

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, SEPTEMBER 22, 2017 ~ VOL. CCLXX NO. 70

WSJ.com

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DJIA 22359.23 ▼ 53.36 0.2% NASDAQ 6422.69 ▼ 0.5% STOXX 600 382.88 ▲ 0.2% 10-YR. TREAS. ▼ 1/32, yield 2.278% OIL \$50.55 ▼ \$0.14 GOLD \$1,290.60 ▼ \$21.40 EURO \$1.1941 YEN 112.48

What's News

Business & Finance

Many senior SEC officials remained unaware of a 2016 hack of the agency's computer system for months after it occurred, raising questions about how the breach was initially handled. **A1**

◆ Benchmark has signaled it is unlikely to sell its Uber shares, complicating SoftBank's plan to buy a stake in the ride-hailing firm. **B1**

◆ U.S. officials are considering whether to remove federal oversight of American International Group. **B1**

◆ CVS Health said it would limit opioid prescriptions to seven days or less for certain patients. **B1**

◆ HP Enterprise plans to cut its workforce by 10% as it faces increasing competition and higher component costs. **B4**

◆ Whole Foods is planning to change the way companies can sell and market their products in its stores. **B3**

◆ S&P lowered China's credit rating, a move that came as Beijing has taken measures to tamp down risks and emphasize stability. **B10**

◆ The net worth of U.S. households and nonprofits rose to a record \$96.2 trillion in the second quarter. **A2**

◆ The Dow and the S&P 500 ended a streak of record closes, with the blue chips falling 53.36 to 22359.23. **B1**

◆ Impax and Amneal are in merger talks, as the firms seek to build strength in the generic-drug market. **B3**

◆ Catastrophe-bond investors could lose as much as \$150 million after two major quakes hit Mexico. **B11**

World-Wide

◆ Trump set sanctions on anyone doing business with North Korea, not only those aiding its weapons program or laundering funds, expanding a crackdown. A North Korean official later warned of a possible H-bomb test over the Pacific. **A1**

◆ The president kept world leaders guessing for a second day about what he is going to do about the Iran nuclear accord. **A6**

◆ Facebook agreed to give congressional investigators detailed information on Russian-backed ads and said it would take steps to boost political transparency. **A1**

◆ Manafort was placed under surveillance by U.S. authorities after he was ousted as Trump's campaign manager last year. **A4**

◆ Puerto Rico is emerging crippled after Hurricane Maria destroyed its power grid and left communities facing devastation. **A3**

◆ Foreign rescue teams arrived in Mexico to help find scores of people still missing from the earthquake, as the death toll rose to 273. **A5**

◆ Iraq launched an offensive to drive Islamic State from one of the group's last redoubts in the country. **A7**

◆ Violence in Myanmar has commanded widening concern among heads of state gathered at the U.N. **A6**

◆ A female Marine is set to become the first woman to graduate from the Corps' infantry-officer course. **A3**

◆ Died: Liliane Bettencourt, 94, L'Oréal heiress. **B2**

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Puerto Rico Emerges Devastated After Powerful Hurricane



DESTRUCTIVE PATH: Residents in Juana Matos, Puerto Rico, faced wreckage and floodwaters in the aftermath of Hurricane Maria, the strongest hurricane to hit the U.S. territory in nearly a century. The island lost much of its power and telecommunications. **A3**

U.S. Steps Up North Korea Pressure

By Ian Talley in Washington and Louise Radnofsky in New York

"playing with fire," Mr. Kim said in a rare statement attributed directly to him by Pyongyang's state mouthpiece, the Korean Central News Agency.

"We will consider with seriousness exercising of a corresponding, highest level of hard-line countermeasure in history," Mr. Kim said.

Hours later, North Korea's foreign minister suggested what that countermeasure might be, telling reporters the country could detonate a hydrogen bomb over the Pacific Ocean.

The threat would mark a

dramatic escalation in action from Pyongyang, which in the past month has already launched two intermediate-range ballistic missiles over Japan and tested what it claimed was a hydrogen bomb.

"Maybe we might consider a historic hydrogen bomb test over the Pacific Ocean," Foreign Minister Ri Yong Ho said outside his New York hotel, according to a report by South Korea's quasiofficial Yonhap News Agency. He added he didn't know for sure exactly what Mr. Kim was planning.

The State Department didn't respond to a request for comment. South Korean President Moon Jae-in, who attended the U.N. General As-

sembly, was flying back to Seoul and didn't have a comment, a spokesman said.

Japan's top government spokesman said it was "completely unacceptable" that North Korea was threatening regional security.

President Trump on Thursday signed an executive order giving the U.S. Treasury Department the power to sanction any entity involved with North Korean trade or finance, freeze the U.S. assets of foreign banks working with the country and ban those institutions from accessing U.S. financial

Please see TRUMP page A6

◆ Administration debates Iran deal options..... A6

ALDI BETS LIMITED CHOICE WILL LURE U.S. SHOPPERS

Private German grocer tries to upend market with manic eye on costs

By ZEKE TURNER

MÜLHEIM AN DER RUHR, Germany— Dim lighting bounces off brownish-tiled floors. The shelves are sparsely filled with cardboard boxes. Checkout lines stretch to oblivion.

There is nothing super about these stores.

Yet their owner, German discounter Aldi, is betting billions it can win over spoiled American shoppers. How? By offering them fewer choices—way fewer—than rival retailers.

The unlikely proposition has worked nearly everywhere Aldi has set foot. The company that started from a simple sub-

urban grocery store in Germany's industrial northwest is now one of the biggest retail groups in the world with more than 10,000 locations, businesses in 18 countries and annual revenues approaching €70 billion, or \$83 billion.

This summer, Aldi opened a new chapter in this seemingly unstoppable expansion, announcing a \$3.4 billion investment to boost its U.S. presence by nearly 50% to 2,500 stores by the end of 2022. This puts the company on a pace to become America's third-biggest grocery retailer by locations behind Walmart Stores Inc. and Kroger Co. The land grab closely followed its decision to invest \$1.6 billion in renovating the bulk of

its existing 1,700-plus U.S. stores, some of which have been around since the 1970s.

The American grocery market, one of the largest and most competitive in the world, is on the cusp of dramatic change since Amazon.com Inc. acquired Whole Foods Market Inc. this summer and Google struck a partnership with Wal-Mart. But the Germans have a plan, forged in the rubble of World War II.

The strategy "is simple," said Aldi spokesman Florian Scholbeck, sitting in the darkened break room of a prototype store in the company's home state. "But it's not easy."

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The ETF Bump

Traders are homing in on how much of a stock is owned by exchange-traded and other passive funds. Being in an index tracked by an ETF can exaggerate stock moves, studies show. **B1**

Change from Nov. 8 to Dec. 7, 2016

Stocks in financial ETFs	19.4%
Financial Select Sector SPDR ETF	17.5%
Stocks not in financial ETFs	14.2%
S&P 500	4.8%

Note: Median price performance for U.S. financial stocks under coverage by KBW Source: KBW Research

THE WALL STREET JOURNAL.

Silly Rabbit! Original Trix Is Back After Customers Revolt

* * *

Radishes and turmeric didn't work like artificial flavors; 'It's basically a salad now'

By ANNIE GASPARRO

Yes, some consumers are clamoring for cold-pressed beet juice and quinoa chips. But that doesn't mean they don't also want Red 40, Blue 1 and Yellow 6.

General Mills Inc., maker of Trix, the iconic child-friendly breakfast cereal, learned this lesson the hard way after it started selling all-natural Trix in early 2016 made instead with radishes, purple carrots and turmeric.

"Change it back!!" wrote Denver-area mother and photographer, Ashley Carara, on Facebook shortly after the new recipe hit shelves.

She said in an interview Thursday she likes the way

the artificial colors and high-fructose corn syrup look and taste. The new recipe—not so much. "My kids find the color of the new Trix cereal quite depressing," she said.

So change it back is what the company did. General Mills has decided to reintroduce the original, more-vibrant Trix, artificial flavorings and all, and will start selling it on supermarket shelves alongside the more wholesome version in October.

The reintroduction of Classic Trix is a reversal of General Mills' pledge two years ago to remove artificial colors and flavors from all its cereal brands. It said the seven reformulated, all-natural cereals

Please see TRIK page A9

Classic Trix

Facebook to Share Election Ads

By Robert McMillan, Byron Tau and Deepa Seetharaman

Facebook is grappling with its growing role in politics—and the social network's potential for manipulation.

"I don't want anyone to use our tools to undermine democracy," Facebook Chief Executive Mark Zuckerberg said during a live video broadcast on the site. "That's not what we stand for."

At the same time, Mr. Zuck-

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INSIDE



STARS ACE 'BATTLE OF THE SEXES'

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SOFTBANK'S UBER DEAL HITS A SNAG

BUSINESS & FINANCE, B1



THE MADNESS AT EVERGREEN STATE

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U.S. NEWS

Warren Stymies Trump's Pick for Antitrust Chief

BY BRENT KENDALL

WASHINGTON—President Donald Trump's nominee to lead the Justice Department's antitrust efforts is facing an extended limbo in the Senate, prolonging uncertainty for potential mergers, including AT&T Inc.'s bid to acquire Time Warner Inc.

The delay in Makan Delrahim's nomination is due in part to objections raised by Sen. Elizabeth Warren (D., Mass.), a leading figure in the Democrats' liberal wing who has been a vocal critic of large corporate mergers that she says could hurt consumers, according to people familiar with the matter.

Her objections have complicated Republican efforts to move on the nomination, as the party juggles an array of legislative priorities and clears a slate of executive and

judiciary nominations.

The president nominated Mr. Delrahim, a deputy White House counsel and former Justice Department antitrust lawyer, for the post in April. Mr. Delrahim won early bipartisan support, and in June the Senate Judiciary Committee voted 19-1 to send his nomination to the full Senate.

But more than three months later, the lights remain off in the third-floor Justice Department office reserved for the antitrust chief. Political deputies selected by Mr. Delrahim, along with career staff, are conducting the department's business without him.

Ms. Warren has publicly suggested Mr. Delrahim would be too cozy with big corporations, citing his previous registration as a lobbyist for health insurer Anthem Inc. when he was in private practice. Anthem in 2015 sought



Makan Delrahim was nominated in April to lead the antitrust unit.

to acquire rival Cigna Corp., a deal the Justice Department successfully challenged in court.

Sen. Warren's office didn't respond to requests for comment. The Justice Department

declined to comment.

The situation remains fluid. Mr. Delrahim met with Ms. Warren on Sept. 6, and she followed up with written questions she submitted through the Justice Depart-

ment, which he answered several days later, people familiar with the matter said.

The senator has pressed Mr. Delrahim on his Anthem work and on how he would respond if President Trump urged him to open an investigation on a particular company, the people said.

Democrats have raised questions on several occasions about possible intervention by the White House on antitrust enforcement matters, citing among other things Mr. Trump's pledge during last year's presidential campaign to block the \$85 billion AT&T-Time Warner deal. At the same time, Democrats also have voiced concerns about that transaction.

Mr. Delrahim has told Ms. Warren that the White House hasn't pressured him on any potential enforcement matter, and he has said he would treat

presidential input in a similar way to comments from members of Congress when they write the antitrust division about a particular matter, people familiar with the matter said.

The Justice Department, meanwhile, produced a letter indicating that Mr. Delrahim had no interactions with the department on the Anthem-Cigna matter, the people said.

Sen. Warren has gained visibility on antitrust issues by arguing that corporate concentration has harmed Americans, including under the watch of Democrats. Last year she said Obama administration antitrust officials, even after some notable lawsuits, should have done more to push back against big mergers.

A Crossing Along the Appalachian Trail



THAT WAY: Robert Starbird, a guide, giving directions to Appalachian Trail hikers Drake Morrison, 18, center, and Levi Jaeger, 19, after getting them across Kennebec River Thursday in Caratunk, Maine. The hikers are headed to Mount Katahdin, the trail's northern end.

HACK

Continued from Page One
source of the hack and whether any illegal trading occurred as a result of the breach, said Raphael Kozolchyk, a spokesman for the office.

"A federal governmental agency has a particular responsibility to be transparent," said former SEC commissioner Luis Aguilar, who now works for a private-equity firm, **Falcon Cyber Investments** LLC, which invests in cybersecurity. "Particularly an agency that expects 'full and fair disclosure' from publicly traded companies."

The SEC is working to identify whether hackers traded on the data they saw, according to Mr. Clayton's statement, while trying to restore confidence in its ability to safeguard the reams of confidential information it gathers from the firms it regulates.

"There is treasure trove of information at the SEC and I want people to understand this isn't some kind of victimless crime," Rep. Bill Huizenga (R., Mich.), who chairs a House subcommittee that oversees the SEC, said in an interview. "This is an important thing for confidence in the markets."

Mr. Clayton, a Trump administration nominee who started work in May, has taken an interest in cybersecurity, having advised companies on responding to breaches when he was in the private sector. He retained a cybersecurity adviser, Christopher R. Hetner, who was formerly chief information security officer at **GE Capital**.

"He knows the range of actors that are interested in this data," said David Lawrence, the founder of RANE Network, a risk-management consulting firm who has collaborated with Mr. Clayton on cybersecurity research. "He went in there with a very broad and deep appreciation of the different facets of this risk."

The SEC's review, which began in May, included the establishment of an internal working group to focus on cybersecurity. Mary Jo White, Mr. Clayton's predecessor, had referred to cy-

Edgar, a Target For Rogue Traders

Edgar, the Securities and Exchange Commission's corporate filing system that was hacked, is a crucial piece of U.S. financial-markets infrastructure.

It is the official place where public companies report their financial results, deals, management changes, and other potentially market-moving information to investors.

Edgar, which stands for the Electronic Data Gathering, Analysis, and Retrieval System, processes more than 1.7 million corporate filings a year and visitors access more than 50 million pages of documents from Edgar each day, according to the SEC.

The agency disclosed on Wednesday it detected last year that the system was breached by hackers. In August the SEC learned that the intru-

sion was potentially used to make illicit trading profits.

Filings submitted through Edgar eventually go public, but there is often a delay before publication. For instance, companies will submit drafts of their earnings hours or even days before they go live.

There are filings about ownership changes, which can move a stock by revealing potential activist investor interest.

The SEC began developing Edgar in 1983. The next year, then-SEC Commissioner Charles Cox called it a "revolutionary development" that would give investors and analysts simultaneous electronic access to company disclosures. The system was fully implemented and put on the internet in the 1990s.

"It's the crown jewel of the SEC," said Corey Booth, a former SEC chief information officer who now works for the Boston Consulting Group.

—Alexander Osipovich

bersecurity issues are overseen by the board of directors, said Thomas Sporkin, a former SEC enforcement official.

"You would have expected the commission to have been informed of a breach to an SEC database that houses information critical to investors," said Mr. Sporkin, now a partner at law firm Buckley Sandler LLP.

Cybersecurity has become a major focus for the SEC in recent years, with examiners grilling brokerage firms and investment advisers about their defenses. SEC officials also have said they could take enforcement action against a public company that misled investors about a significant hack affecting share prices.

Companies must report a cyberbreach to the SEC if they judge it to be "material," meaning it is significant enough to influence an investor's decision to buy a company's stock.

