Gardner Rees, senior managing director of Advantage Solutions for Greystar.

Karen Hollinger, vice president of corporate initiatives at AvalonBay, which has an ownership interest in about 80,000 apartments, said the average apartment community in the company's portfolio receives some 1,000 packages a month, up from 650 a year ago. She said AvalonBay has seen a 20% to 30% annual increase in the volume of packages it receives for the past four years.

Ms. Hollinger said the company has experimented with using other locker systems but will install only Amazon systems. AvalonBay started installing the lockers about a

month ago. It plans to install the lockers in 30 communities this year and at least 70 more in 2018 if that goes well.

Toby Bozzuto, chief executive at Bozzuto Group of Greenbelt, Md., which manages roughly 68,000 apartment units, said staff at one of his apartment complexes spend about three hours each day sorting packages, which are cluttering up his buildings.

"I think about how much money I spend on my amenity spaces and all of a sudden we were in a situation pre-Amazon hub where we had boxes stacking up," he said. Bozzuto is in the process of installing the lockers in four buildings.

Amazon has been searching for ways to make deliveries cheaper. It has recruited a fleet of citizen drivers via its Flex program, which allows people to drop off packages

from their cars. It has developed its own air and cargo networks, too.

The most expensive leg of any delivery is known as the last mile: getting a package to the doorstep. Amazon already has added lockers throughout the U.S., including an announcement that it is rolling them out at its newly acquired Whole Foods stores.

For Amazon, or any package carrier, it is all about density. The more places a driver has to stop and drop off a package, the more expensive the process. It also increases the likelihood of a stolen order if it is dropped off unsupervised.

Delivering a load of packages in one spot, like a locker or apartment office, is a huge cost saver. And as apartment managers become frustrated with more deliveries, lockers become more attractive.

One issue for landlords has been that it is challenging to update lockers as demand increases and technology changes.

Amazon will make lockers that can be placed both indoors and outdoors, making it easier for landlords to add lockers if the volume of packages that residents order exceeds the space they have in mailrooms. The lockers will also have cellular connectivity so apartment owners don't have to worry about connecting an Ethernet cable.

Several other startups have sprouted up in recent years that sell or rent locker systems to landlords.

Owners said Amazon is offering its lockers at about half of the cost some other companies had been charging.

—Laura Stevens  
contributed to this article.

## PLOTS & PLOYS

MOODY'S

### Analytics Unit Buys Stake in Tech Startup

A unit of Moody's Corp. acquired a minority stake in **CompStak Inc.**, a real-estate technology startup that collects detailed information on commercial property leases and sales through crowdsourcing.

Moody's Analytics plans to use CompStak's data to help banks, insurance companies, asset managers and other clients measure and manage risk. For example, Moody's will combine CompStak's lease data with historical default and macroeconomic data to help predict whether particular loans may run into trouble, said Keith Berry, who is responsible for Moody's Analytics' emerging-business unit.

—Peter Grant

HARRIMAN CAPITAL

### Firm to Invest In Co-Living Projects

A fledgling private-equity firm is planning to invest \$15 million in developing four residential properties as "co-living" buildings that rent out individual rooms rather than entire apartments.

**Harriman Capital Inc.** cut a management deal with **Common Living Inc.**, a two-year-old startup. Common has over 450 rooms under management in New York, San Francisco, Chicago and Washington, D.C., and is planning to expand into the Los Angeles area.

The four properties in the Los Angeles and New York regions are a combination of vacant land and buildings. Harriman hopes to open the first of the four in New York in the fall of 2018.

—Peter Grant

## Some Malls Manage To Stay Alive After Years of Ill Health

By ESTHER FUNG

The U.S. has far too many malls trying to attract consumers as online shopping is tightening its grip.

That doesn't mean middling malls will die quickly, however.

Projections for hundreds of shopping centers to close in the next five years could prove too pessimistic. A more likely outcome, analysts said: Many weaker malls will turn into zombies, staying open for years as they cycle through less successful retailers before finally being repurposed or leveled.

"It takes a very long time to transition these malls," said Thomas Dobrowski, executive managing director of capital markets at real-estate services firm **Newmark Knight Frank**. "They don't die of heart attacks."

Part of the reason for weak malls' persistence lies in contracts signed years or decades ago. Landlords typically strike leases of 10 or 20 years with multiple tenants, making speedy exits difficult. In some cases, lease buyouts can be negotiated, but the process can be expensive and lengthy.

Owners hoping to close malls and redevelop them for other uses might also run into regulatory hurdles. Getting buy-in from the community takes time, and rezoning approvals might not happen, especially in areas where sales tax revenue makes up a big chunk of the local government's budget.

Of the 41 malls Mr. Dobrowski has helped to sell since 2012, most of which were distressed sales, only one, Granite Run Mall in Media, Pa., has been closed and redeveloped. The others are still operating as malls.

The two-story Granite Run Mall was foreclosed on in 2010 after struggling with vacancies. It was sold in 2013 to BET Investments, which is redeveloping the site into a mixed-use property with open-air retail, entertainment and roughly 400 apartments. The demolition started in 2016 as the firm waited for leases to expire and for government approvals for the redevelopment.

"You can't just tear it down

while tenants are in there," said Bruce Toll, principal at BET Investments and a co-founder of home builder Toll Brothers Inc.

Roughly 200 malls have closed since 2007, according to Newmark Knight Frank. But the amount of square feet of retail space has increased 10% over the period, according to data from CoStar Group Inc. Part of that is due to the continued development of mixed-use centers in urban markets, but the steady growth in supply is also partly due to the slow pace of demolishing or transforming struggling malls for other uses.

From 2007 to 2016, at least 275 enclosed malls, strip malls and open-air shopping centers were foreclosed on after the owners ran into difficulties repaying securitized mortgage loans, according to data from Trepp LLC. Most of the properties live on as retail entities, with some adding medical clinics, tax and insurance offices, and gyms to the tenant mix.

After foreclosure, distressed retail assets are sometimes sold at rock-bottom prices. Some owners do minimal work on the newly acquired shopping centers because operating them at high vacancy rates might still be profitable given lower property taxes and reduced maintenance bills.

Other landlords might be compelled to improve properties, buying out leases from tenants that have fallen out of favor and renovating the vacated space.

Some retailers or restaurant owners on the fence of whether to stay open might be persuaded to remain even if vacancy rates go up during the renovation period.

"If you buy these assets dramatically below replacement costs and become one of the lowest cost providers of real estate within a region, you can repurpose these shopping centers for alternative uses," said Andy Weiner, president at Houston-based real-estate investment firm **RockStep Capital**, which invests in shopping centers in small towns alongside local businesses.



The Hudson Yards development in Manhattan under construction in June. Most of the debt and equity capital sources are from overseas.

## Global Investors Bullish on New York

By PETER GRANT

Architect A. Eugene Kohn recalls touring a windswept rail yard on Manhattan's far west side in 2005 and being doubtful about its potential for commercial development.

"Who in the world would want to live over here or work over here," Mr. Kohn, whose firm went on to become the master planner of the site, recalled thinking at the time. "Who is going to put the money up?"

Last month, lead developer **Related Cos.** took another big step toward answering those questions by announcing it had completed the \$3.8 billion financing of 50 Hudson Yards, what will be the development's biggest tower.

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A rendering of 50 Hudson Yards, the project's tallest tower.

like a who's-who list of big-name global financial institutions.

The roster speaks volumes about the sources of capital for megaprojects at what seems to be a late stage in a lengthy bull market in commercial real estate.

For starters, most of the debt and equity capital sources are from overseas. U.S. banks **Wells Fargo & Co.** and **Bank of America Corp.** were the lead banks on the construction financing for two of the seven buildings in the first phase of development. But foreign lenders from 11 countries have provided the bulk of the debt. The list includes **Deutsche Bank AG**, **Bank of China Ltd.**, **HSBC Holdings PLC**, **Credit Agricole**

ing from foreign investors, with the exception mostly of Related and some of the project's tenants that have bought their spaces, like **Time Warner Inc.** and **KKR & Co.** For example, Related's main partner on the project is **Oxford Properties Group**, the real estate investor for **OMERS**, one of Canada's largest municipal pension plans.

The other equity investor in 50 Hudson Yards is the U.S. unit of **Mitsui Fudosan Co.**, one of Japan's largest real estate companies. Mitsui also provided the lion's share of the equity for 55 Hudson Yards, an office tower under development where tenants will include hedge fund **Third Point LLC** and law firm **Coley LLP**.

The lopsided participation of foreign investors partly reflects the appeal of the U.S. as a haven for investments and of construction projects as a source of higher yield in a low-interest-rate world. Some major financial institutions, like Oxford, have been active investors globally because their home markets are too small to provide enough opportunity.

"You can very quickly grow out of Canada," said Blake Hutchison, Oxford Properties Group's chief executive. "Most of our growth has been in foreign markets."

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## MANAGEMENT

# These Firms Pay You to Learn Your Job

Corporate boot camps, lasting six weeks to a nearly a year, are aimed at younger hires

BY KELSEY GEE

A handful of companies are building corporate finishing schools to attract and keep the skilled workers they need.

**Capital One Financial Corp.**, software firm **SAP SE** and kidney-health provider **DaVita Inc.** are among the companies hiring workers to attend boot-camp-style training courses where they learn the coding, patient care or communication skills they will need on the job. Workers are paid during the stints, which can last from six weeks to nearly a year, after which they start full-time as a software developer, project manager or nurse.

For companies, the programs solve a problem similar to the "last mile" hurdle in supply chains, in which getting goods over the final mile to their destination can be the costliest and trickiest segment of the journey.