The hack follows a series of warnings in recent years that the SEC's own systems could be vulnerable. The Government Accountability Office, the watchdog arm of Congress, in July said it identified weaknesses in the SEC's information security controls that put the agency's systems "at unnecessary risk of compromise."

The commission said the hackers exploited a vulnerability in part of the Edgar system that allows companies to test the accuracy of data transmitted in new forms.

Mr. Clayton is likely to face questions about the event next week, when he is due to testify before the Senate Banking Committee.

The Edgar system was launched during the 1990s to equalize access to information among investors, but has occasionally caused headaches for the commission.

Academic researchers found in 2014, for instance, that hedge funds and other rapid-fire investors got access to market-moving documents from Edgar earlier than other users of the standard, web-based system, giving them a potential edge on other traders. The SEC later fixed the problem.

—Ezequiel Minaya

contributed to this article.

Rising Searches, Steady Submissions

Online searches for Edgar filings

15 billion

2013 2014 2015 2016 2017 2018

Electronic filings received

2.5 million

1.5

1.0

0.5

0.0

2013 2014 2015 2016 2017 2018

Note: Figures for 2017 and 2018 are estimates.
Source: SEC's annual budget justification to Congress

bersecurity as the biggest risk to the financial system.

The SEC declined to comment or provide additional details about the intrusion.

SEC commissioner Michael Piwowar, who ran the SEC as acting chairman for three months earlier this year, said late Wednesday that he was only recently informed of the hack of the SEC's Electronic Data Gathering, Analysis, and Retrieval System, known as Edgar. Another SEC commis-

sioner, Kara Stein, was told of the breach this week, a person familiar with the matter said.

"I was totally unaware of any breach that occurred in 2016," said Jeffrey Heslop, the SEC's former chief operating officer who stepped down in February. "If there was a significant hack of any system at the SEC, I would have been made aware of it."

The SEC appeared not to have followed typical protocols for public companies, where cy-

Stocks, Housing Lift Household Net Worth

BY ERIC MORATH

The total net worth of U.S. households pushed farther into record territory, propped up by improving home values and stock prices.

The net worth of U.S. households and nonprofits, defined as the total of all assets minus all liabilities, rose by \$1.7 trillion in the second quarter of 2017 to \$96.2 trillion, according to a Federal Reserve report Thursday.

The increase was smaller than the \$2.3 trillion advance in the first three months of the year, but marked the seventh straight quarter overall wealth rose in the U.S.

Meanwhile, total household liabilities rose by a modest \$146 billion to \$15.2 trillion. Household liabilities relative to net worth is at the lowest share since 2000, RBC Capital economist Tom Porcelli said.

"The healthy state of the

U.S. household balance sheet continues to be one of the key themes underpinning our broad economic view that the current expansion is far from over," he said.

Household wealth in the stock market climbed by \$1.1 trillion in the second quarter. While a slightly smaller increase than in the first quarter, the increase still reflected a steady upward trend in equities prices supported by solid business and consumer confidence and broad economic growth around the globe.

The value of real estate rose by \$564 billion last quarter, a better gain than the prior quarter.

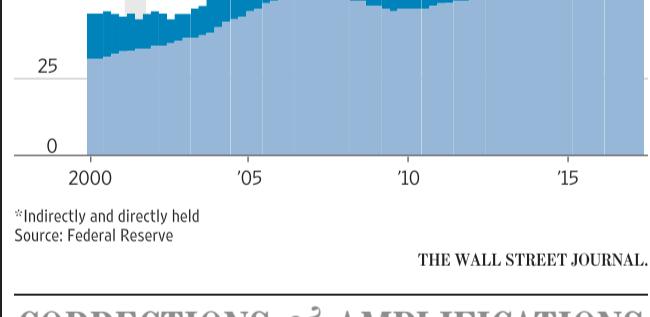
During the 2007-09 recession, when the housing market and stock market both fell, households lost nearly \$12 trillion in wealth. But net worth fully recovered by the second half of 2012, and has risen most quarters since.

Taking Stock of Growing Net Worth

Net worth of U.S. households and nonprofits

Stocks* Other net worth

\$100 trillion



*Indirectly and directly held
Source: Federal Reserve

THE WALL STREET JOURNAL.

CORRECTIONS & AMPLIFICATIONS

Doug Hammond is executive vice president of in-house services at **Randstad US**. A Business News article on Thursday about retailers' holiday hiring plans incorrectly said he is president of in-house services for Randstad US.

Hoffman-Madison Waterfront, a partnership between real-estate firms **Madison Marquette Inc.** and **PN Hoffman & Associates Inc.**, in October is opening the first phase of a \$2.5 billion mixed-used waterfront development

in Washington, D.C. A Property Report article on Wednesday about open-air shopping centers and mixed-use property developments incorrectly said it was Madison Marquette's project and incorrectly said the project was valued at \$2 billion.

Australian physician John Vallentine previously taught medical ethics. A Page One article on Saturday about aid groups working to rescue migrants in the Mediterranean Sea incorrectly called him a professor of medical ethics.

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

THE WALL STREET JOURNAL

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

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

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

Published daily except Sundays and general legal holidays.

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

Postmaster: Send address changes to The Wall Street Journal,

200 Burnett Rd., Chicago, IL 60610.

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U.S. NEWS

First Woman to Become Marine Infantry Officer

BY BEN KESLING

A female Marine is set to graduate from the grueling infantry-officer course next week and become the first woman in the Marine Corps' 241-year history eligible for a job commanding ground troops, officials said Thursday.

The woman, whose identity hasn't been released by the Marines, is the fourth woman to attempt the course since ground-combat jobs opened to women last year. Previous female candidates didn't complete the 13-week course, which places a heavy emphasis on physical endurance.

"She is a first, but she can't be the last," said Kate Germano, a retired Marine Corps lieutenant colonel who led an all-female recruit battalion at the Parris Island, S.C., boot camp. "The only way to change the culture of the Corps is to ensure men and women work together in every job in every unit," Ms. Germano said in an email.

The officer is scheduled to graduate Monday, along with her male counterparts, at the Marine Corps base in Quantico, Va. The woman has declined to take part in any media events surrounding her graduation, the Marines said.

School Should Repay Funds, Watchdog Says

BY MELISSA KORN

The U.S. Department of Education's Office of Inspector General recommended that Western Governors University repay to the federal government more than \$712 million in student-aid funds it received since 2014, after concluding in an audit that the rapidly growing nonprofit college wasn't eligible to receive those funds.

The Education Department would need to formally adopt the recommendation before Western Governors is forced to make any payment.

Education Department spokeswoman Liz Hill said Thursday evening that the agency is currently reviewing the report, but added, "It is important to note that the innovative student-first model used by this school and others like it has garnered bipartisan support over the last decade."

Western Governors, now boasting an enrollment of more than 85,000 students online, has been a darling of

many in Washington as an inexpensive way to educate adults who have life experience but no college degree. The audit's findings may give pause to other online schools pursuing competency-based education, which awards college credit for students who prove mastery of certain skills based on experience.

At the crux of the inspector general's concern is whether Western Governors classes are correspondence courses or qualify as distance-education programs, which have a higher threshold for faculty interaction.

If more than half of a program's course offerings are via correspondence or more than half of regular students are enrolled in correspondence courses, a school can lose eligibility to participate in the Title IV student-aid programs.

"We vehemently disagree with the OIG and their opinion on this matter," Western Governors President Scott Pulsipher said in an interview Thursday.

"I don't think people want to bring their families to experience pueblos and Western culture around pump jacks and drills," said Nada Culver, senior counsel of the Wilderness Society, an environmental group.

The Wilderness Society and many other environmental groups, meanwhile, are scrambling to prepare legal defenses against any changes to the monuments—setting the stage for what could be a lengthy court battle.

Kieran Suckling, executive director of the Center for Biological Diversity, said on Twitter that the group's lawyers "are ready to file suit the day the final decision is issued."

—Jim Carlton

Island Faces Long Recovery

Towns in Puerto Rico are cut off from contact; residents use jet skis, kayaks to flee flooding

SAN JUAN, Puerto Rico—Puerto Rico is emerging crippled after the most powerful hurricane to hit the U.S. territory in almost a century hobbled its telecommunications system, destroyed its power grid and left communities facing widespread devastation.

By José de Córdoba,
Arian Campo-Flores
and Joseph De Avila

Puerto Rican authorities warned the island's 3.4 million residents that they face a long, difficult and expensive path to recovery from Hurricane Maria. Abner Gómez, executive director of the island's emergency-management agency, said residents should be prepared to sustain themselves without aid for 72 hours, given the severity of the damage, the obstacles to reach people and how thinly stretched government resources are.

More than 95% of Puerto Rico's wireless cell sites are out of service, the Federal Communications Commission said Thursday. Federal Emergency Management Agency Administrator Brock Long said restoring electricity "could take weeks or many, many months."

Authorities are still trying to reach communities that are dealing with historic flooding that has stranded residents.

In Canóvanas, 30 miles east of San Juan, a combination of heavy rains and rising waters from nearby streams flooded the Medianía Alta neighborhood with about 5 feet of water. On an inspection tour in military transport vehicles, Mr. Rosselló stopped to help evacuate two women and two children.

Residents used jet skis, kayaks and a backhoe to get people out of the flood zone. "The community got together to get the people out," said Luis Laueran, 34, who works for the flooded municipality.

Carlos Fajardo, a local resident, estimated about 500 people, a third of the local population, had been evacuated Thursday. But many chose to stay even as floodwaters coursed through the ground level of their homes.

Pedro Matos said from the second floor of his home that he wasn't going anywhere. "I've got everything I need right here," he said.

President Donald Trump declared a major disaster in Puerto Rico on Wednesday and ordered federal assistance to help local government efforts.

"Puerto Rico was absolutely obliterated," Mr. Trump said Thursday. "Their electrical grid is destroyed. It wasn't in good shape to start off with. But their electrical grid is totally destroyed."

Mr. Trump said the U.S. Virgin Islands, which he also declared a major disaster, had suffered severe damage.

U.S. Virgin Islands Gov. Kenneth Mapp on Thursday declared a 24-hour curfew for all the territory's islands as it continues assessing the damage from Hurricane Maria and marshaling resources. Phone communication remains down for most of the territory.

Tiny Dominica was just starting to get an assessment of Hurricane Maria's damage after it hit the island Monday night as a Category 5 storm. Prime Minister Roosevelt Skerrit said Thursday that 15 people died in the storm and another 20 people remain missing. The death count and the number of people missing are likely to climb, Mr. Skerrit said. He said Maria decimated the entire island.

—Ryan Knutson contributed to this article.



A destroyed home in the town of Cataño. Top, people buy bread in Salinas. Officials warned it will take time to get aid to communities.

Monuments Plan Draws Praise, Ire

BY JIM CARLTON

More than 100 miles off Cape Cod, a patch of the Atlantic Ocean conceals four undersea mountains, three canyons deeper than the Grand Canyon, and serves as a refuge for the world's most endangered sea turtle.

It also supports a buffet of tuna and swordfish vital to the livelihood of New Jersey fisherman Dan Mears, whose lines have been banned from the zone since former President Barack Obama designated the area as the Atlantic's first federal marine preserve last year.

But the Northeast Canyons and Seamounts could reopen to commercial fishing if President Donald Trump enacts the recent recommendations of his Interior secretary to reduce protections of land and sea preserves known as national monuments.

"I couldn't believe it when they cut that off," said Mr. Mears, 58, of Barnegat Light, N.J., who owns the 70-foot fishing vessel Monica, and estimates he lost about one-third of his catch after the area was closed to him and other types of commercial fishing last year. "It's going to be huge if we can get that back."

Interior Secretary Ryan Zinke, whose department manages federal lands, is making major moves to open up protected swaths of land and ocean to industry, recreational

hunting, shooting and fishing.

Ranchers, loggers and commercial fishermen are heartened by the prospect, saying the changes will help their struggling industries.

Preservationists oppose such changes, arguing that the monuments protect land, sea and species for future generations. Environmental groups have vowed to fight Mr. Zinke's plans.

Supporters of Northeast Canyons and the other sea monuments say reopening them to commercial fishing will cause harm to ecosystems including delicate coral reefs.

"These are areas that have fish populations and coral reefs that need protection," said Kristen Brengel, vice president of government affairs at the National Parks Conservation Association.

Documents reviewed by The Wall Street Journal on Sunday show Mr. Zinke recommends that Mr. Trump alter or reduce 10 land and sea monuments in the Atlantic, Pacific and five Western states.

In his report, Mr. Zinke recommends the president adjust the boundaries or rules of the monuments to allow for traditional uses including fishing, ranching and logging. While activities like grazing often weren't specifically prohibited, the secretary said restrictions on management of grasses and other vegetation hindered ranchers.

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Conklin & de Decker, 2016

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U.S. NEWS

Opponents of GOP Repeal Effort Dig In

By STEPHANIE ARMOUR

Opponents of a Republican plan to dismantle most of the Affordable Care Act are scrambling to ramp up a resistance campaign before a possible Senate vote next week on a bill many never expected would gain traction.

With such a narrow window, consumer and other groups are seeking to pressure specific GOP senators they see as most likely to waver. They also assert that Republicans are trying to ram through a bill outside the normal process while renegeing on a promise to preserve the ACA's consumer protections, claims the bill's sponsors reject.

Timing is clearly a challenge for the bill's supporters, who must cobble together votes by a Sept. 30 deadline, when a parliamentary vehicle that enables the Senate to pass legislation with a simple majority expires. Senate Majority Leader Mitch McConnell (R., Ky.) has said he plans to hold a vote next week on the bill by Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana.

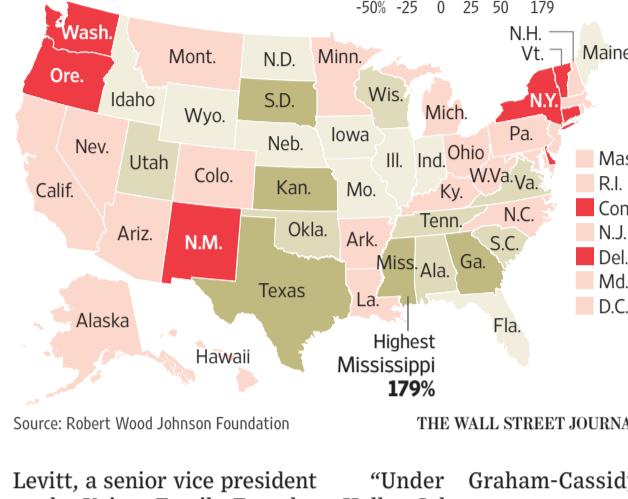
But it also doesn't leave much time for the bill's opponents, who had weeks to build up resistance to previous ACA repeal attempts, including legislation that failed in July to pass the Senate.

"This bill is complicated and far-reaching," said Larry

Repeal and Redistribute

Mississippi, Kansas and Texas will see the highest gains in federal health-care spending if the Graham-Cassidy bill passes.

Percentage change in estimated federal spending for marketplace and Medicaid expansion relative to current law if Graham-Cassidy is enacted, 2020-26



THE WALL STREET JOURNAL.

Levitt, a senior vice president at the Kaiser Family Foundation. "Interest groups don't have a lot of time to mobilize and figure out what it means."

Republican leaders have begun responding to the attacks on their bill to topple much of the ACA. They say it protects people with pre-existing conditions and returns control over health care to the states. They disagree with critics who say they have been secretive with the bill's process, pointing out that they are holding public hearings early next week on the legislation.

"Under Graham-Cassidy-Heller-Johnson, more people will have coverage and we protect those with pre-existing conditions," Mr. Cassidy said Wednesday on CNN, referring to the other sponsors of the bill.

The attacks seek to hit the bill's sponsors in areas of political vulnerability.

Save My Care, a health-care advocacy group, has launched ad campaigns in Nevada, Alaska, West Virginia, Maine, Tennessee and Arizona. An ad this week targets Sen. Dean Heller (R., Nev.) for co-sponsoring a bill that lets

Key Components

How does the Graham-Cassidy bill work?

The Graham-Cassidy bill would lump together the money spent on two Affordable Care Act programs to expand health coverage: subsidies for private insurance and an expansion of the Medicaid program. That funding would be redistributed as block grants to states that could use it to fashion their own health systems. All of the bill's health spending would end in 2027 and need to be reauthorized by Congress.

The bill also makes structural changes to Medicaid by capping how much federal money states can get. A similar proposal, contained in the Re-

publicans' last effort to repeal parts of the ACA, would have resulted in 15 million people losing health coverage in a decade, according to the Congressional Budget Office.

How much of the ACA would this plan repeal?

The bill would undo the central ACA requirement that most people obtain health insurance or pay a penalty, as well as a related mandate that employers provide coverage. It would also end a tax on medical-device manufacturers and importers, an idea that has bipartisan support.

The bill would leave in place all other ACA taxes: on high-income earners, tanning salons and a set of other health industries. The revenue from those taxes would fund the bill's block grants. The bill would also let

states waive certain ACA insurance regulations, like a requirement that they cover certain medical services.

How would the plan affect people with pre-existing conditions?

The bill would leave in place a rule requiring insurers to cover people with pre-existing conditions, but states could apply for waivers to allow insurers to charge those customers higher premiums.

States that take up the waiver option must demonstrate that they can provide people with costly medical conditions affordable coverage. But the bill doesn't specify how states must meet that requirement, and health analysts say it is essentially unenforceable.

—Michelle Hackman

penalty and the requirement that many employers provide health insurance to workers.

The proposal essentially turns over federal ACA funding—estimated at more than \$1 trillion through 2024—to states, allowing them to set up their own health-care systems. It would cut federal health funds to states by more than \$4 trillion through 2026, according to a report Wednesday by Avalere Health, a health-care consulting firm.

States that expanded Medicaid under the ACA would see some of the largest cuts, according to the report.

Congress on the Scene to Help Harvey Victims



HATS ON: House Speaker Paul Ryan, left, and Sen. Ted Cruz arrived at a Harvey-damaged house on Thursday to assist Team Rubicon disaster response in Friendswood, Texas. Messrs. Ryan and Cruz were part of a congressional delegation that helped with the cleanup.

PROBE

Continued from Page One

erberg sought to limit how far Facebook would go in monitoring content on its platform, reflecting the hands-off approach it had taken toward the prevalence of misinformation on its site during the campaign. Mr. Zuckerberg said Facebook won't review posts or ads prior to their publication on the platform.

"Freedom means you don't have to ask permission first, and that by default you can say what you want," he said.

Activity that is illegal or against Facebook's community standards would be punished after the fact, Mr. Zuckerberg added. Facebook typically punishes users by suspending their accounts or removing offending posts.

Facebook earlier this month said that Russian entities paid \$150,000 to run 5,200 divisive ads on its platform during the campaign. The disclosure, prompted by congressional probes as well as a separate inquiry by Special Counsel Robert Mueller, came after Facebook said this summer that it had found no evidence of such activity.

Facebook has been under political pressure to be more forthcoming with Congress. The House and Senate intelligence committees are both conducting probes of Russian activity during the 2016 election with the aim of uncovering what happened during the campaign for president. Face-

book briefed the committees on its findings in recent weeks.

Russia has denied U.S. intelligence agencies' reports that it interfered in the election.

"It will be important for the Committee to scrutinize how rigorous Facebook's internal investigation has been, to test its conclusions and to understand why it took as long as it did to discover the Russian sponsored advertisements and what else may yet be uncovered," said Rep. Adam Schiff, the top Democrat on the House Intelligence Committee.

The company previously made more complete disclosures of Russian-linked material to Mr. Mueller for his criminal and counterintelligence investigation.

Facebook's actions show it is grappling with its growing role in politics.

The company was wary of disclosing the ads publicly due to privacy concerns and fears of disrupting the Mueller inquiry, the Journal previously reported. Facebook said it is giving Congress only a portion of the ads: the 3,000 created by accounts tied to a Russian entity known as the Internet Research Agency. They represented \$100,000 in ad spending.

Facebook said it found another 2,200 ads, amounting to \$50,000 in spending, that

were potentially tied to other Russian accounts such as those associated with U.S. internet addresses but with the language set to Russian. It is a violation of Facebook policy to create "inauthentic accounts."

"American voters have a powerful and compelling interest in knowing who is seeking to influence their vote," said Trevor Potter, president of Campaign Legal Center, which advocates for more disclosure and regulation of money in politics. Facebook's handing over of the ads "is a step in the right direction, but not nearly far enough."

Facebook is in a difficult position as it tries to balance its privacy obligations toward users, while at the same time informing the American public about Russian influence during the election, said Thomas Rid, professor of Strategic Studies at Johns Hopkins University. Facebook, in negotiating the agreement with Congress, was concerned that the personal information of its users, such as their names or images, might have appeared in the ads, according to people familiar with the discussions.

The fuller disclosure sets a risky precedent for Facebook, which has been reluctant to reveal user and advertiser data.

One of Facebook's proposals announced Thursday would name the buyer of any political ad, a measure that could keep Facebook one step ahead of pressure from some lawmakers, who want to apply tighter rules to political advertising on social media. Tech companies such as Facebook

and Twitter Inc. are exempt from many of the campaign-finance rules for television and radio content, which were written long ago.

Congressional leaders and other groups are starting to discuss legislation that would require social-media firms to create a public-disclosure portal of political ads, similar to television and radio requirements.

Separately, Democrats are pushing the Federal Election Commission to create new rules that would curb the ability of foreigners to spend money on political advertising.

Holding social media to the same standard as broadcasters wouldn't necessarily have stopped Russian ads from appearing on Facebook, experts say, because most of the ads paid for by Russian entities didn't mention the election, voting or either candidate. The ads focused on hot-button social and political issues.

Facebook said it is still working out how its software would determine which ads were political in nature. The vast majority of its advertisers use its self-service ad platform and never interact with a Facebook employee.

Facebook is probing how its site was used during the election by foreign actors, from Russia and other former Soviet states, and political campaigns.

"It is a new challenge for internet communities to deal with nation-states attempting to subvert elections," Mr. Zuckerberg said. "But if that's what we must do, we are committed to rising to the occasion."

The surveillance began after Mr. Manafort left the Trump campaign in August, but it isn't clear when it was suspended. Mr. Manafort resigned after a spate of publicity about his consulting work in Ukraine on behalf of Russian President Vladimir Putin's allies.

The government's focus on Mr. Manafort has grown more intense in recent months. He has become one focus of a probe lead by Special Counsel Robert Mueller, who is examining possible coordination between the Trump campaign and Russia during the campaign as well as whether Mr. Trump obstructed justice when he fired former FBI Director James Comey.

The Russian government and Mr. Trump have denied any wrongdoing.

Mr. Comey's successor, FBI Director Christopher Wray, met this week with congressional officials and discussed the law-enforcement agency's surveillance of Mr. Manafort, according to a person briefed on the discussion.

An FBI spokesman declined to comment on Mr. Wray's meeting with Congress.

In the face of mounting scrutiny and a CNN report he had been the target of a secret wiretap, Mr. Manafort suggested Thursday through a spokesman that he had been caught in the crossfire of the Russia investigation and accused the Obama administration of "pursuing surveillance against a political opponent."

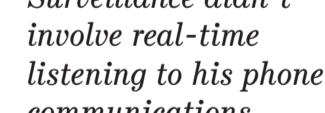
"It's unclear if Paul Manafort was the objective," said Jason Maloni, Mr.

Manafort's spokesman. "Perhaps the real objective was Donald Trump."

Mr. Manafort, a Republican political consultant, is also being investigated by Mr. Mueller for potential criminal violations of a law requiring foreign agents to register with the Justice Department, The Wall Street Journal has reported.

Investigators have reviewed intelligence reports suggesting he was in contact with Russian operatives as early as 2015, according to current and former U.S. officials. In the spring of that year, U.S. spy agencies captured Russian government officials discussing associates of Mr. Trump, including Mr. Manafort, the officials said.

In some cases, the Russians in the overheard conversations talked about meetings held outside the U.S. involving Rus-



Surveillance didn't involve real-time listening to his phone communications

sian government officials and Trump business associates or advisers, the current and former officials said.

Those reports could have provided a basis for seeking a warrant to monitor Mr. Manafort, even months after the conversations occurred, if they indicated he was working on the Russian government's behalf, one official said.

Mr. Manafort said he had no idea if a warrant had been issued against Mr. Manafort. CNN reported that investigators had obtained a warrant under the Foreign Intelligence Surveillance Act, or FISA, which allows the government to monitor the communications of suspected spies and foreign agents.

—Del Quentin Wilber contributed to this article.

WORLD NEWS

Hundreds Are Still Missing After Quake

Foreign rescue teams join search through rubble in Mexico as death toll climbs to 273

BY ANTHONY HARRUP
AND ROBBIE WHELAN

MEXICO CITY—Foreign rescue teams arrived in Mexico to help local workers find scores of people still missing and believed to be trapped under rubble from the deadly earthquake earlier this week. The toll from the quake rose to 273, the government said.

Mexico City hospitals treated more than 1,900 people with quake-related injuries.

Specialized disaster teams from the U.S., Guatemala, Israel and Spain arrived to help the search for survivors. Many of the teams brought trained sniffer dogs. Guatemala's team brought Drago, a rescue dog who gained fame for finding a missing woman on a volcano.

"Thermal sensors are good to detect survivors beneath the rubble, but nothing beats the sense of smell of a rescue dog," said one Spanish officer.

Mexican rescuers, known as Topos, or moles, had already pulled at least 52 people from the rubble in the past two days, including two women stuck for 11 hours in a collapsed apartment building in the trendy Roma district.



Rescuers searched for survivors in the ruins of an apartment building in the Condesa neighborhood of Mexico City on Thursday.

mother, Natividad Martinez.

"We haven't heard from her. She's not answering her phone and authorities won't allow us to get closer to the collapsed building," Ms. Martinez said.

Across the broader metropolis of 20 million, work began to inspect thousands of buildings and homes that are badly damaged. More than 600 volunteers, mostly recent architecture graduates, lined up for a crash course in what to look for in damaged buildings.

Efrén Muciño, a 60-year-old veteran who took part in inspections after the massive 1985 earthquake that killed 6,000 people, is coordinating the effort. As in 1985, many residents are resisting efforts to get them to leave, he said.

"These are their homes, their wealth. If they leave, what do they have?" he said.

Thousands of citizens, coordinating largely through social media, have rushed supplies of food, water, medicine and other equipment to sites where they are most needed.

Volunteers have thronged the sites of collapsed buildings to help with rescue work, removal of debris and distribution of supplies. Many supplies were being moved around on bicycle and motorcycle.

—Santiago Pérez contributed to this article.

◆ Mexico demonstrates the risks of disaster bonds..... B11

Thirty-eight buildings collapsed in the capital, most of them multistory apartment or office buildings, officials said. The quake also destroyed buildings and claimed lives in the states of Guerrero, Mexico, Morelos, Oaxaca and Puebla.

More than 200 people were missing and believed trapped, broadcaster Televisa said.

The tremor destroyed more than 70% of the structures in Jojutla, a town of some 20,000 people about 2½ hours' drive south of Mexico City, according

to government officials. More than 2,000 homes were damaged and between 15 and 27 people were killed, they said.

Residents walked the streets in dazed disbelief. "I went out to buy some tomatoes, and when I returned, my

whole house was gone," said María de Lourdes Visoso, 77 years old. "Thanks to God, no one was home."

In Mexico City, Erika Martínez, 28, has spent more than two days on one corner of the Roma district looking for her

After Frantic Efforts to Find Schoolchildren, Confusion Remains

BY JUAN MONTES

MEXICO CITY—For nearly two days, Mexicans agonized over the fate of one or more girls who rescue workers and officials said were trapped alive in the rubble of a collapsed primary school from Tuesday's deadly quake. Some media reported there were as many as five children buried alive.

On Thursday, the story took

a strange twist when a top naval official said there were no trapped children after all. Instead, he said, there might be an older woman trapped under the rubble, and that rescue efforts would concentrate on her.

"We are certain that all of the children have unfortunately died, are in hospitals or safely at home," Mexico's Navy undersecretary, Adm. Ángel Sarmiento, told reporters.

He gave no explanation for the previous reports.

But late Thursday, Adm. Sarmiento held another news conference, telling reporters he may have been too hasty in saying that the possible person in the rubble was definitely not a child.

"I offer Mexicans an apology...the information we have at the moment doesn't specify whether it's an adult or not.

Official says 25 people were killed at collapsed school in Mexico City.

However, as long as there is a chance someone is alive we will keep looking," he said.

The back-and-forth left Mexicans not knowing what to believe after an emotional roller-coaster of thinking there were children trapped, being told there weren't, and then being told there still might be.

The country had been gripped by the rescue attempts at the Enrique Rebsamen school, which had collapsed during Tuesday's magnitude 7.1 quake. Mexican

television networks aired nonstop live coverage.

Adm. Sarmiento said that 19 children and six adults were killed at the school. Eleven children were rescued alive.

The school's collapse has become the focal point of the tragedy. One of its buildings survived the quake, though it was badly damaged. In one classroom, the blackboard still reads: Mexico City, September 19th.



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WORLD NEWS

Administration Debates Iran Deal Options

Tillerson urging Trump to certify Iran's compliance, but make changes to accord

By FELICIA SCHWARTZ

NEW YORK—President Donald Trump kept world leaders guessing for a second day on what he is going to do about the Iran nuclear accord after describing it this week at the United Nations as "an embarrassment" to the U.S.

But the options facing his administration aren't as simple as staying in the deal or leaving it. Administration officials have gamed out multiple scenarios for options both at home and abroad.

At home, Congress is a wild card in some of these scenarios because if lawmakers choose to "snap back" U.S. sanctions that had been lifted

as part of the nuclear deal, it could touch off a series of reactions leading to the collapse of the deal.

A broad, disparate group of international powers who are part of the deal form a challenging target for negotiations: Iran, Russia, China and three European nations—the U.K., France and Germany.

Secretary of State Rex Tillerson and other officials are urging Mr. Trump to certify Iran's compliance to Congress and stick with the accord, but to make changes to address U.S. concerns, according to current and former U.S. officials.