Employers' last-mile programs help companies get workers with the right attitudes and attributes fully ready for the job. Plus, employers say it allows them to recruit from a broader group of potential hires by dropping lengthy experience requirements in favor of sharpening young talent in-house.

Companies also reason that the academies, which have emerged over the past five years, are less expensive than hiring more-experienced workers who don't end up being a good fit for the role. One of the programs pays slightly more than minimum wage during the training period.

Learning how to do your first job is like learning how to drive a car, said Dave Horman, chief wisdom officer at DaVita. While nursing school



Capital One engineers and other employees lead courses on cloud computing and app development at an academy in Virginia.

equips entry-level clinicians with technical expertise, the company's training program gives new hires the confidence and context to do their jobs well, he said.

In July, Capital One opened a developer academy for 60 new-graduate hires who will spend six months in bank-owned classrooms learning programming skills and business processes. Capital One engineers and other employees lead courses on cloud computing and app development. Academy hires are also assigned a company mentor to help them understand the firm's culture and provide on-the-job advice.

Capital One doesn't ask academy recruits to commit to a set period of time, but Devin Lipawsky, the firm's leader of technology talent,

said that young employees will be motivated to stay with a company that has invested in them.

Diego Jimenez, 25 years old, said he joined the Capital One academy to step up into a software-engineering role. Mr. Jimenez graduated from the University of California, Santa Cruz with a degree in technology and information management, but said employers were hesitant to hire him without a computer science degree.

The daily lectures, coding labs and team projects allow him to apply lessons to company problems, he said.

U.S. employers' spending on training has increased during the past several years, reaching a high of \$1,252 per employee in 2015, according to the latest

data from the Association for Talent Development, from \$1,229 the year before. Many employers skimp on training for entry-level workers, said Peter Cappelli, a management professor at University of Pennsylvania's Wharton School.

New talent-development agencies such as Revature LLC and MemoryBlue have set up their own paid boot camps in recent years, hoping to tap those corporate dollars. Revature hires new college grads who make from \$8 to \$15 per hour while taking classes in programming languages and software platforms that client companies like Accenture PLC and Wall Street regulator Finra demand. MemoryBlue uses a similar model to train workers to become sales consul-

tants for partner firms in the tech industry.

Dialysis provider DaVita in 2014 began a program paying newly minted registered and licensed practical nurses to learn clinical skills. More than 6,000 clinicians are trained each year, reducing turnover and cutting the amount of time it takes for new hires to get up to speed from 12.7 weeks to 10, a company spokeswoman said.

Every year, German business-software giant SAP brings new grads to Silicon Valley for a nine-month program on how to sell the firm's software and services.

More than 20,000 applications have been received so far this year for the 322 positions in its sales academy, said Jenny Dearborn, SAP's chief learning officer.

# When The Good Goes Bad For CEOs

BY VANESSA FUHRMANS

CEOs beware: Being a do-gooder could get you fired.

Many corporate chieftains argue companies should be good corporate citizens. From **Starbucks Corp.** Chairman Howard Schultz to **Unilever PLC** Chief Executive Paul Polman, leaders variously promote efforts to reduce company carbon footprints, work with sustainable suppliers, and produce healthier products.

"My personal mission is to galvanize our company to be an effective force for good," Mr. Polman says on his LinkedIn page.

But a new study shows that socially responsible initiatives can be a double-edged sword for CEOs, helping to shield them from being ousted during more prosperous times but increasing the likelihood they would be fired in bad times.

Examining the exits of Fortune 500 company bosses over several years, researchers found that those who heavily invested company resources in good corporate citizenship were 84% more likely to be fired amid sluggish financial results than CEOs at poor-performing companies that spent less on do-good initiatives.

On the flip side, spending on corporate social responsibility acted as a protective buffer for company chiefs who presided over robust profitability. They were 53% less likely to be ousted than other leaders of high-performing companies that didn't invest so much in measures to bolster social welfare, according to the study, published in the November issue of Strategic Management Journal.

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## BUSINESS NEWS



Riders at a Harley-Davidson festival this year. The company aims to lift sales by training new riders and expanding its motorcycles' appeal.

## Harley's Sales Continue to Slide

By ANDREW TANGEL

**Harley-Davidson** Inc. said retail sales continued to slide in the third quarter, highlighting the motorcycle maker's uphill climb to increase its domestic customer base and boost overseas sales.

Global retail sales of its bikes fell 7% in the third quarter and revenue dropped about 10% to \$1.2 billion, with executives citing recent natural disasters in the U.S. and Mexico for part of the decline.

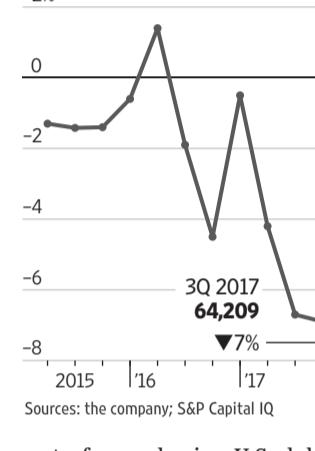
The weak sales came as the Milwaukee-based company reported forecast-beating profits and maintained guidance for shipping 241,000 to 246,000 motorcycles to dealers worldwide in 2017, a drop of 6% to 8% from last year. Harley paled its guidance in July, having previously expected shipments to be flat or slightly down.

Executives said they were optimistic about Harley's latest product lineup and the im-

### Low Gear

The iconic motorcycle maker continues to struggle.

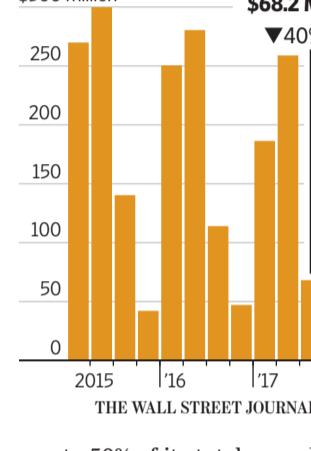
#### Change from a year earlier in global motorcycle sales



pact of a weakening U.S. dollar, as well as progress in developing new riders.

Harley aims to add two million new riders in the U.S. over the coming decade, and increase its international busi-

#### Quarterly net income



ness to 50% of its total annual volume from around 38%. The company is working to expand its appeal to women, minorities, young adults and city dwellers.

Chief Executive Matt Levat-

ich said Harley has trained more than 51,000 motorcyclists so far this year and boosted sales to newly minted "hog" riders. The company has rolled out new leasing deals and a program to pair new motorcyclists with experienced riders.

"Training someone doesn't necessarily make them a rider," Mr. Levatich said. "We have to have a long view of what it actually takes to build confident, safe, avid riders, and in my view we're just getting started."

Harley's U.S. motorcycle sales fell 8.1% to 41,793, while its non-U.S. retail sales were off 4.6% at 22,416.

World-wide retail motorcycle sales fell 7% in the quarter, and executives attributed 2 percentage points of the decline to hurricanes that battered the U.S. They also said Mexican earthquakes hurt sales in that country.

Harley shares closed up 2% Tuesday at \$47.52.

## Officers Fired Over Forced Removal of United Passenger

By ANDREW TANGEL

The report said the officer's "use of excessive force caused the passenger to hit his face on an armrest," resulting in his injuries.

"As we have clearly stated, the department is taking every action in our power to ensure that an incident like this never, ever occurs again," the aviation department spokeswoman said.

The aviation department employees are contesting their terminations, said the inspector general's office.

Thomas Demetrio, an attorney for Dr. Dao, said the outcome should serve as a cautionary tale for law enforcement.

"There is a lesson to be learned here for police officers at all levels," Mr. Demetrio said. "Do not state something that is clearly contrary to video viewed by the world. But for the video, the filed report stating that only 'minimal' force was used would have been unnoticed."

—Shibani Mahtani contributed to this article.



A video screengrab of Mr. Dao.

## Startup Lightspeed Raises \$160 Million in New Funding

By DAVID GEORGE-COSH

Investissement Québec are current investors in the company, according to its website.

The latest financing round is the second-biggest venture capital investment for a Canadian company, behind BlueRock Therapeutics LP, and the largest such investment for a technology-based company, according to Dow Jones VentureSource.

Lightspeed has previously raised a total of \$126 million

over three rounds of financing since it was founded in 2005.

Lightspeed's investment is also likely to push Canada's total venture-capital investment to a record this year, after reaching an all-time high of C\$3.7 billion in 571 deals in 2016, according to Thomson Reuters. Canadian startups have received a total of C\$3.1 billion in the first six months of the year in 330 deals.

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New financing gives the startup a valuation near C\$1 billion.

A Lightspeed spokesman declined to comment on the financing round.

The Montreal-based company's mobile point-of-sale and commerce software platform is used by more than 45,000 retailers in more than 100 countries to help manage inventory, provide sales analytics and assist with customer relations, according to its website.

The software processes more than \$15 billion in transactions annually, the company said on its website. Lightspeed has about 600 employees in eight offices around the world, including Europe and Australia.

The investment round was led by Caisse de dépôt & placement du Québec, Canada's second-biggest pension fund by net assets, while Investissement Québec, iNovia Capital and Silicon Valley Bank also participated in the financing, according to people familiar with the deal. The Caisse de dépôt, iNovia and Inves-

## BUSINESS NEWS

# Volvo Unveils Electric Car

BY TREFOR MOSS

SHANGHAI—In a direct challenge to Tesla Inc., Volvo Cars unveiled its first high-performance electric-car model in Shanghai, doubling down on its commitment to make only electric or hybrid vehicles starting in 2019.

Polestar, a new stand-alone premium electric-vehicle company owned by Volvo, will bring its first two vehicles to market that same year, with Volvo and its Chinese owner Zhejiang Geely Holding Group Co. pledging to invest \$755 million to develop the company.