That could include amending the Iran Nuclear Review Act, so that Mr. Trump doesn't have to keep certifying Iran's compliance to Congress every 90 days, as the act requires. The next deadline is Oct. 15.

Mr. Tillerson and the officials of the other world powers agreed at a meeting on



BERND VON JUTZERENKAU/DPA/ZUMA PRESS

German and Iranian foreign ministers in New York on Wednesday.

Wednesday that Iran is meeting its technical commitments under the deal. That means that if Mr. Trump wants to decertify the agreement, he would likely have to argue something other than Iran isn't meeting its commitments. One option would be to conclude that the deal isn't in the U.S.'s national security interests.

Mr. Trump said Wednesday he had made a decision on the deal, but he has yet to reveal it. Mr. Tillerson said later that "additional work" would go into the decision before announcing it to partners and others. Lawmakers said Thursday that they hadn't been

briefed on the decision.

Backers of certifying Iran's compliance say doing so would make it easier to work with Europeans on negotiating fixes by placating their fears about the deal collapsing.

Supporters of not certifying Iran's compliance, in and outside of the administration, say taking that step would allow Mr. Trump to follow through with tough talk on the accord, and that the threat of a re-imposition of sanctions will encourage European officials to get on board with discussions about key Trump administration concerns.

Mr. Trump told The Wall Street Journal in July that he expected not to recertify Iran's compliance and people familiar said Mr. Trump has been leaning toward that decision.

U.S. Sen. Tom Cotton (R., Ark.), a fierce critic of the nuclear deal, but it has reacted favorably to past offers of sanctions relief, offering a possible path to future talks.

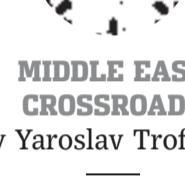
Trump to decertify Iran's compliance and then lay out the conditions under which he would reimpose sanctions. He also wants to see Mr. Tillerson and U.N. Ambassador Nikki Haley pursue diplomatic efforts to fix the deal.

"I have no intent to immediately introduce legislation to snap back all sanctions or to advocate for that," he said.

France's President Emmanuel Macron said Wednesday that he is advising that the U.S. and its partners open a new and separate round of negotiations with Iran over its ballistic-missile program, and to threaten new sanctions over that issue alone, rather than reopen the issue of Tehran's nuclear program.

Iran has rejected the prospect of "annex" agreements to the nuclear deal, but it has reacted favorably to past offers of sanctions relief, offering a possible path to future talks.

Chechnya Leader Seeks Global Muslim Role



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

When the exodus of Rohingya Muslims from Myanmar began a month ago, some of the loudest protests erupted in an unexpected corner of the Muslim world: Russia's republic of Chechnya.

In the capital Grozny, Chechen leader Ramzan Kadyrov presided over a Sept. 4 rally in solidarity with the Rohingya that, according to official count, was attended by a million people. He proposed, among other things, dropping a nuclear bomb on Myanmar to stop what he called a "genocide of Muslims."

Another large Muslim protest, also with the involvement of Chechen representatives, paralyzed central Moscow and forced Myanmar diplomats to temporarily abandon their embassy there.

For Mr. Kadyrov, who has turned Chechnya into a personal fief where Islamic laws and customs are enforced more strictly than in many Middle East nations, the Myanmar crisis has provided an opportunity to become an Islamic leader of global stature. The protests also cemented his sta-



Ramzan Kadyrov, left, addressed a rally this month in Grozny, where Chechen supporters of the Rohingya also voiced their support.

tus as one of Russia's most powerful men.

Exploiting far-flung Islamic causes has long been a winning strategy for other authoritarian leaders.

No matter how powerful he is, though, Mr. Kadyrov isn't a head of state. And for Russia, his pretensions to a global mantle present a policy dilemma. On one hand, many of Mr. Kadyrov's recent initiatives didn't coincide with Moscow's foreign-policy priorities. In Myanmar, for example, Russia has long been a major supporter and supplier of that country's military. It didn't help that Mr. Kadyrov made his inflammatory statements just as his patron, President Vladimir Putin, was visiting the crucial ally of Myanmar's government, China.

In recent months, Mr. Kadyrov has also issued harsh threats to Israel over its decision, since reversed, to unilaterally impose new

security measures at a Jerusalem compound where the Al Aqsa mosque is located. Last year, Mr. Kadyrov convened an international Islamic conference that essentially declared Saudi Arabia's dominant school of theology outside the pale of Islam.

His latest intervention in the Myanmar crisis didn't please the Moscow establishment. "Russian foreign policy in terms of making major decisions is very much centralized. This means that Kadyrov's démarque was met with irritation at the foreign ministry and by the leadership in general," said Andrey Kortunov, director of the Russian International Affairs Council, a state-run think tank in Moscow.

On the other hand, Mr. Kadyrov could play a valuable role for Russia in the broader Muslim world just as the country faces widespread criticism for its involvement alongside the Iran-led Shiite axis in the Syrian wa

As a young rebel, Mr. Kadyrov used to fight against Russian forces in Chechnya's war of secession. His father Akhmad, Chechnya's former mufti, or most senior Sunni Islamic scholar, once formally declared jihad against Russia—only to switch sides and become the region's president under a peace deal with Moscow. The elder Mr. Kadyrov was assassinated by jihadist insurgents opposed to the peace deal in 2004.

Hechnya today feels like a separate country. While Chechnya's security forces theoretically report to Moscow, in practice they are Mr. Kadyrov's praetorian guard, with their parades punctuated by pledges of loyalty and cries of "Allahu akbar."

Because of this autonomy, Mr. Kadyrov offers a Sunni alternative to existing Islamist movements in the Middle East. Unlike the theology of Islamic

State or al Qaeda, his brand of Islamism—colored by the relatively moderate Sufi tradition espoused by his late father—isn't hostile to Shiites and appeals to millions of followers of Sufi religious orders in the region.

In part in recognition of this status, Mr. Kadyrov over the past year was received with honors far above those of a provincial Russian governor when visiting Muslim nations.

Kadyrov is a man of big ambitions. He plays the role of an unofficial Russian envoy in the countries of the Middle East," said Dmitri Trenin, director of the Carnegie Moscow Center. "Yes, sometimes he makes statements that go further than or contradict Russia's official position. But in general he promotes Russia as a state with a large Muslim community and therefore a state that has the right to participate in all Muslim affairs. And that's something positive for Russian foreign policy."

Myanmar Crisis Stirs Outcry at U.N. Forum

By FARNAZ FASSIHI

UNITED NATIONS—Violence in Myanmar has commanded widening attention and concern among heads of state gathered for the General Assembly.

World leaders have used the U.N. podium to criticize Myanmar and call for an end to the violence, as a crackdown against the Rohingya population has created a regional crisis. Since late August, the military has displaced nearly 400,000 people who have fled to Bangladesh.

On Wednesday, Vice President Mike Pence called on members of the Security Council to take action. "The images of the violence and its victims have shocked the American people and decent people all over the world," Mr. Pence told the Security Council.

Iranian President Hassan Rouhani said Wednesday that heads of Islamic nations held an emergency meeting on the sidelines of the General Assembly a day earlier, where they discussed pressuring Myanmar's government and delivering humanitarian aid.

Myanmar's civilian leader, Aung San Suu Kyi, defended her country's treatment of ethnic Rohingya Muslims on Tuesday, saying her government would investigate all allegations of human-rights abuses along the country's western border. She said Myanmar would allow Rohingya who could prove they had lived in the country to return.

TRUMP

Continued from Page One
markets. The action steps up Washington's effort to strangle financing to the nuclear-armed state in the face of repeated missile tests by the Kim regime.

"Foreign banks will face a clear choice: doing business with the United States or facilitate trade with the lawless regime in North Korea," Mr. Trump said at a lunch with leaders of South Korea and Japan in New York, alongside UN meetings.

The presidential order authorizes Treasury to target a broad swath of North Korean trade, including textile and seafood exports, technology, and shipping networks. North Korean defectors, U.S. officials and analysts all have said those trade and finance networks are funneling cash into the country's nuclear-weapon and intercontinental-ballistic-missile programs.

"For far too long, North Korea has evaded sanctions and used the international financial system to facilitate funding for its weapons of mass destruction and ballistic-missile programs," Treasury Secretary Steven Mnuchin said on the sidelines of UN meetings. "No bank—in any country—should be used to facilitate Kim Jong Un's destructive behavior."

U.S. officials cast their moves as part of a growing international effort. Mr. Trump praised Chinese President Xi Jinping for a recent move by Beijing's central bank to bar



BRENDAN SMIALOWSKI/AGENCE FRANCE PRESSE/GTY IMAGES

South Korea's President Moon Jae-in, left, with U.S. President Donald Trump on Thursday.

transactions with North Korea. China accounts for more than 90% of Pyongyang's trade, and much of those transactions are conducted through the Chinese banking system.

"China, their central bank has told their other banks...to immediately stop doing business with North Korea," Mr. Trump said.

U.S. congressional leaders who have pressed for a tougher sanctions regime applauded the Trump administration's announcement. Many analysts

have said the sanctions in place against North Korea pale in comparison to the efforts aimed at Iran before the 2015 accord preventing it from producing nuclear weapons.

In that case, the U.S. was able to convince much of the world—notably its European allies—to shut down investment and capital flows to Iran, with the U.S. levying multibillion-dollar fines against major European banks to enforce that effort.

The North Korean sanctions regime doesn't yet have that

magnitude, but analysts say this latest effort is part of the administration's plan to steadily ratchet up economic pain on the country.

"Finally, we are beginning to apply maximum pressure on Kim Jong Un," said Rep. Ed Royce, the California Republican who heads the House Foreign Affairs Committee.

"It's a new level of pressure," said Patrick Cronin, senior director of the Asia-Pacific program at the Center for New American Security, a Washington

think tank.

Mr. Trump said the new order would cut sources of revenue used to fund North Korea's efforts to develop nuclear weapons. "It is unacceptable that others financially support this criminal, rogue regime," he told South Korea's President Moon and Prime Minister Shinzo Abe of Japan, who were both present with delegations.

Mr. Abe replied, in remarks that were translated into English, that he considered the North Korean nuclear tests un-

acceptable, calling them "beyond the scale of Hiroshima," a reference to the first atomic bomb dropped by American forces during World War II.

The Treasury Department already has the power to ban foreign banks from accessing U.S. financial markets, as it recently did with China's small Bank of Dandong, saying it helped finance Pyongyang's weapons program.

Being banned from access to the world's deepest financial market and most traded currency can cripple a financial institution, preventing it from accessing the dollars that borrowers need to for deals and to keep their businesses afloat.

The latest order broadens that authority, Treasury said.

"What this does is take it a step further," U.S. Ambassador to the U.N. Nikki Haley said on Thursday. "This says that anyone that deals with North Korea, any financial institution that deals with North Korea, is going to be punished."

Mr. Cronin said Beijing's directive banning financial transactions with North Korea could make additional U.S. sanctions banning Chinese banks from the U.S. less likely for now. Secondary sanctions targeting banks are only necessary if other actors aren't taking the steps the U.S. believes are responsible actions, he said.

But that could change if China doesn't follow through, he said.

—Paul Sonne in New York, Laurence Norman in Brussels and Jonathan Cheng in Seoul contributed to this article.

WORLD NEWS

Iraq Set to Move On ISIS Redoubt

BY BEN KESLING
AND GHASSAN ADNAN

BAGHDAD—Iraq's army launched an offensive to drive Islamic State from the town of Hawija, one of the group's few remaining strongholds in the country and a hub it uses to threaten the oil-rich city Kirkuk and Iraq's semiautonomous Kurdish region.

The operation on Thursday comes days after Prime Minister Haider al-Abadi announced the military had begun clearing the militants from areas that remain under their control in Anbar province, some along the Syrian border. The dual offensives mark one of the final steps in the campaign to oust Islamic State from Iraq.

"Hawija provides a strategic position and a main source for Daesh funding," counterterrorism forces spokesman Sabah al-Noman said, using an Arabic acronym for Islamic State.

Hawija is used by the group as a center to build explosives including car bombs, and to launch attacks on surrounding areas including Mosul. It is also home to four Islamic State training camps, Mr. Noman said.

The town "now comes second in significance only to Raqqa in Syria," he said, referring to the group's de facto

capital in Syria, which is under assault from an array of Syrian and Kurdish forces.

Mr. Abadi, announcing the start of the Hawija operation, called it "a fulfillment to our pledge to our people to liberate all Iraqi lands and cleanse them from Daesh terrorist gangs."

Irqi troops are pushing through the outskirts of Hawija, which once had a population of over 400,000 people but is now home to just 45,000. Troops are expected to begin an assault on the town in early October, according to an Iraqi official.

In Anbar province, meanwhile, Iraqi forces announced the retaking Thursday of their first major objective, the town of Ana. They will later push toward the top prize in western Iraq, the border crossing town of al-Qaim.

The operations to retake Hawija and towns in Anbar launched as the Kurdish region in Iraq's north prepares to hold a controversial independence referendum on Sept. 25. The Iraqi government, United Nations and U.S., along with most of the international community, have opposed the vote's timing in large part because it coincides with the final stages of the battle against Islamic State.

Oil Lifts Russia-Saudi Ties

Saudi Arabia's King Salman plans to discuss Syria, the Qatar blockade and oil production with Russian President Vladimir Putin next month in Russia, according to people familiar with the matter, as energy cooperation deepens political ties between the two former foes.

By Summer Said
in Riyadh
and James Marson
in Moscow

In the first visit to Russia by a Saudi monarch, King Salman is expected to give his support for new cease-fires and "de-escalation zones" in Syria, where Riyadh and Moscow have been on opposing sides, the people said.

The king is also expected to cement a deal with Russia to extend efforts to withhold global oil supply and prop up crude prices through the Saudi-led Organization of the Petroleum Exporting Countries, the people said. Russia isn't a member of OPEC, but its cooperation was key in a deal to cut almost 1.8 million barrels of oil a day this year.

The visit, scheduled for early October, is the latest sign of a warming relationship between the two largest crude-oil producers, who have long been on opposite sides of the Middle East's geopolitical fault lines. Russia counts Saudi rivals Iran and Syria as its closest Middle Eastern allies, while Saudi Arabia has looked to the U.S. as an ally.

"Cooperation between these vehement Cold War enemies used to be unthinkable. Not anymore," said Jim Krane, a fellow specializing in Middle East energy and geopolitical issues at Rice University's Baker Institute.

The thaw began last year as Saudi Arabia sought Russian support for the cut in oil production, which it hoped would reverse a historic downturn in petroleum prices.

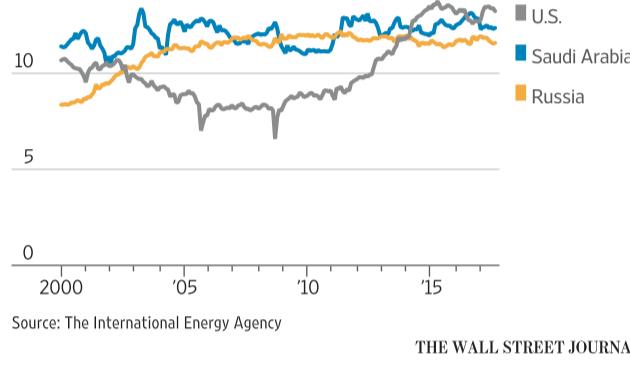
Though the OPEC-led production cut has done little to



Russian Foreign Minister Sergei Lavrov, left, greeted Saudi King Salman in Jeddah this month.