Polestar will build its cars at a new plant in the western Chinese city of Chengdu, which already hosts a Volvo factory.

"We want to be leaders in electrification," said Volvo Chief Executive Hakan Samuelsson at the event.

The launch of the first Polestar marks the latest step in a global shift toward electric vehicles which, led by China, is quickly gathering pace. Last month, the Chinese government told all auto makers, foreign and domestic, to start building electric vehicles, or EVs, by 2019, having also outlined plans to ban gasoline cars. Beijing is spending billions of dollars on subsidies to boost the efforts of domestic auto makers to develop EVs.

The Polestar 1 hybrid coupe, which made its debut in Shanghai, will go on sale in the first half of 2019, followed by the all-electric Polestar 2 later that year.

The second vehicle is designed to go head-to-head with the Tesla Model 3, said Polestar CEO Thomas Ingenlath, throwing down the gauntlet to the California-based pioneer of



Event attendees looking at Volvo's Polestar 1 electric car during its unveiling in Shanghai on Tuesday.

premium EVs.

China accounts for a fifth of Volvo's sales and Polestar has the same target there, Mr. Samuelsson said, with Europe and the U.S. also key markets for the new brand.

Tesla is the leading maker of premium electric vehicles, but the broader automotive industry is taking aim at the Silicon Valley upstart. In addition to Volvo's Polestar, the big German auto makers Mercedes-Benz, BMW AG, Audi AG, and Porsche are planning to launch dozens of new high-end electric vehicles and hybrids in the next few years.

Maserati, Jaguar, Bentley and other luxury brands are also getting in on the act.

But targeting high-end EV sales is risky, especially in China, some analysts say. While China is the world's biggest EV market, demand for upscale electric cars will be weak for several years, with most auto makers launching

bargain vehicles designed to fulfill the government's production quota. Tesla—which exports cars to China in low volumes—won't start selling locally assembled cars before the early 2020s and has yet to announce firm plans for a China plant.

"The market for high-end EVs is still very small," said Jing Yang, an associate director at Fitch Ratings.

Mr. Samuelsson dismissed concerns about premium EV demand. He said demand for premium cars is strong and growing in China, claiming Geely ownership would give the company an edge.

"This is our second home," Mr. Samuelsson said. "We are the only [foreign auto] company that really has control over business" in China thanks to Volvo's autonomy within the Geely group, he said, comparing Volvo with other foreign car makers that must operate through local joint

ventures.

Polestar is the latest sign of Geely and Volvo's determination to be at the forefront of the auto industry's transformation. "Electrification and new energy is the focus of the wider Zhejiang Geely Holding Group," a Geely spokesman said.

The Hangzhou-based company has emerged as China's leading privately owned Chinese auto maker by sales, with Geely Auto selling over 827,000 cars in the first nine months of 2017, up 80% from the year-earlier period.

Geely's stable of brands is also growing fast. Last year it opened Yuan Cheng, a domestic commercial-vehicle maker, before acquiring a controlling stake in Malaysia's Proton and taking over Lotus Cars in May. Lynk & Co., a new brand targeting young people, goes on sale in China next month.

—William Boston in Berlin contributed to this article.

# Wanda's Main Man In Hollywood Exits After Stir Over Deal

BY WAYNE MA

BEIJING—Dalian Wanda Group's frontman in Hollywood resigned, further clouding the Chinese company's future in the global entertainment business.

The executive, 59-year-old Jack Gao, oversaw Wanda's international investments as a senior vice president. He also served as interim chief executive of Hollywood production company Legendary Entertainment following the resignation of co-founder Thomas Tull in January.

Wanda's 2016 acquisition of Legendary for \$3.5 billion, which Mr. Gao helped to engineer, was one of six foreign acquisitions that came under fire by Chinese regulators seeking to limit capital outflows.

That clampdown led Wanda to retrench its ambitions to become a major player in international entertainment and was a factor in Mr. Gao's departure, according to people familiar with the matter.

Mr. Gao was among a relatively small group of Wanda executives who could straddle the line between Hollywood and China. A naturalized U.S. citizen who grew up in China and attended the University of California, Los Angeles, he previously led China operations for Microsoft Corp. and later News Corp., which owns The Wall Street Journal.

"He's a pretty rare person, and there are very few that have his grounding in China and in Hollywood," said Rob Cain, a Los Angeles-based film producer and entertainment industry consultant to Holly-

wood studios operating in China. "It's another indication of the symptom of the Chinese crackdown on foreign investment and entertainment overseas."

Mr. Gao, whose resignation was earlier reported by the Hollywood Reporter, couldn't be reached to comment.

Mr. Gao often represented Wanda at entertainment-industry events and served on the boards of companies it acquired—including Legendary, U.S. theater chain AMC Entertainment Holdings Inc., U.K. yacht maker Sunseeker International Ltd. and World Tri-

**Jack Gao helped engineer the purchase of Legendary, which Beijing criticized.**

athlon Corp., owner of the Ironman brand and races.

Zeng Maojun, also known as John Zeng, will take Mr. Gao's place as interim CEO of Legendary.

Messrs. Gao and Zeng were rivals inside Wanda, according to the people familiar with the matter. Earlier this year, Mr. Zeng became head of Wanda Film Holding Co., which includes theater chain and movie-production businesses in China.

Last month, it was Mr. Zeng, not Mr. Gao, who privately met with Hollywood executives to assure them that Wanda was still committed to Hollywood, the Journal has reported.

## ADVERTISEMENT

## Legal Notices

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## BANKRUPTCIES

## IN RE TK HOLDINGS, INC., ET AL., CASE NO. 17-11375 (BLS)

## NOTICE OF DEADLINES FOR FILING PROOFS OF CLAIM INCLUDING CLAIMS OF POTENTIAL TAKATA AIRBAG INFLATOR CLAIMANTS

1. On June 25, 2017 (the "Petition Date"), TK Holdings, Inc. and certain of its affiliates (collectively, the "Debtors") filed chapter 11 cases in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Debtors are subsidiaries of Takata Corporation, a Japanese corporation engaged in the manufacture and sale of automotive components, including airbag inflators. Takata Corporation filed a bankruptcy proceeding in Japan. This notice relates only to claims against the Debtors in the U.S. and Mexico. The name and case number for each Debtor is: Takata Americas, 17-11372; TK Finance, LLC, 17-11373; TK China, LLC, 17-11374; TK Holdings Inc., 17-11375; Takata Protection Systems Inc., 17-11376; Interiors in Flight Inc., 17-11377; TK Mexico Inc., 17-11378; TK Mexico LLC, 17-11379; TK Holdings de Mexico, S. de R.L. de C.V., 17-11380; Industrias Irvin de Mexico, S.A. de C.V., 17-11381; Takata de Mexico, S.A. de C.V., 17-11382; Strosse-Mex, S. de R.L. de C.V., 17-11383.

2. On October 4, 2017, the Bankruptcy Court entered an order [Docket No. 959] (the "Bar Date Order") establishing deadlines for filing proofs of claim in the Debtors' chapter 11 cases (each a "Proof of Claim"), including a deadline for asserting claims against any Debtor for monetary losses, personal injury, or death (whether past or future) arising out of or relating to an airbag containing phase-stabilized ammonium nitrate propellant ("PSAN Inflators"), or their component parts, manufactured or sold by the Debtors or their affiliates prior to the Petition Date (each a "PPIC Claim"). Except as otherwise stated herein, all persons (including individuals, partnerships, corporations, joint ventures, and trusts), and governmental units who have a claim or potential claim, including under Bankruptcy Code section 503(b)(9), against any Debtor that arose before the Petition Date, no matter how remote or contingent, MUST FILE A PROOF OF CLAIM.

## I. DEADLINES FOR FILING CLAIMS

The deadlines stated in the Bar Date Order for filing Proofs of Claim are as follows (collectively, the "Bar Dates"):

(a) For claims against any of the Debtors other than (i) PPIC Claims and (ii) claims of Governmental Units (as defined below), the deadline to file a Proof of Claim is November 27, 2017 at 5:00 p.m. (Eastern Time) (the "General Bar Date");

(b) For PPIC Claims, the deadline to file a Proof of Claim is December 27, 2017 at 5:00 p.m. (Eastern Time) (the "PPIC Bar Date"); and

(c) For claims against any Debtor asserted by a governmental unit (as defined in Bankruptcy Code section 101(27)), the deadline to file a Proof of Claim is December 22, 2017 at 5:00 p.m. (Eastern Time) (the "Governmental Bar Date").

## II. WHO MUST FILE A PROOF OF CLAIM

4. With limited exceptions stated below, you MUST file a Proof of Claim to vote on the Debtors' chapter 11 plan or share in distributions from the Debtors' estates. Claims based on acts or omissions of the Debtors before the Petition Date must be filed on or before the applicable Bar Date, even if such claims are not now fixed, liquidated or certain or did not mature or become fixed, liquidated or certain before the Petition Date.

5. Under Bankruptcy Code section 101(5), "claim" means: (a) a right to payment, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether such right is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

## III. SPECIAL PROVISIONS FOR OWNERS OF VEHICLES WITH TAKATA AIRBAG INFLATORS

6. If you have a claim against the Debtors, including for monetary loss, personal injury, or death (past or future) due to your current or past ownership of a vehicle containing a PSAN Inflator regardless of whether it is subject to recall or has already been repaired or you have suffered no harm (as such claims may be deemed to have accrued before the Petition Date), you MUST file a Proof of Claim for your PPIC Claim before the PPIC Bar Date in accordance with the instructions below.