Alliance of Giants

U.S. energy output has surpassed Saudi Arabia and Russia and driven the two countries to cooperate.



Source: The International Energy Agency

THE WALL STREET JOURNAL.

raise oil prices, Russia and Saudi Arabia have since talked about establishing a joint energy-investment fund and the first Saudi imports of liquefied-natural gas from Russia, according to Russian and Saudi officials.

Saudi oil officials are considering stakes in LNG projects led by Russian companies OAO Novatek and state energy giant, PAO Rosneft, people familiar with the matter said.

Saudi Arabia has other

sources for many of the imports that Russia could provide, including weapons, barley, pig iron and refined copper. The LNG deals under discussion could take months to come together or not happen at all, people familiar with the talks said.

But the countries have political reasons to move closer and cite their oil coordination as a first move to build trust as they try to tackle broader economic and geopolitical issues.

In May, Mr. Putin spoke about

Syria with then-Deputy Crown Prince Mohammed bin Salman, the king's son who has since been elevated to crown prince and heir apparent. The two countries remain at odds but have celebrated their dialogue.

Russia this year ended its criticism in the United Nations of Saudi Arabia's war against Houthi rebels in Yemen. The Saudis saw that as a concession that came after the kingdom threw its weight behind cutting its oil production, Saudi officials said.

The diplomacy has highlighted Russia's balancing act in the Middle East between its traditional partner Iran, gas-producing Qatar—an economic rival that it now courts as an investor—and Saudi Arabia.

The king's discussions on Qatar are likely to be closely watched. Saudi Arabia and its Arab allies have cut off diplomatic and economic ties with Qatar over what it says is the emirate's support for Iran and the Muslim Brotherhood.

Russia has taken a neutral stance, calling for a diplomatic resolution through talks.

—Georgi Kantchev and Benoit Faucon in London contributed to this article.



Fighters with a largely Shiite paramilitary force advanced toward the city of al-Sharqat on Thursday. Iraqi military forces are leading the Hawija operation, along with some Shiite Muslim groups.

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WORLD NEWS

German Populists Redirect Race

Supporters say AfD party is speaking plainly of old taboos; calling out 'lies'

By ANTON TROIANOVSKI

WISMAR, Germany—Candidate Georg Pazderski of the anti-immigrant Alternative for Germany spent nearly half his 25-minute speech in this harbor town earlier this week highlighting the danger of Islamist terrorism. Chancellor Angela Merkel dispatched the topic in roughly 80 seconds in an address here the next day.

As this country's election campaign reaches its crescendo ahead of Sunday's vote, its participants increasingly appear to be fighting different battles. Ms. Merkel, looking assured of victory, is engaging her opponents in mainstream parties on pensions, infrastructure, education, and economic policy. The Alternative for Germany, meanwhile, is creeping up in the polls while positioning itself as the only party sounding the alarm about what it says is the existential threat posed by Muslim immigration.

The AfD, as the party is known, is now polling at above 10%—less than its peak early this year and well below what

other far-right parties elsewhere in Europe have garnered in recent elections. But for Germany, if the polls hold, its impending entry into parliament will mark a turning point in a country where right-wing populism has long been banished from mainstream discourse. And it will show that despite Germany's thriving economy, an undercurrent of popular distrust and discontent threatens to increasingly unsettle a largely stable political system.

The unease is especially apparent here in the former East Germany, where unemployment is higher and the mainstream political parties are less deeply anchored than in the more-prosperous former West. But AfD is drawing rising support from across the country, polls show.

Interviews with AfD supporters conducted in recent weeks from the German southwest to the Baltic seacoast, yielded one common complaint: Mainstream politicians, the voters said, don't take their concerns about immigration—including fears about violent crime committed by immigrants—seriously enough.

The party "clearly discusses problems that all the other parties have been concealing until now," said civil servant Uwe-Schulz Kopanski, refer-

Protest Vote

Some typical characteristics of Alternative for Germany voters are outliers when compared with backers of other parties.

■ Alternative for Germany ■ Social Democrats ■ Christian Democrats

■ Free Democrats ■ Left ■ Greens

AfD supporters are more likely to be male...

Percentage of male supporters



...tend to live in less densely populated areas...

Percentage of supporters in towns with fewer than 20,000 people



...have blue-collar jobs...

Percentage of supporters classified as laborers



...and earn less

Average hourly wages



*Includes Bavarian sister party Christian Social Union

Sources: German Institute for Economic Research analysis based on an ALLBUS survey of about 3,500 respondents conducted in March-September 2016 (male support, residence, employment); SOEP panel study, 2015 (wages)

THE WALL STREET JOURNAL

ring to immigration as the biggest one. "These lies, these lies, these lies—people have had enough."

In Wismar, a Baltic seaport town of about 45,000 people, Mayor Thomas Beyer said the share of foreigners in town had increased to about 6% from 4% since 2015, in part because of the influx of asy-

lum seekers. The data don't show any increase in violent crime as a result, he said. But, he noted, many voters were unsettled by change.

"The parties, in part, no longer speak the language of the people," Mr. Beyer said, counting his own center-left Social Democrats among those guilty of losing touch.

Ms. Merkel closed her speech on Tuesday by warning that isolationism could carry big risks for a country that makes much of its wealth from exports. "We must understand that we cannot only take care of ourselves," she said.

The previous day, leading AfD politicians took a different tack at their own rally here. The mainstream parties have yet to "see reason and finally take care of the security of German citizens," Mr. Pazderski said. He and deputy party chairwoman Beatrix von Storch both said deportations of rejected asylum seekers were happening too slowly.

"In addition to a heart, we have a brain," Ms. von Storch said of her party.

"This is a party that's finally showing protest," said Martin Schmaltz, a 28-year-old bus driver at the event in Wismar who was considering voting for the AfD.

The party, he said, makes plain what "the German citizen has on the tip of his tongue but can't say out loud."

If the AfD performs as well as some polls predict and Ms. Merkel forms another so-called grand coalition with the center-left Social Democrats, the party would emerge as the biggest opposition force in Germany's parliament.

Le Pen Aide Quits, Signaling Party Shift

By STACY MEICHTRY

PARIS—The architect of Marine Le Pen's anti-euro stance has quit National Front.

Florian Philippot, the party's No. 2 official who championed its embrace of economic nationalism in this year's presidential election, said he had left the party Thursday after Ms. Le Pen stripped him of his role as vice president of strategy and communications.

"I was told I was vice president of nothing. I don't like being ridiculed, nor do I like having nothing to do, so you bet I quit the party," Mr. Philippot said on French TV.

The move paves the way for National Front to make a full-throated return to identity politics, drawing on its anti-immigrant and anti-Muslim base, while jettisoning the broader message of economic sovereignty that Mr. Philippot championed.

National Front, once considered an imminent threat to France's political establishment, is in upheaval. Party members have been pushing Ms. Le Pen to abandon her opposition to the euro, which they blame for her election defeat as well as the party's disappointing performance in parliamentary races a month later.

The National Front leader lost by a surprisingly wide margin to upstart Emmanuel Macron, who ran on a staunch pro-European Union platform diametrically opposed to Ms. Le Pen's plan to pull France from the economic bloc and its common currency, the euro.

Ms. Le Pen's opposition to the euro took shape after she recruited Mr. Philippot as her right-hand man in the run-up to the 2012 elections.

Church Response to Abuse Was Slow, Pope Says

By FRANCIS X. ROCCA

"Maybe the old practice of moving people around, of not facing the problem, put our consciousness asleep," he added.

The pope didn't address the case of an Italian priest whom the Vatican recalled after the U.S. State Department notified it on Aug. 21 about a "possible violation of laws relating to child pornography images."

The Vatican's statement on Sept. 15 announcing the recall didn't name the priest, identifying him only as a Holy See

The church woke up to 'these crimes in a delayed manner,' the pontiff said.

diplomat accredited to Washington. But a person familiar with the situation said he is Msgr. Carlo Alberto Capella, a longtime diplomat. An attempt to reach Msgr. Capella through

the Vatican wasn't successful. The case has raised concerns among U.S. bishops that it could undermine a decade and a half of efforts to regain public trust on clerical sex abuse.

The Vatican statement said the priest was in Vatican City and under investigation by the Vatican prosecutor, who had "already commenced international collaboration to obtain elements relative to the case."

According to a person familiar with the matter, Msgr. Capella has submitted to

house arrest and has surrendered all his electronic devices to Vatican officials who will examine them for evidence.

The U.S. State Department didn't provide the Vatican with any evidence against Msgr. Capella prior to his leaving the country, according to people familiar with the matter. A State Department official didn't comment on the evidence question, but outlined procedures for charging diplomats and said the Vatican didn't waive immunity.

WORLD WATCH



Protesters burned Rodrigo Duterte in effigy in Manila on Thursday. Police have killed more than 3,800 people during antidrug operations since he took office last year, according to official data.

PHILIPPINES

Protesters Denounce Duterte's Policies

Thousands of antigovernment protesters thronged Manila on Thursday in the largest outpouring of opposition against President Rodrigo Duterte's deadly war on drugs and strongman style of governance.

The protests, planned to coincide with the 45th anniversary of the declaration of martial law by former dictator Ferdinand Marcos, extend weeks of backlash against the Duterte administration after the alleged police killing of a teenager last month.

"Human lives are indispensable. One death is too many," said Robbie Solis, a 32-year-old who lives in Manila and joined a protest. "Even if there's a high chance that the person is a criminal, people still have rights."

—Jake Maxwell Watts

told a news conference following a regularly scheduled policy meeting that any potential interest-rate increases in the U.S. don't mean that rates need to be raised in Japan too. Rates should be determined by the economic and price conditions in each country, he said.

Despite the best stretch of economic growth in more than a decade, inflation in Japan remains weak, having picked up only a little speed. In July, Japan's core inflation accelerated to 0.5%, far from the BOJ's target of 2%.

"I believe the current framework is sufficient for reaching the 2% target," Mr. Kuroda said.

At the meeting, the bank voted to keep the target for 10-year Japanese-government-bond yields at around zero and the short-term deposit rate at minus 0.1%. —Megumi Fujikawa

EUROPEAN UNION

Bloc Prods Britain For Concrete Ideas

On the eve of a closely watched speech on Brexit by U.K. Prime Minister Theresa May, the bloc's chief negotiator said Britain needs to speedily present concrete proposals on all the main sticking points for divorce talks to advance.

"A few days before the fourth

round of negotiation...there remain major uncertainties on each one of the key subjects of this first phase," Michel Barnier said in a speech in Rome. Mrs. May speaks in Florence on Friday.

She is expected to set out her vision for the U.K.'s future economic and security ties with the bloc and tell leaders that both sides are responsible for getting them right. She is also expected to make public a plan to reassure businesses and citizens during the transition.

—Laurence Norman and Valentina Pop

SOUTH AFRICA

Reserve Bank Keeps Main Rate on Hold

The South African Reserve Bank kept its main repo rate at 6.75% and revised its 2017 growth forecast up slightly.

Gov. Lesetja Kganyago said three members of the bank's monetary-policy committee had argued for a rate cut of 0.25 percentage point, while the other three wanted to hold rates.

In the end, the committee decided to hold rates and reassess its monetary stance at its next meeting in late November, he said.

—Gabriele Steinhauser

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IN DEPTH

ALDI

Continued from Page One

Even in Germany, not much is known about how Aldi operates. It does little media advertising, doesn't publish financial statements, and its top executives don't give interviews.

The Wall Street Journal figured out Aldi's idiosyncratic playbook through internal documents, the company's rare public filings, and interviews with past and present managers.

Tiny fraction

It offers a deliberately pared-down selection, sometimes a tiny fraction of the number of items sold by rivals, which helps Aldi cut costs to levels U.S. grocers can only dream of. Among other benefits, fewer items means faster turnover, smaller stores, less rent, lower energy costs and fewer staff to stock the shelves. That parsimony enabled Aldi to establish itself in Europe and then launch into the U.S.

About 70 years ago, brothers Karl and Theo Albrecht, fresh from military service in World War II, took over their family's store in Schonnebeck, a mining neighborhood of the bombed-out industrial city of Essen. In the early 1950s, they began rolling out their ascetic concept to other branches throughout the region.

Back then, their stores offered just 250 items, the essentials miners' and steelworkers' families needed to survive—flour, sugar, coffee, butter, bacon, peas and condensed milk.

In the 1950s and '60s, Germany's economic miracle took off, and a wave of glitzy supermarkets selling thousands of items sprouted up to serve the newly affluent middle class. Aldi didn't flinch.

In his only known public remarks on Aldi's business model, Karl Albrecht said in a 1952 speech that the brothers had once toyed with the idea of following the supermarket trend.

In the end, they decided to keep their limited selection after realizing it gave them an edge: "We had much lower expenses," Mr. Albrecht said.

By keeping costs low, the Spartan assortment allowed the founders to sell their inventory for less and turn it over at lightning speed, boosting profit margins, according to former executives.

"Speed wins, speed kills," said Craig Johnson, president of the Connecticut-based retail consultancy Customer Growth Partners.

In 1961, the brothers divided their growing empire into two kingdoms, Aldi Nord and Aldi Süd (the shared name came from a contraction of the words "Albrecht" and "discount"). They organized each part as a Gleichordnungskonzern, a legal structure under which a fleet of legally independent companies swear loyalty to each other while reporting to a central board.

The arcane structure had one crucial advantage: It meant the group never triggered financial reporting requirements



OIVIER BERG/DPA/ZUMA PRESS

A customer chooses organic cookies at an Aldi supermarket in Velbert, Germany. The chain is known for its limited inventories.

imposed on other businesses of its size. German companies must publish earnings reports if they check two out of three boxes: more than €65 million in assets, over €130 million in annual sales, or more than 5,000 employees.

Broken up into small parts, Aldi's armada of companies didn't cross these thresholds. Under their cloak of secrecy, the brothers could hide their colossal and rapidly rising sales volume from competitors.

After the split, the twin dynasties continued to keep their selection in check, pool market intelligence and avoid direct competition.

By then, Aldi Süd was selling 400 items per store in its Southern German fief, its inventories arranged on wooden pallets on the floor. In the north, Aldi Nord's markets were selling about 450. Today, the brothers are deceased and power lies with the empire's collective leadership. But Aldi has stayed true to the concept. Most Aldi stores stock between 1,300 and 1,600 items, depending on the country.

By comparison, Wal-Mart's Supercenters have in recent years carried around 120,000

it is often easier to negotiate low prices from its suppliers. Even Wal-Mart, famous for extracting concessions from its suppliers, can sometimes only go so far because premium consumer-goods companies have to bear costs such as advertising.

On a basket of 30 typical household items, Aldi's prices are on average almost 17% lower than Wal-Mart's, according to research conducted by Mr. Johnson of Customer Growth Partners.