7. The Debtors are not seeking to, and the PPIC Bar Date shall not, bar any individuals from filing claims against the Debtors' estates for personal injury or wrongful death tort claims that arise from or relate to incidents that occur after the Petition Date involving vehicles containing PSAN Inflatots or their component parts manufactured by the Debtors or their affiliates.

8. You must file a Proof of Claim even if you may be included in, or represented by, a purported class action, class suit, or similar action against the Debtors.

9. Information about how to file a Proof of Claim on account of a PPIC Claim, including how to file electronically, is available at [TKRestructuring.com/PPIC](#). If you fail to file a Proof of Claim by the PPIC Bar Date: (a) you may be forever barred, estopped, and enjoined from asserting a PPIC Claim against the Debtors even if your loss or injury does not occur until some point in the future (subject to paragraph 7 hereof); (b) the Debtors and their property may be forever discharged from any and all indebtedness or liability with respect to such claim; and (c) you may not receive any distribution on account of such claim.

## IV. WHO NEED NOT FILE A PROOF OF CLAIM

10. You do not need to file a proof of claim on or prior to the applicable Bar Dates if:

(a) Your claim is listed on the Debtors' schedules of assets and liabilities filed with the Court (the "Schedules," available at [www.primeclerk.com/takataschedules](#)) and (i) is not listed on the Schedules as "disputed," "contingent," or "unliquidated," and (ii) you do not dispute (I) the amount, nature, and priority of the claim as set forth in the Schedules, and (II) that the claim is an obligation of the specific Debtor against which the claim is listed in the Schedules;

(b) Your claim has been fully paid;

(c) You hold a claim allowable under Bankruptcy Code section 503(b) and 507(a)(2) as an administrative expense (other than a section 503(b)(9) claimholder);

(d) You hold a claim that has been allowed by order of the Bankruptcy Court entered on or before the applicable Bar Date;

(e) You already filed a Proof of Claim with Prime Clerk or the Bankruptcy Court against any of the Debtors with respect to the claim being asserted, utilizing a claim form that substantially conforms to the proof of claim forms, including a special proof of claim form for PPIC Claims (collectively the "PPIC Claims");

## "Proof of Claim Forms") or Official Form No. 410;

(f) Certain other Bar Date Order exclusions apply.

11. DO NOT FILE A PROOF OF CLAIM IF YOU DO NOT HAVE A CLAIM AGAINST THE DEBTORS.

## V. WHAT TO FILE

12. The Proof of Claim Forms may be obtained from (a) the Debtors' Court-approved claims and noticing agent, Prime Clerk LLC ("Prime Clerk"), through [TKRestructuring.com](#) or by calling 844-822-9229 (U.S.) or 347-338-6502 (International), or (b) the Bankruptcy Court's website: [www.uscourts.gov/forms/bankruptcy-forms](#). Information about filing a PPIC Proof of Claim is available at [TKRestructuring.com/PPIC](#).

13. All Proof of Claim Forms must: (a) be signed by the claimant or its authorized agent, written in English, and denominated in U.S. currency (using the Petition Date exchange rate if applicable); (b) state with specificity the legal and factual basis for the alleged claim, and (c) attach supporting documents, or if voluminous or unavailable, a summary. Any holder of a claim against more than one Debtor must file a separate proof of claim with respect to each such Debtor. Any holder of a claim must identify the Debtor against which its claim is asserted and that Debtor's bankruptcy case number.

14. Your proof of claim form must not contain: (a) complete social security or taxpayer identification numbers (only include the last four digits), (b) a complete birth date (include only the year), (c) the name of a minor (include only initials), or (d) financial account numbers (include only the last four digits).

## VI. WHEN AND WHERE TO FILE A CLAIM

15. Except as provided herein, all Proofs of Claim Forms must be filed (i) electronically through Prime Clerk's website by using [TKRestructuring.com](#) under the link "Submit a Claim" (the "Electronic Filing System") or (ii) by delivering the original Proof of Claim form to: (a) by mail, TK Holdings Inc., Claims Processing Center, c/o Prime Clerk LLC, Grand Central Station, PO Box 4850, New York, NY 10163-4850, or (b) by overnight, courier or hand delivery, TK Holdings Inc., Claims Processing Center, c/o Prime Clerk LLC, 850 Third Avenue, Suite 412, Brooklyn, NY 11232. Proof of Claim Forms may not be delivered by facsimile, telecopy, or electronic transmission (except those filed through the Electronic Filing System).

## VII. RESTRUCTURING PROCEEDINGS OF DEBTORS' JAPANESE AFFILIATES

16. Takata Corporation, Takata Kyushu Corporation, and Takata Service Corporation (collectively, "Takata Japan") commenced proceedings under the Civil Rehabilitation Act in Japan, where they are seeking recognition by the Bankruptcy Court under Bankruptcy Code Chapter 15. Parties with claims against Takata Japan can obtain information at [www.takata.com](#).

## VIII. RESTITUTION FUND

17. Individuals who have suffered, or will suffer, personal injury caused by a PSAN Inflator may be eligible for compensation from Restitution Funds established by order of the Federal Court for the E.D. of Michigan. The Court has appointed a Special Master, Prof. Eric D. Green, to administer the claimant compensation process and make recommendations regarding fund distribution. If you believe you may qualify for compensation from the Restitution Funds, visit [www.takataspecialmaster.com](#) for further information.

## IX. PLAN AND DISCLOSURE STATEMENT

18. The Debtors will soon file a chapter 11 plan of reorganization (the "Plan") and disclosure statement (the "Disclosure Statement"). The Plan will describe the proposed treatment of claims against, and interests in, the Debtors; the Disclosure Statement will provide information about the Plan and Debtors. The Bankruptcy Court will hold hearings to consider, and has set deadlines to object to, the Disclosure Statement and Plan.

*Disclosure Statement Hearing, January 3, 2018 at 10:00 a.m. (Eastern Time), with objections due by December 27, 2017, at 4:00 p.m. (Eastern Time); Confirmation Hearing, February 13, 2018 at 10:00 a.m. (Eastern Time), with objections due by February 6, 2018, at 4:00 p.m. (Eastern Time).*

19. To receive notices or review the Plan and Disclosure Statement, register your email address at [TKRestructuring.com/PPIC](#). All documents filed with the Bankruptcy Court are available for inspection at the Office of the Clerk of the Court or free of charge at [TKRestructuring.com/PPIC](#). The Plan will bind all creditors and interest holders upon its confirmation. If you wish to object to Plan or Disclosure Statement, you must properly file and serve an objection by the applicable deadline listed above.

20. RELEASES. The Plan will likely contain broad releases of third-party claims and related injunction provisions. If approved, these provisions could release claims you hold against certain third parties, including Joyson KSS Auto Safety S.A. (together, with one or more of its current or future subsidiaries or affiliates, the "Plan Sponsor"). The foregoing is a summary only. Carefully review the full text of the Plan's release, injunction, related provisions and any applicable release "opt out" provision at [TKRestructuring.com/PPIC](#).

21. SALE "FREE AND CLEAR." The Plan will provide for the Plan Sponsor's acquisition of substantially all assets of the Debtors (with specified exclusions generally related to Takata's PSAN Inflator business) free and clear of all claims and interests (collectively, "Claims and Interests"), except for certain specifically assumed liabilities. The Plan Sponsor will not assume any claims of the Debtors or Takata unless it expressly agrees to do so. Without limiting the foregoing, the Plan Sponsor is not assuming any claims or liabilities related in any way to the PSAN Inflatots (and the propellant), including PPIC Claims. If you do not file a timely objection to the Plan with the Bankruptcy Court, your right to challenge the sale of the Debtors' assets "free and clear" of Claims and Interests and related injunctions will be forfeited. The Bankruptcy Court's approval of the "free and clear" sale and related injunction means that you will be forever barred from asserting any Claims and Interests against the Plan Sponsor and various other related persons. You should review the full text of this provision at [TKRestructuring.com/PPIC](#).

22. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE APPLICABLE BAR DATE AND

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**22997.44** ▲ 40.48, or 0.18%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
Current divisor 0.14523396877348

Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

#### S&P 500 Index

**2559.36** ▲ 1.72, or 0.07%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
65-day moving average

#### Nasdaq Composite Index

**6623.66** ▼ 0.35, or 0.01%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
65-day moving average

#### Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	% chg
Industrial Average	23002.20	22948.23	<b>22997.44</b>	40.48	<span style="color: green;">▲</span> 0.18	22997.44	17888.28	<b>26.6</b>	16.4	<b>12.0</b>
Transportation Avg	9876.04	9799.68	<b>9824.14</b>	-33.01	<span style="color: red;">-0.33</span>	10038.13	7967.02	<b>22.7</b>	8.6	<b>6.4</b>
Utility Average	742.44	733.30	<b>740.57</b>	5.66	<span style="color: green;">▲</span> 0.77	754.80	625.44	<b>12.1</b>	12.3	<b>9.6</b>
Total Stock Market	26537.92	26491.54	<b>26530.34</b>	4.88	<span style="color: green;">▲</span> 0.02	26530.34	21514.15	<b>19.9</b>	14.0	<b>10.6</b>
Barron's 400	686.95	683.44	<b>684.08</b>	-2.29	<span style="color: red;">-0.33</span>	687.05	521.59	<b>26.4</b>	13.7	<b>11.3</b>

#### Nasdaq Stock Market

Nasdaq Composite 6628.60 6613.21 **6623.66** -0.35 -0.01

Nasdaq 100 6122.82 6103.66 **6122.61** 8.08 ▲ 0.13

#### Standard & Poor's

500 Index 2559.71 2554.69 **2559.36** 1.72 ▲ 0.07

MidCap 400 1821.50 1814.63 **1816.34** -3.12 -0.17

SmallCap 600 910.45 903.94 **905.20** -2.94 -0.32

#### Other Indexes

Russell 2000 1505.80 1495.90 **1497.50** -5.18 -0.34

NYSE Composite 12357.64 12332.25 **12349.98** -9.54 -0.08

Value Line 543.09 541.32 **541.93** -0.66 -0.12

NYSE Arca Biotech 4315.94 4270.61 **4298.53** 25.59 ▲ 0.60

NYSE Arca Pharma 557.94 550.85 **556.65** 4.48 ▲ 0.81

KBW Bank 99.87 98.68 **98.79** -0.72 -0.72

PHLX\$ Gold/Silver 85.88 84.78 **85.76** -0.38 -0.44

PHLX\$ Oil Service 138.73 136.33 **137.32** -0.99 -0.72

PHLX\$ Semiconductor 1225.01 1218.38 **1224.12** -0.87 -0.07

CBOE Volatility 10.46 9.78 **10.31** 0.40 ▲ 4.04

Source: Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
iShares MSCI Emg Markets	EEM	5,001.0	46.38	-0.01	<b>-0.02</b>	46.50	46.38
General Electric	GE	4,297.2	23.19	...	<b>unch.</b>	25.08	23.07
Van Eck Vectors Gold Miner	GDX	3,411.9	23.35	-0.07	<b>-0.30</b>	23.43	23.25
Glu Mobile	GLUU	3,014.2	4.62	-0.01	<b>-0.22</b>	4.68	4.55
SPDR S&P 500	SPY	2,884.4	255.40	-0.07	<b>-0.03</b>	255.48	255.18
Cnsmr Staples Sel Sector	XLP	2,543.1	54.39	...	<b>unch.</b>	54.39	54.34
Ford Motor	F	2,100.4	12.23	-0.04	<b>-0.33</b>	12.28	11.96
Verizon Communications	VZ	2,019.7	48.40	...	<b>unch.</b>	48.48	48.21

#### Percentage gainers...

TransEnterix	TRXC	588.2	4.19	0.19	<b>4.75</b>	4.27	4.00
IBM	IBM	1,855.7	153.46	6.92	<b>4.72</b>	154.33	146.01
Spectrum Pharmaceuticals	SPPI	14.3	15.00	0.54	<b>3.73</b>	15.00	14.46
Cloud Peak Energy	CLD	6.6	4.49	0.16	<b>3.70</b>	4.49	4.30
Canadian Pacific Railway	CP	21.3	170.99	3.83	<b>2.29</b>	170.99	167.16

#### ...And losers

MobileIron	MOBL	13.7	3.45	-0.35	<b>-9.21</b>	3.80	3.40
Select Comfort	SCSS	152.7	29.30	-1.08	<b>-3.55</b>	30.38	27.68
MGIC Investment	MTG	23.4	12.70	-0.41	<b>-3.13</b>	13.11	12.70
Criteo ADR	CRTO	10.0	44.66	-1.43	<b>-3.10</b>	46.09	44.66
Cree	CREE	378.8	28.50	-0.84	<b>-2.86</b>	29.49	26.69

#### Trading Diary

##### Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume\* 689,454,331 20,335,135

Adv. volume\* 299,944,375 14,520,783

Decl. volume\* 375,149,910 5,239,308

Issues traded 3,063 328

Advances 1,263 120

Declines 1,660 189

Unchanged 140 19

New highs 139 5

New lows 26 4

Closing tick 59 9

Closing Arms\* 0.98 0.20

Block trades\* 6,155 100

Nasdaq NYSE Arca

Total volume\* 1,625,737,120 164,109,723

Adv. volume\* 744,778,664 59,715,161

Decl. volume\* 861,036,794 100,685,768

Issues traded 3,046 1,274

Advances 1,065 444

Declines 1,834 783

Unchanged 147 47

# COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

## Futures Contracts

### Metal & Petroleum Futures

	Contract		Open		Contract		Open	
	Open	High	hi	lo	Low	Settle	Chg	interest
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.								
Oct 3.2170	3.2170	3.1770	3.1805	-0.0435	1,203			
Dec 3.2425	3.2430	3.1875	3.1955	-0.0435	177,212			
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.								
Oct 1295.10	1295.10	1283.10	1283.00	-16.90	318			
Dec 1297.20	1298.40	1283.20	1286.20	-16.80	409,518			
<b>Feb'18</b> 1301.60	1302.40	1287.70	1290.40	-16.90	67,095			
April 1306.10	1306.10	1292.50	1294.40	-17.00	13,972			
June 1310.40	1310.40	1296.30	1298.40	-17.00	11,869			
Dec 1321.80	1321.80	1310.90	1310.70	-17.20	10,786			
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.								
Oct 985.00	985.00	985.00	985.00	-0.35	1			
Dec 970.35	987.00	969.40	975.95	-0.35	31,867			
<b>March'18</b> 968.20	973.00	964.30	964.90	0.10	3,094			
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.								
Oct 934.50	934.50	934.50	932.10	-7.30	11			
<b>Jan'18</b> 933.70	938.90	928.40	934.80	-7.30	69,716			
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.								
Oct 17,000	17,010	17,000	16,987	-0.328	401			
Dec 17,260	17,280	16,985	17,041	-0.328	145,057			
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.								
Nov 51.93	52.25	51.21	51.88	0.01	165,521			
Dec 52.20	52.51	51.48	52.11	0.01	542,279			
<b>Jan'18</b> 52.40	52.69	51.67	52.28	-0.06	292,691			
March 52.58	52.88	51.90	52.46	-0.13	240,764			
June 52.45	52.82	51.88	52.35	-0.22	197,386			
Dec 51.85	52.14	51.32	51.65	-0.29	256,859			
<b>NY Harbor Lsld (NYM)</b> -42,000 gal.; \$ per gal.								
Nov 1,8139	1,8258	1,7909	1,8098	-0.031	73,660			
Dec 1,8162	1,8249	1,7906	1,8090	-0.028	104,589			
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.								
Nov 1,6195	1,6394	1,6089	1,6301	0.032	76,663			
Dec 1,6051	1,6215	1,5918	1,6123	0.029	127,706			
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.								
Nov 2,955	3,026	2,921	2,962	0.16	162,085			
Dec 3,119	3,182	3,095	3,128	0.20	222,536			
<b>Jan'18</b> 3,240	3,292	3,215	3,248	0.021	197,237			
Feb 3,250	3,298	3,225	3,257	0.020	77,471			

### Contract

### Open High hilo Low Settle Chg interest

March 3,213 3,256 3,188 3,218 .016 169,052

April 2,966 2,990 2,951 2,970 .010 122,739

### Open interest

### Corn (CBT)

5,000 bu.; cents per bu.

Dec 350.25 351.75 348.50 350.00 -.50 778,885

March'18 363.75 365.25 362.00 363.75 -.50 296,567

### Oats (CBT)

5,000 bu.; cents per bu.

Dec 259.75 264.75 259.25 264.75 5.25 4,765

March'18 263.50 267.25 261.50 266.50 4.00 1,526

### Soybeans (CBT)

5,000 bu.; cents per bu.

Nov 990.00 990.50 982.50 984.75 -.625 250,745

Jan'18 1000.75 1001.75 992.75 995.25 -.625 226,329

### Soybean Meal (CBT)

100 tons.; \$ per ton.

Dec 324.00 324.00 321.20 321.60 -.290 149,921

Jan'18 326.00 326.20 323.40 323.90 -.280 85,608

### Soybean Oil (CBT)

60,000 lbs.; cents per lb.

Dec 33.66 33.74 33.35 33.59 ... 171,963

Jan'18 33.79 33.88 33.52 33.74 -.01 99,105

### Rough Rice (CBT)

2,000 cwt.; \$ per cwt.

Nov 1212.00 1215.00 1211.20 1213.00 1.00 5,389

Jan'18 1234.00 1244.50 1241.50 1242.50 ... 4,301

### Wheat (CBT)

5,000 bu.; cents per bu.

Dec 436.50 440.75 433.50 434.75 -.175 255,263

March'18 451.75 459.25 449.75 451.25 -.50 100,886

### Wheat (KCO)

5,000 bu.; cents per bu.

Dec 434.00 437.00 431.50 433.25 -.50 140,600

March'18 451.75 455.25 449.75 451.25 -.50 82,449

### Wheat (MPLS)

5,000 bu.; cents per bu.

Dec 610.25 614.75 608.75 611.00 1.50 36,115

March'18 623.50 629.00 623.00 625.25 .5 24,309

### Cattle-Feeder (CME)

50,000 lbs.; cents per lb.

Oct 153,950 154,200 152,100 152,150 -.1850 5,210

Jan'18 152,600 152,900 150,325 150,400 -.2150 19,367

### Cattle-Live (CME)

40,000 lbs.; cents per lb.

Oct 112,050 112,725 111,100 111,175 -.550 8,453

Dec 117,200 117,475 115,825 115,975 -.850 148,639

### Hogs-Lean (CME)

40,000 lbs.; cents per lb.

Dec 64,000 64,500 61,975 62,175 -.1525 118,735

Feb'18 68,475 68,775 66,950 67,150 -.1150 46,346

### Lumber (CME)

110,000 bd. ft.; \$ per 1,000 bd. ft.

Dec 3,250 3,298 3,225 3,257 .020 77,471

### Tuesday

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## BANKING & FINANCE

# Ireland Hits Banking Reset

By MAX COLCHESTER

Almost a decade after the Irish economy was crippled by a banking crisis, the country is reopening its arms to lenders to take advantage of shifts in Europe's finance industry triggered by Brexit.