1,000 details

"It's a system of 1,000 details all made against the backdrop of costs," said Dieter Brandes, who sat on Aldi Nord's board of directors with Theo Albrecht until 1985. "Nobody needs 50 different types of toilet paper," he said.

With its limited assortment, Aldi's biggest problem, according to Eberhard Fedtke, who managed Aldi Nord stores in the flagship region in Essen in the 1970s, was "where to get enough stock, and where to put all the cash we were making."

His region of around 40 Aldi stores rang up sales of about 1.2 million deutsche marks, or roughly \$3 million at the time, every day. His stores sold out of goods so quickly, in about eight days, that he would order inventory twice in the time it took suppliers to bill him once.

While becoming the first to scale the hard-discount model in Germany, Theo Albrecht of Aldi Nord found a kindred spirit in the U.S., buying the California-based franchise Trader Joe's in 1979 from its founder, Joe Coulombe.

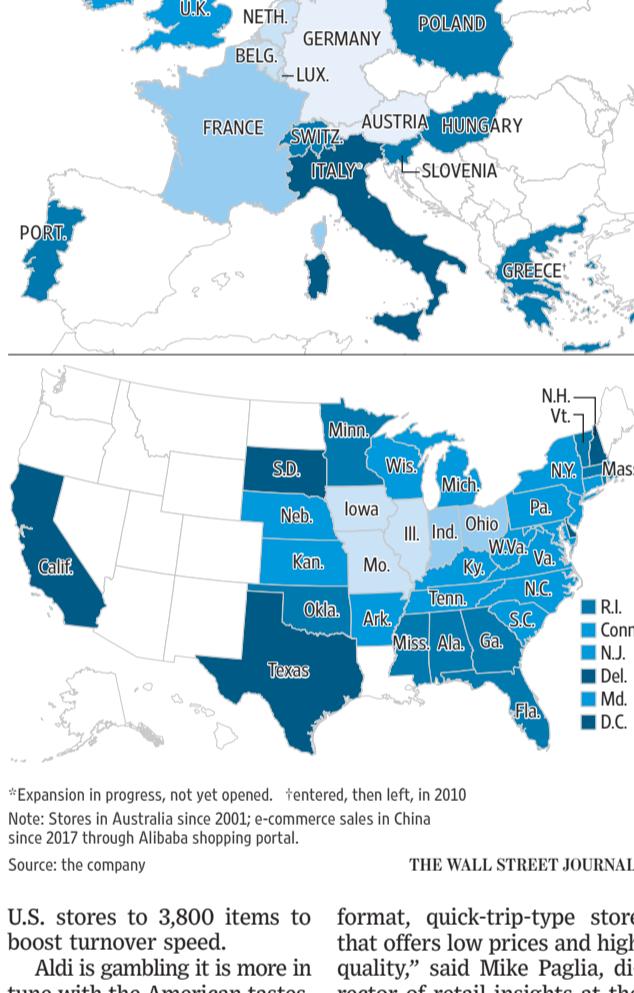
Trader Joe's had concocted a similar model based on limited selection, keeping inventory back then to 1,100 items.

Other American brands also developed a concept based on curbing selection, including Costco Wholesale Corp., which these days limits its stock in

Growing Empire

Expanding across Germany and beyond gave Aldi Süd and Aldi Nord massive purchasing power, allowing them to negotiate some of the lowest prices in the grocery industry with suppliers.

When Aldi entered each market, by decade:



*Expansion in progress, not yet opened. †Entered, then left, in 2010

Note: Stores in Australia since 2001; e-commerce sales in China since 2017 through Alibaba shopping portal.

Source: the company

THE WALL STREET JOURNAL

U.S. stores to 3,800 items to boost turnover speed.

Aldi is gambling it is more in tune with the American tastes, rolling out small, nimble stores instead of sprawling warehouses and supermarkets that take longer to navigate.

The expansion of the German hard-discount model in the U.S. "comes at a time when shoppers are, more than ever, seeing the appeal in a small

format, quick-trip-type store that offers low prices and high quality," said Mike Paglia, director of retail insights at the Kantar Retail consultancy in America.

"The typical 40,000 square-foot supermarket is a dinosaur, and it's extinct," said Phil Lempert, an American grocery retail expert. "Those stores need to die."

An Aldi store in Greenville,

N.C., this summer featured a private brand of diet soda in boxes of 12 for \$2.25 and a cup of Greek yogurt for 69 cents. In the parking lot, Latonya Edwards, 44, a nurse, said she comes to Aldi to stock up on staples for her pantry such as canned goods, a signature of the brand since the Albrecht brothers entered business after the war. "You have to know how to shop," said Ms. Edwards, who was pushing a full cart toward her car.

Theo Albrecht of Aldi Nord approached cutting waste at the company with religious fervor, according to Mr. Fedtke, who attended Catholic church with the brothers at St. Markus in Essen-Bredeney, a neighborhood of industrialist estates.

The younger Mr. Albrecht asked employees to turn the lights off when the sun was out, took notes on scrap paper and asked store managers to set bathroom hand dryers not to blow for one second too long.

Former executives say he saw every cent of waste in a single store as an existential threat that, if multiplied across his growing empire, could put his fortune at risk.

One of Aldi's strengths that has eluded many discounters is its ability to draw middle-class shoppers—those with more money to spend—despite its limited array of goods. It did this by cultivating the image of a company focused on quality rather than pinching pennies.

"Poor people need us, rich people love us," Theo Albrecht used to tell executives, according to Mr. Brandes, the former board member.

There too, executives say, the limited assortment played a central role. The small number of items ensured that staff could carefully choose, taste-test and quality-control each item.

The ground floor of Aldi Süd's headquarters in Mülheim has a test kitchen where every day from 8:30 a.m. to 2:30 p.m. the company's executives and buyers constantly sample food sold in its stores and conduct blind tastings to see if it beats the competition. One test involves sampling spoonfuls of olive oil.

Wine and Porsches

Mr. Scholbeck, who became Aldi Süd's first ever communication director this year, said a €4.99 bottle of Spanish Grenache red wine recently on sale in the company's German stores scored 93 out of 100 points on the American wine expert Robert Parker's rating system, making it an "outstanding wine of exceptional complexity."

"You should see what kind of cars were out there!" he said. "The Porsche drivers were buying 6-packs. Because the quality is on point."

After the introduction of the euro fueled rising prices, the discounter asserted itself as a mainstay in the vast majority of German households, according to analysts.

"Aldi is like a lighthouse," said Michael Lohse, spokesman for Germany's Farmer's Association. If its prices move, other retailers "have to follow them."

TRIX

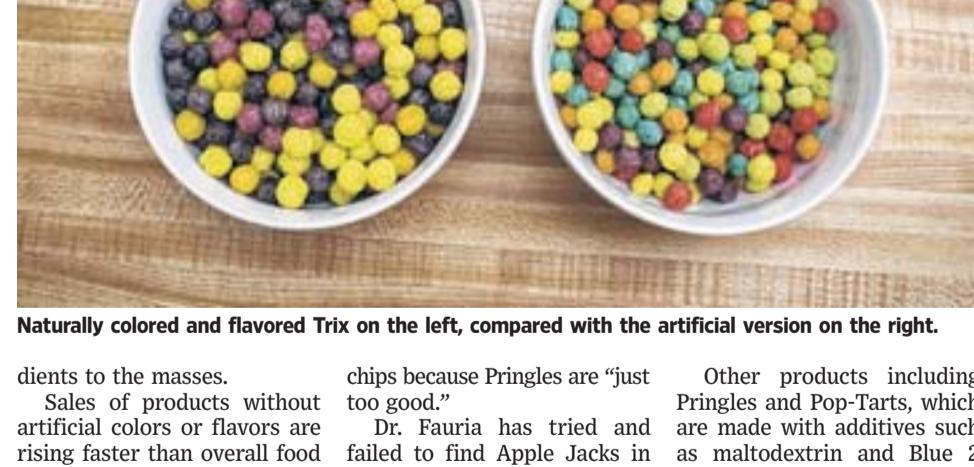
Continued from Page One boosted sales by 6% in early 2016. At the same time, natural-ingredient haters flooded the company with calls, emails and social-media posts, according to Mike Siemienas, a spokesman.

It turns out consumers "don't all want one thing," he said.

"It's basically a salad now," said 35-year-old Justin Storer of the new Trix. The Chicago lawyer said he gets most of his lunches from the 7-Eleven across the street from his office while his co-worker eats "weird vegetable chips from Trader Joe's and puffed kale."

Food giants have long sought to shed additives to appease consumers' desire for simple, natural ingredients. Kellogg Co. also said two years ago it would remove artificial dyes from Froot Loops cereal and Nutri-Grain bars by the end of 2018. It hasn't released the new versions yet, a spokeswoman said.

Americans' love affair with processed foods is enduring, however, despite a decade of finger-wagging from nutritionists, influential celebrities and trendy grocery chains such as Whole Foods peddling healthy and sometimes obscure ingre-



Naturally colored and flavored Trix on the left, compared with the artificial version on the right.

dients to the masses.

Sales of products without artificial colors or flavors are rising faster than overall food and beverage sales, according to Nielsen and Label Insight. But more than 25,000 products in the U.S. still contain high fructose corn syrup, some 46,000 are made with artificial colors and 63,000 have artificial flavors.

Philip Fauria, a 30-year-old optometrist who recently ate Reese's Puffs cereal for breakfast and Pringles with an Oscar Mayer turkey sandwich for lunch, said he's not a fan of trendy, natural and organic food, and is not embarrassed about it. He's never tried kale

chips because Pringles are "just too good."

Dr. Fauria has tried and failed to find Apple Jacks in Sprouts and Whole Foods stores. "It's an atrocity," he said. Once, he ended up with Bear Naked cereal, which he said gets too soggy in the milk. "Apple Jacks hold up better." (That could be the artificial additives. Kellogg makes both Apple Jacks and Bear Naked.)

Whole Foods declined to comment. Sprouts Farmers Market Inc. spokeswoman Donna Egan said Sprouts is meant to be a "destination for consumers who are interested in purchasing healthy products."

Other products including Pringles and Pop-Tarts, which are made with additives such as maltodextrin and Blue 2 Lake, have withstood the health trends. Kellogg says they are two of the company's best-selling brands.

When Hostess products returned to shelves in 2013 after being out of production for eight months following the company's bankruptcy, retailers placed orders for 50 million Twinkies and nearly 40 million Hostess CupCakes in the first two weeks.

Food giants like General Mills thought switching to simpler ingredients would help revive lackluster sales of goods

such as cereal and canned soup. Some consumers also have cited health reasons for wanting to steer clear of artificial dyes in particular. That didn't stop an outpouring of nostalgia when the company announced its new formula.

On Twitter after the death of Classic Trix, people posted messages such as, "I genuinely feel bad for the kids that never got to experience the old Trix cereal," and "My childhood fading away with the colors of Trix cereal."

Rabobank food industry analyst Nicholas Fereday said the revival of Classic Trix could be called "Trix Shameless."

Part of the problem for Trix was that General Mills' food scientists said they couldn't replicate the vibrant red and neon blue-green corn puffs with fruit and vegetable juices. Besides producing a bland color, the juices and extracts gave the cereal a different taste.

Trix has long marketed itself as a cereal for kids. Its commercials have featured its floppy-eared mascot, the Trix Rabbit, repeatedly getting rebuffed in his efforts to wrest the cereal from children. They end with the slogan, "Silly Rabbit, Trix are for kids."

Alex Guarnaschelli, a chef on the Food Network's Iron Chef and Chopped reality television shows, said she occasionally

enjoys childhood favorites, such as Fruity Pebbles cereal, because the look, flavor and smell are nostalgic. The experience is also liberating, she says, because her mom wouldn't let her eat sugary cereal as a child.

"We either had granola in a box with people backpacking on a mountain on the cover, or an all-natural amaranth flake," Ms. Guarnaschelli said.

Kraft Heinz Co. tried a different tack when it quietly removed artificial yellow dye from its boxed macaroni and cheese in 2015. Its signature yellow color was easier to replicate, so after months of selling the new recipe, most consumers didn't notice a difference, the company said. It then began an ad campaign with the slogan "It's changed. But it hasn't."

General Mills said it's not planning to bring back artificially colored Fruity Cheerios or other cereals it replaced with natural ingredients, because it hasn't received as many complaints about those.

The company is delaying swapping some of its other iconic, playful cereal brands with all-natural versions until it can get the new recipes right.

Food scientists are still working on removing the synthetic dyes in its Lucky Charms, Mr. Siemienas, the spokesman, said, because those marshmallow bits are a "big challenge."

GREATER NEW YORK



Amazon.com plans to create over 2,000 jobs as it opens an office at 450 W. 33rd St., which Brookfield has rebranded Five Manhattan West.

Amazon Inks West Side Office Deal

BY KEIKO MORRIS

Amazon.com Inc. plans to open an office on the far West Side of Manhattan and create more than 2,000 jobs in New York City.

The retail giant signed a 15-year lease to take about 360,000 square feet at Five Manhattan West, a revamped building that is part of Brookfield Property Partners L.P.'s new eight-acre development, Brookfield said Thursday.

Amazon said it plans to open its office at Five Manhattan West in 2018, creating a primary location for the company's advertising division with teams in marketing, product design and engineering.

Amazon will invest \$55 million to build out its new office space located at 450 W. 33rd St., which Brookfield has rebranded as Five Manhattan West.

New York state offered the Seattle-based company up to \$20 million in tax credits in exchange for creating the jobs and retaining them for 10 years, state officials said in a news release.

Separately, Amazon has committed to creating 2,250 jobs at its new Staten Island fulfillment center, which it announced earlier this year.

In that case, the state is providing Amazon \$18 million in tax incentives that will be awarded after the company has retained those jobs over a

five-year period.

At Five Manhattan West, Amazon's new jobs will include positions for software engineers, data analysts and economists, the company said. It will occupy the sixth and seventh floors, and portions of the eighth and 10th floors of the 16-story, 1.8 million-square-foot building.

The lease will bring the building's occupancy to 99%, Brookfield said.

Manhattan West, a six-building, mixed-use development that runs from Ninth to Tenth avenues, has attracted office tenants such as global professional-services giant Accenture, the National Hockey League, J.P. Morgan Chase &

Co. and law firm Skadden, Arps, Slate, Meagher & Flom LLP.

Whole Foods Market, which Amazon took over in a merger, signed a lease for a 60,000 square-foot store at Five Manhattan West.

Manhattan West is just east of Hudson Yards, a larger mixed-use project developed by Related Cos. and Oxford Properties Group.

The project has attracted a number of major firms to relocate from other established office districts in Manhattan. BlackRock Inc., Time Warner Inc. and Kohlberg, Kravis & Roberts are among the companies making their new home in Hudson Yards.

Train Engineers In 2 Crashes Had Sleep Disorders

BY MELANIE GRAYCE WEST

More than 100 people were injured in each incident.

In Hoboken, the train accelerated to twice its normal speed limit before slamming into the end of a track at Hoboken Terminal. The crash caused debris to fall on a young mother, Fabiola Bittar de Kroon, who was killed.

The train's engineer, Thomas Gallagher, told NTSB investigators that as he entered Hoboken Terminal he checked his watch and speedometer, blew his horn, rang the bell and "the next thing I remember was a loud bang. I was getting hit with dust and dirt."