Take **Bank of America Corp.** Once Ireland's biggest bank by assets, the U.S. lender shifted billions of dollars of derivatives out of Dublin to London following the financial crisis.

But after Britain voted to leave the European Union, it now plans to move some of those assets back across the Irish Sea, according to people familiar with the matter.

Financial centers across Europe are competing to lure London-based banking operations that need an EU base once the U.K. leaves the bloc. But for Ireland, there is an added urgency: The U.K. is its biggest trading partner.

Brexit may hit some 40,000 Irish jobs, mainly in manufacturing and agriculture if exports to the U.K. fall, according to the Central Bank of Ireland. The Irish government hopes to lure 10,000 financial services jobs to soften the blow.

"Faced with Brexit, Ireland has no choice but to adapt," says Patrick Honohan, a former governor of the Central Bank of Ireland. "Whether we like it or not, financial services is part of that."

Across Europe, governments are weighing the benefits of attracting London's financiers against the risks of big bank balance sheets.

Ireland, the gamble is a particularly bold one. In 2010, the country was bailed out with €67.5 billion (\$79.6 billion) of International Monetary Fund and EU money after its banking system collapsed. In the ensuing lean years, Ireland retrained its workforce and pushed through austerity measures. Now, thanks in part to investment by U.S. companies, Ireland's "Lost Decade" has ended, with the economy surpassing its peak level hit in 2007.

One sector that hasn't fully recovered is banking. Foreign bank assets in Ireland nearly halved from €417 billion at the end of 2010 to €220 billion to-



The Central Bank of Ireland is preparing to hire about 50 new staffers to handle an expected influx.

### Moving Out

Ireland's total foreign bank assets



lending binge, not foreign investment banks, they say. Furthermore, banking regulation in the eurozone is now overseen by the European Central Bank.

Still, Irish central bank regulators aren't treating all banking business equally. While retail and corporate banking is being welcomed, business related to swaths of derivatives are being treated with less relish, according to some bankers. Irish central bank officials insist they are open to all business.

Brexit came at a good time for Ireland's financial sector.

Ireland had already made moves to beef up the industry.

Ireland's pitch to banks: a competitive tax rate, an English-speaking workforce and a similar legal system to Britain's. But the wooing had to be done delicately so as not to antagonize the British.

Now, the shackles are off. To service European clients after Brexit, banks will likely need to build subsidiaries in the EU and are expected to move to places where they already have a footprint.

Dublin has some downsides, bankers say. While office space is being built, much of it is already full and rents are rising fast. It is also unclear how the rest of Ireland will benefit.

day, according to the Irish central bank.

To rectify this, the Irish Development Agency is traveling across Europe, Asia and the U.S. to pitch Ireland to bank executives. This summer, **J.P. Morgan Chase & Co.** Chief Executive James Dimon was welcomed by the Irish prime minister, before heading to a Dublin pub. The largest U.S. bank by assets is buying office space in the capital, in part to house its custody business. **Barclays PLC** is also ramping up in the city.

The Irish central bank is preparing to hire some 36 new staffers to help authorize finance companies coming to

Ireland and 10 regulators experienced in winding down failed banks.

Not everyone is delighted by Ireland's push back into banking.

"Does Ireland have a record of competence in this sector? Absolutely not," says Sean Barrett, an economics professor at Trinity College, Dublin, who sat on a yearslong inquiry into Ireland's banking collapse. "Ireland has a tradition not so much of light touch, but no supervision."

Central bank officials say they are better prepared for the risks. Ireland's financial crisis was caused by domestic banks going on a property

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## MARKETS

# Dollar Moves Up On Rate Hopes

BY DANIEL KRUGER

The U.S. dollar rose as investors bet the Federal Reserve would raise interest rates later this year amid signs that U.S. industry remained healthy despite hurricanes last month.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, climbed 0.2%, to 86.61, gaining against the euro, the yen and the British pound. The index has advanced 0.4% this month.

Data showing that U.S. industry is thriving even as inflation has remained largely quiescent could help investors accept some central bankers' contention that prices will soon face pressure to rise and that an interest-rate increase by the end of the year is warranted. Fed Chairwoman Janet Yellen said at a banking conference on Sunday that "ongoing strength of the economy will warrant gradual increases" in short-term rates.

Higher interest rates make the dollar more attractive to investors as they would boost returns on assets denominated in the currency.

The dollar gained as industrial production—a measure of output at factories, mines and utilities—increased a seasonally adjusted 0.3% in September from the prior month, the Fed said Tuesday. Economists surveyed by The Wall Street Journal had expected a 0.3% gain for September. A decline in industrial production in August was also revised, suggest-

## 0.4%

The increase in the WSJ Dollar Index this month

ing hurricane-related disruptions were less severe than initially reported. Production slipped 0.7% that month instead of an estimate of 0.9%.

The dollar "got a little bit of a bump" from the data, said Brad Bechtel, a currency strategist at Jefferies Group LLC. "The Fed is pretty much locked in and doing everything in its power to make December happen."

Capacity utilization, reflecting how much industries are producing relative to potential output, rose by 0.2 percentage point to 76.0% in September. Tuesday's report estimated hurricanes Harvey and Irma held down the growth in total industrial production in September by 0.25 percentage point.

# Dow Tops 23000 During Trading

Blue chips close at a record, helped by two health-care companies, but below milestone

By CORRIE DRIEBUSCH AND JON SINDREU

The Dow Jones Industrial Average briefly crept above 23,000 for the first time, buoyed by gains in shares of health-care companies.

The blue-chip index crossed the milestone in intraday trading, reaching as high as 23,002.20, before paring gains. The index closed up 40.48 points, or 0.2%, at 22,997.44, its 50th record finish of 2017.

The S&P 500 rose 1.72 points, or 0.1%, to 2,559.36, a fresh record, while the Nasdaq Composite slipped 0.35 point, or less than 0.1%, to 6,623.66.

Corporate earnings have helped boost major stock indexes to fresh highs in 2017, and the third quarter is on track to provide more fuel to

### Dow's Dalliance

The last time the Dow crossed a thousand-point milestone intraday but didn't close above was November 2013, when it touched 16,000.



Source: SIX Financial

the market's rise, analysts say.

"At the end of the day, earnings are going to continue to lead the market," said Mark Freeman, chief investment officer and portfolio manager at Westwood Holdings Group. He said that backdrop, as well as investors' attitudes, are the reason he isn't concerned as stock

prices climb to new highs.

"In the conversations I have with clients, I don't have anyone telling me they're euphoric. I view that as a positive," he said.

Investors' optimism about solid economic growth across the globe is also pushing stocks higher, analysts say. Though some investors worry

stocks are trading at prices that are high compared with the earnings generated by companies, others are willing to brush off these valuation concerns because of this positive global growth.

"In the U.S. markets, there's no question that valuations are elevated, but the general economy is going really well," said Jeremy Bryan, portfolio manager at Gradient Investments, who nonetheless believes there are better opportunities in Europe and emerging-market economies.

**UnitedHealth Group's** shares rose \$10.69, or 5.5%, to \$203.89 on Tuesday, giving a big boost to the Dow industrials, after the large health insurer reported an increase in profit and raised its guidance.

Separately, **Johnson & Johnson** raised its sales guidance, lifting shares of the health-products company by 4.67, or 2.7%, to 140.79. Together, the two health-care companies added about 106 points to the Dow industrials.

The health-care sector extended gains after two senators announced contours of a bipar-

tisan deal that lawmakers and aides said would preserve for two years the billions of dollars in payments made to insurers to help offset consumers' out-of-pocket costs. Health-care companies in the S&P 500 ended the day up 1.3%.

**Goldman Sachs Group's** third-quarter profit rose, beating earnings expectations. Still, the bank's results showed its trading arm is on pace for its worst year since 2008, and shares of the Dow component slipped 6.32, or 2.6%, to 236.09.

**Morgan Stanley** shares rose 18 cents, or 0.4%, to 49.12 after the investment bank's earnings and revenue beat analysts' expectations.

Last week, U.S. lenders reporting results were generally punished in the stock market, but financial shares walked back some of those losses Monday.

In Asia early Wednesday, shares were off to a soft start ahead of China's Communist Party Congress. Korea's Kospi was up 0.1% and Japan's Nikkei was 0.2% higher after 11-straight session gains.

## Two-Year Yield Hits Highest Level Since '08

By GUNJAN BANERJI

The yield on the two-year Treasury note breached its highest level in almost a decade, reflecting investors' confidence that the Federal Reserve will maintain a steady course of interest-rate increases.

**CREDIT MARKETS** The yield on the two-year note advanced for a second consecutive day to 1.550%, the highest since October 2008, from 1.542% on Monday. The yield on the 10-year note fell to 2.300%, compared with 2.309% Monday. Bond yields move inversely to prices.

Investors sold short-dated U.S. government bonds and scooped up longer-term Treasurys, narrowing the gap between the yields on five-year and 30-year Treasurys to the smallest since 2007, according to The Wall Street Journal's Market Data Group.

"It's rare to see this pattern," wrote Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets, in a note Tuesday, adding that it reflects investors' differing expectations for short- and long-term government bonds as they anticipate a hawkish Fed and limited inflation.

Shorter-dated government bonds tend to be more sensitive to expectations for Fed policy and have been weakening in anticipation of higher interest rates in the near term and the prospect of new Fed leadership that might be more aggressive about rate increases, analysts said. Yields on longer-term bonds are more sensitive to the outlook for economic growth and in-



U.S. import prices rose 0.7% in September from a month earlier, helping to boost the 10-year Treasury yield, which later retreated.