Mr. Gallagher's attorney, Jack Arseneault, said on Thursday that the conclusion that can be read in the NTSB docu-

ment is that "NJ Transit and their physicians failed to diagnose Tom's severe sleep apnea condition."

In the Brooklyn crash, engineer Michael Bakalo—who was at the end of his overnight shift—told investigators that he remembered coming into the platform at Atlantic Terminal,

but his next memory was being thrown from his seat and hearing screams. He said he wasn't aware of the impending collision.

Mr. Bakalo didn't return a request for comment.

Gov. Cuomo Planning to Hit Up Donors to Boost Campaign Cash

BY ERICA ORDEN
AND MIKE VILENSKY

Donors willing to shell out thousands to watch baseball or share breakfast with Gov. Andrew Cuomo will soon get the chance.

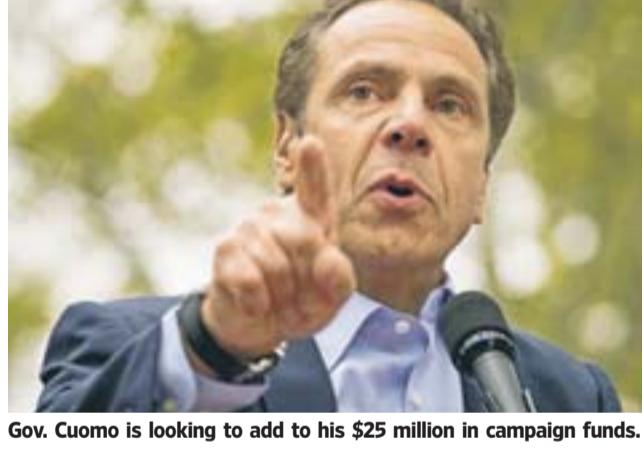
Mr. Cuomo plans an aggressive fundraising schedule through the end of the year, according to an advisory his campaign sent supporters that was reviewed by The Wall Street Journal, as potential gubernatorial candidates—including a wealthy Republican businessman and a Democratic former "Sex and the City" star—weigh challenging him in 2018.

Mr. Cuomo, a Democrat, already has a formidable war chest of \$25 million in campaign cash for his anticipated run for a third term. But through December he has cross-country plans to raise at least hundreds of thousands more, the advisory shows.

"The idea of a war chest is not just to spend money but to prevent other people from getting in the race," said George Arzt, a longtime New York Democratic strategist.

The governor plans at least eight high-dollar fundraisers before 2018, according to the advisory. The list includes two November events in San Francisco and Los Angeles at unspecified locations, with tickets going for up to \$50,000 a head at each.

The other events listed are in New York City, where the



Gov. Cuomo is looking to add to his \$25 million in campaign funds.

governor has raised the lion's share of his campaign coffers. They include a September New York Mets baseball game for up to \$7,500 a person for a box seat; a "Lawyers for Cuomo" breakfast in October at the Yale Club of New York City; and a private holiday dinner with chef Mario Batali.

Attending one of these meet-and-greets won't come cheap. Mr. Cuomo's 60th birthday party in December, for one, has tickets priced between \$15,000 and \$50,000, according to the advisory.

Mr. Cuomo also is planning a fundraiser in October on Staten Island, a largely Republican swath of New York City.

Mr. Cuomo's 2018 campaign and government press office declined to comment on his coming fundraising plans.

DREW ANGERER/GETTY IMAGES

Construction Workers Die in Falls

BY ZOLAN KANNO-YOUNGS

Two construction workers died and one was injured in two separate incidents in Manhattan on Thursday, the New York Police Department said.

At about 9:30 a.m., Juan Chohillo, 43 years old, of Queens, was installing framework to pour concrete on the 29th floor of a residential building on Maiden Lane when he fell through an opening in the floor, authorities said.

Mr. Chohillo fell to a second-floor landing and was pronounced dead at the scene, an NYPD spokeswoman said.

Mr. Chohillo was wearing a safety harness, but he wasn't clipped in, said a city Department of Buildings spokesman.

Hours later near Chelsea, a forklift cage carrying two construction workers collapsed and they plunged 35 feet, police said. Officers arrived at 401 Ninth Ave. to find one construction worker dead and the

other injured. That worker was taken to Bellevue Hospital in stable condition. The identities of the construction workers, both 45 years old, weren't immediately released.

The Building and Construction Trades Council of Greater New York, which represents more than a dozen unions, said there is a need for more safety training of construction workers. "This is an epidemic that must end now," the organization said.



New Jersey Children's Alliance

Heroes for Children 5K USATF-Certified



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September 23, 2017



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Essex County South Mountain
Recreational Complex Reservoir Run

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Medals awarded to top runners in each age group.



Register Now: NJC5K.com



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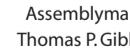
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Assemblyman
Thomas P. Giblin

Occasions
PAPERIE

New Jersey Children's Alliance (NJCA) is a statewide non-profit membership organization whose mission is to promote and support communities in providing a coordinated investigation and comprehensive response to victims of criminal child abuse. Your participation helps raise funds for all 21 counties in NJ. NJCA is the New Jersey Chapter of National Children's Alliance (NCA).

GREATER NEW YORK



The Metropolitan Museum of Art topped TripAdvisor's museum rankings for a third-straight year.

NYC Museums Rank No. 1, But the City Itself? Meh

By CHARLES PASSY

New York may be a museumgoer's dream destination, according to the travel website TripAdvisor.

As for the city's accommodations, restaurants and other attractions? Fuhgettaboutit.

TripAdvisor announced this week that the Metropolitan Museum of Art grabbed the top spot in the website's annual Travelers' Choice global ranking of museums.

FOOD & CULTURE It marked the third-straight year the Met has earned the honor.

The National September 11 Memorial & Museum ranked sixth in the same survey. New York was the only city in the world to have two museums in TripAdvisor's top 10.

But in other TripAdvisor surveys released in the past year, New York has fared much worse. No restaurant, hotel or landmark in the city cracked the top 25 in global rankings for those categories.

Perhaps even more telling: New York ranked fifth in the world's best destinations category, falling behind Bali, London, Paris and Rome.

TripAdvisor's Travelers'

Top Destinations From TripAdvisor

1. Bali, Indonesia
2. London
3. Paris
4. Rome
5. New York
6. Crete, Greece
7. Barcelona
8. Siem Reap, Cambodia
9. Prague
10. Phuket, Thailand

Choice rankings are based on an algorithm that takes into account both the assessments of the website's users and the number of reviews, according to TripAdvisor spokesman Brooke Ferencsik.

Mr. Ferencsik noted that New York fares much better in the U.S.-only rankings in many categories. For example, in the restaurant category, New York has three of the top 10 dining spots in the country—Per Se, Bouley Restaurant (now open only for events and private dining) and Daniel.

As to why New York didn't rank higher in the global surveys, Mr. Ferencsik pointed to the sheer fact that there is

more competition. "The world's a big place," he said.

But others who follow the hospitality world offered possible explanations—most notably the fact that New York, with its fast pace and crowded settings, may not always be an easy sell with travelers.

"People like elbow room, and New York restaurants and hotels don't have it," said Allen Salkin, a dining-industry expert and author of a book on the Food Network. In that regard, Mr. Salkin wasn't surprised the Metropolitan Museum ranked so high, since "the only places in New York with space are museums."

For the Metropolitan Museum, the TripAdvisor ranking is a welcome piece of news in a period that has seen the institution face various administrative and financial challenges.

The museum has contended with a \$15 million deficit in its \$400 million budget for fiscal 2017. It has also seen a change in its executive ranks, with Daniel H. Weiss taking over as chief executive, following the resignation of Thomas P. Campbell earlier this year.

Mr. Weiss said the TripAdvisor announcement "reaffirms the importance and value of what this museum represents."

Auto-Repair Shops Fight Eviction

By THOMAS MACMILLAN

A group of auto-repair proprietors on Thursday gathered in the Bronx to protest their pending eviction from an industrial building in the Hunts Point section and called on the city to force their landlord to halt the action.

About 15 members of the group, called the Sunrise Cooperative, rallied outside the warehouse they have been trying for several years to convert into an auto-repair mall.

The building, at 1080 Leggett Ave., was intended to be a new home for 45 auto-repair businesses that were

pushed out of Willets Point in Queens to make way for a redevelopment plan that includes housing, shops, parking for nearby Citi Field and a school.

But more than three years after Sunrise Cooperative signed a lease on the Bronx building, repairs and construction aren't complete and the group has filed for bankruptcy protection.

Marco Neira, president of Sunrise, said the group will be evicted for unpaid rent, possibly as soon as next week.

The building's landlord, David Smetana, didn't respond to requests for comment.

"If the city wants to help

us, they can stop the eviction," Mr. Neira said.

The city's Economic Development Corp. said it has done all it can, including providing \$7.5 million in economic assistance, and can't halt the eviction. It recently pledged an additional \$2.4 million to help Sunrise get current on its lease, it said.

"We are surprised and deeply disappointed that the landlord of 1080 Leggett Ave. has been unwilling to accept that offer and has chosen to evict the co-op rather than work with us to move this project forward," an Economic Development Corp. spokeswoman said.

Investigators determined that pilot violations of basic landing safeguards that ended with opposing commands from the captain and co-pilot caused then-vice presidential candidate Mike Pence's chartered jet to roll off the end of a wet runway last October.

The findings released Thursday by the National Transportation Safety Board reiterated earlier indications that the jet touched down thousands of feet past the beginning of the runway at LaGuardia Airport and the crew failed to promptly implement maneuvers designed to slow the aircraft on landing.

The report also concluded there was a breakdown of cockpit discipline and teamwork.

None of the 48 people on board were hurt.

Eastern Air Lines, the charter operator, has taken various actions since the event to enhance pilot training, according to the report.

—Andy Pasztor

Stranding Center in Brigantine has been caring for the seal since it was found wounded on Long Beach Island earlier this year.

The injuries make it nearly impossible for the seal to survive in the wild, so center staff arranged to send the animal to the Aquarium of Niagara in Niagara Falls.

—Associated Press

NEW YORK CITY

Girl Hit by Baseball Is Still in Hospital

The little girl hit in the face by a line-drive foul ball at a Yankees game Wednesday night remained hospitalized Thursday.

"She's doing all right. Just keep her in your thoughts," her father said soon after the ball struck her.

Following the incident, Major League Baseball Commissioner Rob Manfred vowed to push harder for all teams to extend protective netting to the end of dugouts. He called the mishap "extremely upsetting."

—Associated Press

Revived seal sent to aquarium.

Injured Seal to Live At Niagara Aquarium

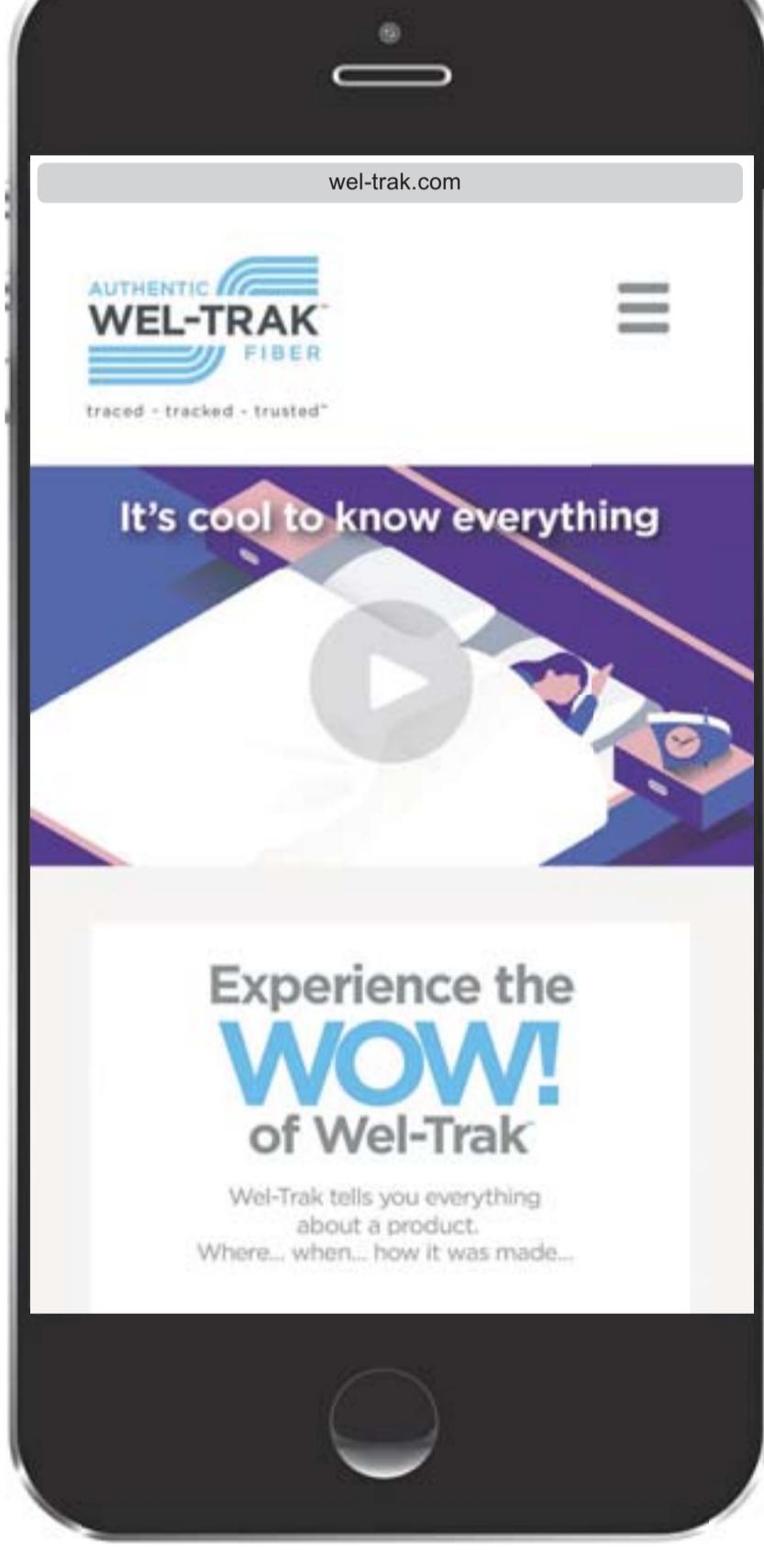
A harbor seal whose rear flipper had to be amputated after being struck by a boat has recovered and is headed to an upstate New York aquarium.

New Jersey's Marine Mammal

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COMFORTING THE PLANET™

LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

Was It Rape? Asks 'Liar'



Ian Gruffudd and Joanne Froggatt

'LIAR.' A SEETHING TALE OF claims and counterclaims involving a sexual encounter, seems at the outset to have set its sights on the accusations over such matters now sweeping its way across college campuses, the corporate world and other hitherto-insulated realms of privacy. In this six-part series a schoolteacher accepts a date with someone new, a charming heart surgeon who awaits her. She makes her way to the restaurant through the gloom of evening, on the loneliest of roads. Menacing atmospherics abound in the film, largely shot in the English coastal town of Deal.