MARK ELIAS/BLOOMBERG NEWS

flation. President Donald Trump plans to meet Thursday with Fed Chairwoman Janet Yellen, whose term expires in February, and has narrowed his search to five candidates.

U.S. stocks hit records this week and some investors may be getting jittery over a potential pullback, turning to longer-dated government bonds as a hedge for their exposure

to stocks, said Zhiwei Ren, a portfolio manager at Penn Mutual Asset Management.

Earlier, the 10-year yield had climbed as high as 2.327% after data showed that U.S. import prices rose 0.7% in September from a month earlier, the biggest month-over-month increase since June 2016, the Labor Department said. Economists surveyed by

the Journal expected a 0.6% increase in import prices.

The Fed looks at the import-price index to gauge how quickly overall prices for products are rising. Treasury prices tend to fall on strong inflation data because inflation is a threat to long-term government bonds, chipping away at the purchasing power of their fixed payments.

### AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

#### FOUR-WEEK BILLS

Applications	\$129,632,467,500
Accepted bids	\$40,000,165,700
*noncompetitively	\$495,731,000
*foreign noncompetitively	\$100,000,000
Auction price (rate)	99.922611 (0.099%)
Coupon equivalent	1.010%
Bids at clearing yield accepted	19.11%
Cusip number	912796MCO

The bills, dated Oct. 19, 2017, mature on Nov. 16, 2017.

## Exchanges Criticize SEC's Trading Plan

By DAVE MICHAELS



BILL CLARK/CONGRESSIONAL QUARTERLY/ZUMA PRESS

propose a pilot program that would alter a system known as "maker-taker"—where exchanges earn fees by paying a rebate to certain traders and charging a slightly higher price to others. Some critics argue the rebates are a kick-back to brokers for sending orders to whichever market offers the highest rebate. An SEC advisory committee recommended in July 2016 that the agency conduct a two-year test of trading in certain stocks with much lower fees and re-

bates. An SEC vote on the pilot program could come in the next few weeks, say people familiar with the matter.

The exchanges say the program shouldn't be launched before the SEC completes other overhauls, including a rule that would require brokers to disclose how successfully they execute clients' orders. The disclosure also could shine more light on brokers' practices of sending orders to their own trading platforms, known as dark pools.

Exchanges account for about 63% of total U.S. share volume, while off-exchange platforms operated by brokers and other competitors make up 37%, according to data from Tabb Group LLC.

Tyler Gellasch, a former SEC lawyer who now leads an industry trade group, said he didn't think the letter would dissuade the commission from launching the experiment.

"It's aggressive, but they are basically trying to buy time," said Mr. Gellasch, who leads the Healthy Markets Association. "An extended maker-taker pilot program could threaten their competitiveness when there is already a significant amount of off-exchange volume."

Some exchange operators support the pilot program. Ronan Ryan, **IEX Group** Inc. president, said the payments "are a conflict and hurt trading quality."

**IEX**, one of the smallest U.S. exchanges by share volume, has tried to position itself as an alternative to bigger exchanges by avoiding perks that lure more activity by high-frequency traders or broker-dealers.

**NYSE Group**, **Nasdaq** and **CBOE** defended the maker-taker system, saying it has helped reduce costs for investors and promotes steady trading.

## Barclays M&A Unit Hires HSBC Banker

By BEN DUMMETT

LONDON—**Barclays** PLC poached a senior investment banker from **HSBC Holdings** PLC to co-head its U.K. mergers-and-acquisitions operations.

The British-based bank hired Omar Faruqui to oversee U.K. M&A along with current co-head Derek Shakespeare,

*The deal-making climate in the U.K. is clouded by uncertain fallout from Brexit.*

according to a memo, as the bank aims to deepen its relationships with U.K. clients.

Based in London, Mr. Faruqui, 42 years old, will assume his new role in January. He brings more than 20 years of investment-banking experience across U.K. corporate-finance and private-equity firms.

Barclays is involved in some of the most high-profile U.K. cross-border deals, including **Vantiv** Inc.'s \$10 billion-plus cash-and-stock deal to acquire

At the same time, the deal-making climate in the U.K. is clouded by the uncertain political and economic fallout from Britain's continuing efforts to split from the European Union. Foreign acquisitions of U.K. companies are down about 15% measured by total value and down about 5% by volume so far this year from the year-earlier period, according to data provider Dealogic.

That potentially highlights concerns by some foreign companies over the economic outlook for the U.K. Similarly, the uncertain political climate may give U.K.-focused companies reason to expand abroad as a way to reduce their reliance on the domestic economy. Supporting that view, outbound deal making measured by value and volume is up significantly so far in 2017, according to Dealogic.

Mr. Faruqui, who left HSBC last week to join Barclays, was head of M&A origination at HSBC, and before that was European co-head of financial sponsors for the bank. Over the years, he has worked on several acquisitions and sales for blue-chip U.K. companies.

## MARKETS

# Market's Unlucky-Sevens Streak in Danger

The rise of blue-chip stocks this year since the start of August defies the trend

By SPENCER JAKAB

Unless the rising stock market suddenly slams into reverse, a pattern for U.S. blue-chips that has held for 130 years is about to end.

For the past 13 times that a year has ended in seven, going back to 1887, the Dow Jones Industrial Average or its predecessor has suffered a sharp downturn at some point between August and November. The average drawdown has been a little over 13%, according to the research firm Leuthold Group.

The most memorable of those drops was 30 years ago this Thursday. The 1987 stock-market crash sent the Dow tumbling 22.6%, its worst single-day percentage loss ever. Including a selloff that began earlier, 1987's drop wiped 36% off the Dow's value at its nadir. The sharpest drop for a year ending in seven was a 40% tumble in 1937, during the Great Depression.

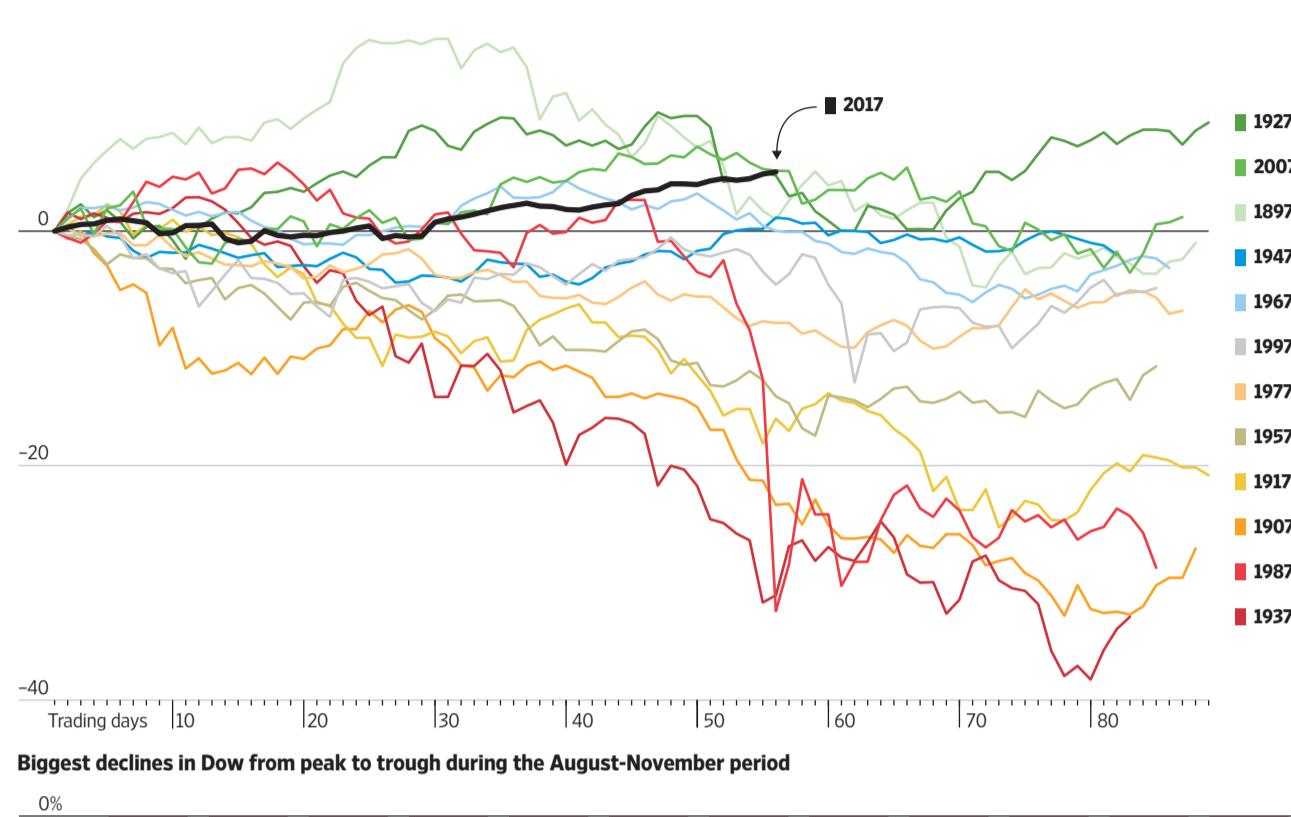
Now this streak looks to be in jeopardy. August this year was a fairly calm month, and September and the first half of October have broken multidecade records for their lack of volatility. The CBOE Volatility Index, or VIX, has registered more single-digit readings than any period for which the measure has been calculated, and the Dow hasn't fallen by more than 1% in a single session for 42 days. The average daily change in the index this year has been 0.3%, or just half of its average in the preceding five years.

In order to meet the unofficial definition of a stock-market correction, the Dow would have to shed nearly 2,300 points from Tuesday's close in

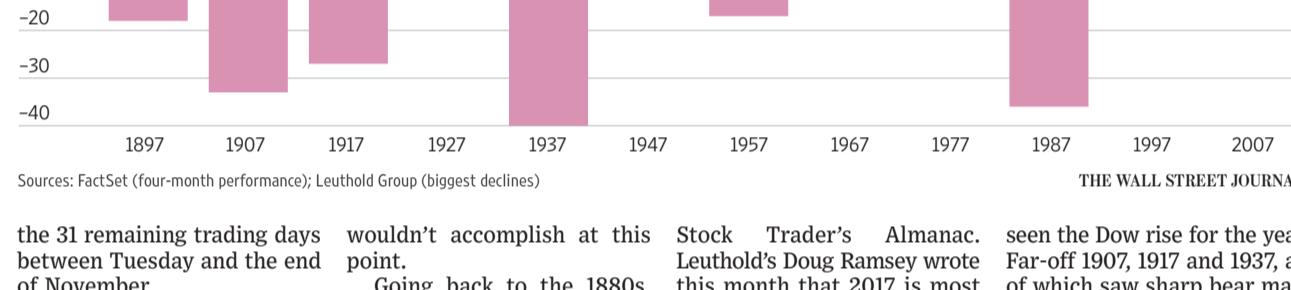
### Stocks' Run Threatens Age-Old Pattern

A streak of market unrest dating back more than a century is on the verge of coming to an end this year. Each year ending in 7 dating back to 1887 has included a sharp decline in late summer or early fall, but this year the sailing has been smooth—at least so far.

Dow Jones Industrial Average's performance for August-November in years ending in 7



Bigest declines in Dow from peak to trough during the August-November period



Sources: FactSet (four-month performance); Leuthold Group (biggest declines)

THE WALL STREET JOURNAL.

the 31 remaining trading days between Tuesday and the end of November.

Those late-year slumps have tended to come during down years overall for the stock market—something that a mere 10% correction

wouldn't accomplish at this point.

Going back to the 1880s, years ending in seven are one of only two that have been overall losers with the average change in the Dow being negative 2.5%, according to the

Stock Trader's Almanac. Leuthold's Doug Ramsey wrote this month that 2017 is most similar to 1927, which saw stocks rally in November.

Even so, the last three years ending in seven, including even infamous 1987, have

seen the Dow rise for the year. Far-off 1907, 1917 and 1937, all of which saw sharp bear markets, are responsible for much of the damage.

Another historic market pattern also could flop this year. Stocks typically perform

far less well in the months between May and October than in the period of November through April. With a couple of weeks to go, though, the Dow is up by 9.8% since May, well above its historical pace.

The blue-chip index is up 16% year to date, which would upset another trade that has been favored by market timers. The year after a presidential election has been the worst for the Dow or its predecessors of the four-year presidential cycle, with a gain of just 2.5% on average since 1833, according to the Stock Trader's Almanac. The year before an election has been the best, with a gain of 10.2%.

Some perspective is needed, though. The decennial pattern, for example, was identified with decades of hindsight and drops of 10% or more aren't all that uncommon. One of the years, 1947, didn't even breach the technical definition of a correction.

There may be something to the presidential cycle and the admonishment to "sell in May and go away." When the stock market was more domestically focused, a president seeking re-election or the election of his party's candidate had a lot of power to prime the economic pump or to make promises ahead of an election. The year after the election, or his first in office, typically was the time for an economic reality check.

Seasonal patterns also were more powerful when an agrarian economy soaked up credit during the summer growing season, leaving money tight for the rest of the economy, including stock speculators. The period from November through April, by contrast, was a time of easy money. With the gold standard long gone and central banks providing copious liquidity all year long, it should be little surprise that this seasonal pattern has fizzled.

## HEARD ON THE STREET

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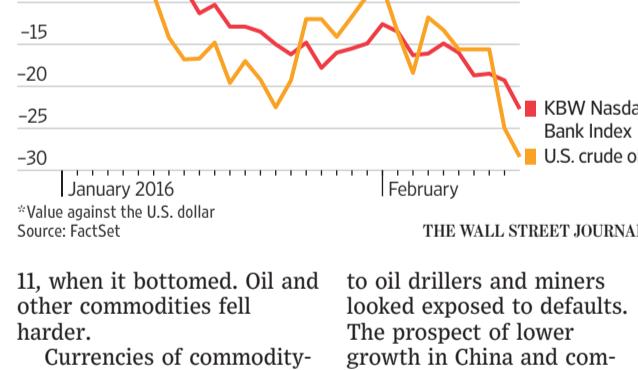
FINANCIAL ANALYSIS & COMMENTARY

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# Look Out for Chinese Contagion

### China Sneezes, World Catches Cold

China's devaluation of the yuan caused global tremors.



\*Value against the U.S. dollar  
Source: FactSet

stretched again. But if the Federal Reserve keeps raising interest rates, it could put renewed downward pressure on the yuan. The country's new capital controls haven't been tested by a big shock either. China's shadow banking system has increased significantly, so any attempt to rein it in, or any breakdown in the Byzantine chain of wealth-management products, could threaten Chinese growth.

A Chinese financial crisis likely wouldn't play out like the U.S. housing bust, which caused the worst global recession in decades. But China's stumble in early 2016 didn't require the collapse of a complex financial product or the failure of a major bank to hit markets around the world. The combination of plain old commodities and leverage were enough to spread the damage.

Anyone searching for ground zero of the next crisis should look closely at how a crack in China's growth story could be transmitted globally.

—Aaron Back

### OVERHEARD

We knew they were addictive, just not that addictive.

A hankering for Krispy Kreme Doughnuts got a Florida man in trouble in 2015, but it wound up earning him a lot of dough in the end.

**Daniel Rushing** was arrested by Orlando police when they saw what appeared to be flakes of crystal methamphetamine on the floor of his car. He insisted that he had been eating doughnuts in his vehicle and that the substance was just sugar, but he had pulled out of an area where there had been some drug activity reported.

The officers suspected that there was a hole in his story. They administered a roadside drug test, but it falsely said the substance was an illegal drug.

A subsequent test done in a laboratory showed that the substance was, in fact, sugar.

Mr. Rushing recently received a check from the city for \$37,500. That's worth about 56,000 original glazed doughnuts.

### It's Time To Get Back Into Goldman

Wall Street's big two investment banks have shown that they can perform reasonably well even when the environment is tough. What happens if things get better?

**Morgan Stanley** and **Goldman Sachs Group** on Tuesday both reported better-than-expected results for the third quarter. Slow trading activity remained a drag, but this was expected.

What is reassuring is that both banks have diverse enough businesses that moribund trading hasn't stood in the way of decent performances. For the first nine months of the year, both posted a return on equity of roughly 10%.

At Morgan Stanley, wealth management was the hero, with revenue in this business rising 9% this year and margins expanding. At Goldman Sachs, the big standout was its investing and lending business line.

This points to an important distinction between the two banks: Goldman remains more of a risk-taker. That makes for a rougher ride when markets don't cooperate but bigger upside potential when they do.

Volatility could rise again if the Federal Reserve keeps raising rates, while tax overhauls could boost mergers and other investment-banking opportunities. Both argue for Goldman, which is now trading at a slight discount to Morgan Stanley for the first time in many years. As a percentage of its market cap, its planned \$8.7 billion buyback is much bigger than Morgan Stanley's.

For those who can stomach some risk in exchange for higher potential returns, it may be time to wade back into Goldman Sachs.

—Aaron Back

# Boeing's Fight With Bombardier Blows Up in Its Face

Boeing thought it was picking on a pipsqueak. Instead, it has drawn its biggest rival to the fight.

Airbus's surprise deal announced late Monday to take control of Bombardier's CSeries jet program is a coup for the European aerospace giant. Boeing had just last month successfully got the Commerce Department to impose a 300% tariff on the new line of **Bombardier** jets. It seemed like a perplexing complaint, because Boeing doesn't compete in the 100-to-140-seat space that the CSeries targeted. The tariffs targeted sales to CSeries' biggest customer,

### Airbus Effect

Bombardier bonds due in 2021, yield to maturity



Source: Tradeweb

Delta Air Lines.

Now, Airbus will move some assembly of the CSeries to its Alabama plant, a neat workaround to Bombardier's tariff problem.

More than 50% of the CSeries already contained U.S. origin parts, according to Bombardier. So in the confusing world of point-of-origin trade fights, the plane is coming home.

While Airbus has protected its downside with commitments from Bombardier to fund cost overruns, its clout and size essentially give the CSeries new life. CSeries customers fearing for Bombardier's long-term health are now assuaged with Airbus standing behind the program. Bombardier's bonds, a barometer of its solvency, rallied sharply Tuesday. Plugging the

CSeries into Airbus's large aftermarket service network gives airlines confidence to operate the planes globally.

The deal creates reasonable upside for Airbus, and its shares rose 4.8% Tuesday, a rare bump for the buyer in an M&A deal. In the CSeries, it acquires a jet program that has received accolades from critics and is arguably past the riskiest phases of development, having been flying for over a year. It is small enough that it doesn't immediately cannibalize the heart of Airbus's A320 line.

Airbus also gains an entirely new fuel-efficient technological platform. It can in-

corporate the best of the CSeries into its next generation of jets or use it wholesale as a new platform for larger iterations, including a possible CSeries CS500, putting it more squarely in competition with the smaller of Boeing's 737s.

If Boeing had left Bombardier alone, it would have faced an extremely weak competitor in a plane size it long ago decided not to play in. The risk for Boeing investors is that the company now feels enough small-jet envy that it goes and spends money to do something about it.

—Alex Frangos