Dinner nevertheless goes beautifully—an enchanted evening for both, complete with lingering glances, intense smiles and mindless conversation, and one that ends up in her apartment.

But in the morning, the teacher decides that she was raped, that she gave no consent. The accused doctor is horrified.

This now familiar story of our times emerges in "Liar"—created by Harry and Jack Williams ("The Missing")—with all of the mystery that often goes along with such bitter endings the morning after. This is the element that makes the first episodes utterly mesmerizing, that says it will be hard to know who is speaking the truth—or, more to the point, lying. The doctor, Andrew (Ian Gruffudd, "Unreal"), is a hardworking surgeon and devoted father, a widower, and as convincing a man suffering the fate of the falsely accused as can be imagined. It doesn't hurt his case that his accuser is, in her fury and vindictiveness, a lot less charming. But it's fury of a kind that can't easily be dismissed.

Laura, the teacher, is played by Joanne Froggatt, memorable as Anna, the loving wife of Mr. Bates in "Downton Abbey." A master at conveying anguish and, especially, the torment inflicted by an unyielding sense of victimization, Ms. Froggatt is the force that holds this saga together.

It's one that "Liar" needs increasingly as it moves on to ever-less-enterprising if dependably twisty plot developments. Hints soon come, none subtle, that make clear who's lying. The plot thickens relentlessly thereafter with torrid complications involving Laura's married sister, who is having an affair with Laura's ex. Then there's the pregnant police detective in a loving lesbian relationship whose life is transformed when she investigates Laura's charge that she was raped.

Well before its midpoint, "Liar" discards the meaty suggestiveness of its early scenes focused on the claims and counter-claims, and permission to proceed, that can now attach to sexual union in our romantic age. It proceeds to full thriller mode, and an engaging kind it is in its over-familiar way, no small thanks to saving infusions of soap opera.

Liar

Begins Wednesday, 10 p.m., SundanceTV



FOX SEARCHLIGHT (2)

FILM REVIEW

With Ace Actors, but Not Without Its Faults

BY JOHN ANDERSON

IT'S THE HIGHLY IMPROBABLE Howard Cosell, nasal twang resurrected on Nixon-era videotape, who finally pulls together very entertaining but disparate parts of "Battle of the Sexes." Directed by Valerie Faris and Jonathan Dayton ("Little Miss Sunshine"), the film is an extremely good-natured, upbeat recounting of the infamous Bobby Riggs-Billie Jean King "man vs. woman" match of 1973. But it doesn't generate much urgency, not till the sportscaster is heard on air, introducing Ms. King at the Houston Astrodome:

"A very attractive young lady," Cosell begins; the viewer braces him/herself. "If she ever let her hair grow down to her shoulders and took her glasses off, you'd have someone vying for a Hollywood screen test."

Oh, OK: The importance of this rather vintage story wasn't about equal rights, equal pay or men and women being equals on the tennis court. It wasn't even about Ms. King's coming to terms with her sexuality, though that's a major part of the movie's narrative. No, it was about the need to confront a world in which someone with the global exposure of a Cosell could, and would, so casually objectify the top woman tennis player in the world, and do it for a TV audience of 90 million people.

Ms. King is played with what might be called pluck by the ordinarily effervescent Emma Stone. She, like everyone involved with this film, has a specific challenge on her hands: Transform a woman who is essentially living her life undercover into an inspiring champion of women's rights, transparency and fair play. The story, naturally, leans the other way, and the pacing doesn't help: The build-up to Ms. King's seduction by her hairdresser, Marilyn Barnett (Andrea Riseborough),

ough), takes so long you want to yell, "Just do it already!" Eventually, they do.

A different problem is presented by Riggs, the ex-champ and tennis hustler for whom obnoxiousness was a marketing tool and who was in thrall to a gambling jones that threatened his marriage and, maybe, his person. (Rumors that he threw the match to Ms. King because of mob debts have long persisted, despite making very little sense, except as a lame excuse for his three-set trouncing.) Not surprisingly, directors Faris and Dayton and screenwriter Simon Beaufoy ("Slumdog Millionaire") skew matters toward a more likable Riggs, even a



Emma Stone and Steve Carell, above, and Ms. Stone, top

quasi-tragic one, and they have the priceless asset of Steve Carell playing the role. It deserves to be said that Mr. Carell is both a bona-fide movie star and a marvelous actor, two things that don't always go together. Rarely still is his willingness to embrace unsympathetic roles into which he simply disappears—the homicidal John du Pont in "Foxcatcher" comes immediately to mind. Watching him play the bratty Riggs evokes something very close to love.

The principals get more or less equal time en route to Houston, but Riggs is, marginally,

the more poignant character. A late scene with his son Larry (an affecting Lewis Pullman) is a heartbreaking moment of sudden self-awareness: The boy, moments before the King match, declines to attend, and the look on Riggs's face is one of stunned recognition—the son is embarrassed by the father.

But Mr. Carell isn't the only one bringing his A game to "Battle of the Sexes." Bill Pullman is charmingly oleaginous as Jack Kramer, the head of what was then the U.S. National Lawn Tennis Association, who kicks Ms. King and her players out after they form the Women's Tennis Association; it's fascinating to watch Mr. Pullman's Kramer lean ever so slightly off-center when Ms. King gets him on the rhetorical ropes.

Elisabeth Shue is nothing short of regal as Riggs's wife, Priscilla, whose family money kept Riggs both well-maintained and bored, and whose attempts to get her boy-man husband to attend Gamblers Anonymous meetings are purely quixotic. ("You're not here because you're gamblers," Riggs bellows at his fellow addicts. "You're here because you're terrible gamblers!!") So much for 12-step programs.)

Sarah Silverman, as the Eve Arden-esque Gladys Heldman, and Alan Cumming, as tennis-dress designer Teddy Tinling, steal every scene they're in. And Ms. Riseborough, whose Marilyn rouses Ms.

King's inner lesbian, makes Ms. Barnett a seductively winsome muse. The pair's future palimony suit goes unmentioned for obvious dramatic reasons, including the fact that Ms. King would end up losing all her endorsements and incurring huge legal costs at the time her sexuality actually went public. The movie would much prefer us to believe the world was changed by a tennis match.

Mr. Anderson writes on TV for the Journal. Joe Morgenstern is away.

ANATOMY OF A SONG | By Marc Myers

HOW TOURING INSPIRED THE DEAD'S 'TRUCKIN'

A MONTH AFTER the Grateful Dead's "Truckin'" was released in November 1970, the single peaked at #64 on Billboard's pop chart. Frequent FM-radio airplay of the longer album version turned the road song into a counterculture anthem. Recently, Bob Weir, the Grateful Dead guitarist and lead singer and the co-writer of "Truckin,'" talked about the song's evolution. Mr. Weir was just named a U.N. Development Programme Goodwill Ambassador for world poverty and climate change, and his band, Dead & Company, will tour this fall. Edited from an interview.

Bob Weir: In the spring of 1970, the hardest thing about touring was getting up in the morning. We were young and full of fun, and we didn't go to bed real early. We were on the road a lot, and our nightly "celebrations" probably made touring more difficult than it had to be (laughs).

Our touring schedule in 1969 and early '70

was relentless. We'd play a gig, stay up late and then fly to our next gig first thing in the morning. Most of the time, our equipment was trucked overnight to the next destination.

In the band's early days, Robert Hunter occasionally traveled with us. He's a great guitarist, but he wasn't a playing member of the band. He was a friend and our lyricist. He had ears. He would write lyrics and hand us the sheets. Then we'd work on the music and vocal harmonies.

At some point in early March 1970, Hunter pulled a lyric sheet out of his luggage and gave it to Jerry [Garcia]. Hunter's title at the top said "Truckin'." Jerry liked what he read, and we planned to work on the music as soon as we had some down time.

The word "truckin'" goes back to music of the 1930s. But Hunter probably grabbed the title from Mr. Natural, one of R. Crumb's underground-comic characters. Mr. Natural had a bunch of sayings. One of them was "Keep on



The Grateful Dead's Jerry Garcia, left, and Bob Weir at a London show in 1972, two years after the band released 'Truckin,' a song that chronicled the ups and downs of life on the road.

"Truckin,'" which was the spirit of our song—keep boogieing on.

At first, the meaning of Hunter's lyric was a mystery to us. But the words became clear the more we read them. For example, Hunter included our New Orleans incident two months earlier in January.

After we played a gig at the Warehouse there, we returned to our hotel to find that the cops had searched our rooms and found our stash. A bunch of us were arrested, but a settlement was reached.

Hunter's lyric was, "Busted, down on Bour-

Please see ANATOMY page A11

LIFE & ARTS

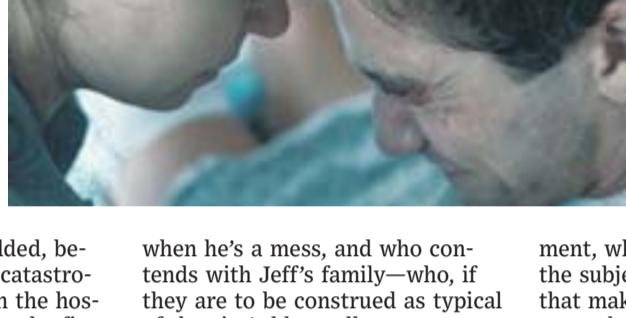
FILM REVIEW

'Stronger': What Makes a Hero?

BY JOHN ANDERSON

WHEN A MOVIE is called "Stronger" and its hero is a maimed survivor of the Boston Marathon bombing, certain expectations arise. Courage? Valor? Tragedy? A dash of dark comedy? A heaping helping of tenacity? Yes, and "Stronger" delivers all the above. But it does so in a way that flips the whole idea of post-9/11 hero worship upside down, in a manner as welcome as it is disturbing.

Equally disturbing: Jake Gyllenhaal, who always has the glint of the madman about him and delivers a powerful, vulnerable portrayal of Jeff Bauman, a Boston guy who was in the wrong place at the wrong time: A photo of a shattered Mr. Bauman



Jake Gyllenhaal (above and left) plays Jeff Bauman

post-blast, his legs shredded, became emblematic of the catastrophe. When he awakens in the hospital, intubated and mute, the first thing he writes down is "saw the bomber"—he'd been jostled by one of the Tsarnaev brothers just before the explosion, and realizes the connection. The FBI descends. The inclination of the public to find a bright spot amid senseless terror suddenly has an outlet.

From the start, Jeff recoils from having the whole "Boston Strong" thing thrust upon him. "I'm a hero for standing there and getting my legs blown off?" he asks. The only reason he was at the Marathon at all was to impress his on-again, off-again girlfriend Erin Hurley (a wonderful Tatiana Maslany), who was actually running. If anything, Erin is the real heroine of "Stronger." She's the person who doesn't walk away, who cleans Jeff up



when he's a mess, and who contends with Jeff's family—who, if they are to be construed as typical of the city's blue-collar community, might constitute grounds for a class-action slander suit by an entire stratum of Boston citizenry.

It's a remarkable characterization, actually. Spearheaded by an epic Miranda Richardson as Jeff's mother, Patty, the family Bauman is an almost comically vulgar clan of alcoholic Red Sox fans who come to enjoy the reflected celebrity of their mangled boy. They coerce him into waving the team flag at center ice at a Bruins game, during which he experiences a violent flashback to the bombing. They can't believe he doesn't want to have Oprah Winfrey come to his house. "C'mon, it's Oprah," his mother pleads, oblivious to his pain. She's a full-blown monster, but no one save Erin is exempt from that categorization.

moment, which is remarkable given the subject matter, and the things that make Mr. Bauman's story more than a soap opera with a side of current events come through loud and clear: the embarrassment of being publicly deified for something you consider your own stupid timing; the pure idiocy of characters who accuse Jeff of being part of a "false flag" operation; the near impossibility of functioning as a legless man, not just as a citizen of the modern world but as a member of a family in which somebody should know how to install a handrail in a bathroom. Being Jeff Bauman isn't easy, of course, and he isn't even totally likable. But the fact he survives that family makes him a hero in my book.

Mr. Anderson writes on TV for the Journal. Joe Morgenstern is away.

ROADSIDE ATTRACTIONS (2)



Miles Gaston Villanueva and Gus Halper as Lyle and Eric Menendez

TELEVISION REVIEW | By Dorothy Rabinowitz

SONS AND KILLERS

THE 1989 MURDER of entertainment executive José Menendez and his wife, Kitty, shot-gunned to death as they sat in their living room watching television, would become one of the most unforgettable and reported on acts of conspicuous violence to take place in an era in no way short of such crimes. That it would be destined for endless notoriety was obvious from the outset. The couple's sons, Lyle, age 21, and Erik, 18, had killed their parents, and had then, blind to any concern with appearances, gone on, shortly after the murders, to indulge in shopping sprees whose ground rule was only the best—a part of their history that "Law & Order True Crime" portrays in detail in this eight-part series. Old as it is, minor as it seems compared with all else we were to learn about the brothers, this—the shopping—is never less than fascinating in its grim way.

Here's the purchase of the Rolex, plans for Erik's important tennis matches and much more of the kind.

There were reasons, other than the character of the Menendez brothers themselves, for the

enduring notoriety of this case, and we're introduced to one of the major ones early in the series (just two episodes of which NBC released for review). She's Leslie Abramson (Edie Falco), attorney for Erik Menendez, shown casually informing her husband—a perfect Edie Falco moment—that the boys did it.

It would be attorney Abramson who argued in court that the boys had murdered their parents as a result of their tormented lives—moreover, that they had suffered sexual abuse by their father. A claim that caused outrage in the same quarters of society, but one effective enough to cause deadlocked juries in the first trial. The lawyer's decision to make the charge told everything about the bottomless potential—at the time and still today—in any claim of child sex abuse, however lacking in credibility, however cynically deployed.

It turned out nonetheless, in this case, to be one that jurors in the second trial managed to resist.

Law & Order True Crime: The Menendez Murders
Begins Tuesday, 10 p.m., NBC

ANATOMY

Continued from page A10
bon Street / Set up, like a bowlin' pin / Knocked down, it gets to wearin' thin / They just won't let you be."

The "reds" were red Seconal pills. The bikers were using them as a recreational drug. We took them to overcome insomnia.

In late March 1970, we finally had time to work on the music. We were booked to play a theme park in Dania Beach, Fla., called Pirates World. At our motel, we had the afternoon off, so the band sat by the pool. Jerry, bassist Phil Lesh and I sat on the diving board with our acoustic guitars and came up with a melody to go with Hunter's words.

As we wrote, we came up with this bluesy shuffle. We moved back and forth from the diving board to a table to write things down. The melody had to work in my register, so we put it in the key of E.

The melody came fairly quickly. Then we came up with choral parts for the melody, an approach we had picked up from the Swan Silvertones, a gospel group we loved and listened to.

The choruses were easy for me to sing lead but the verses were hell. Some of them were straight-up tongue twisters, like "Most of the cats that you meet on the streets speak of true love."



At first, I complained bitterly about how those dense verses were going to go. Jerry's response was, "Sing 'em like Chuck Berry in 'School Days.'" Jerry meant I should use Chuck's rapid-fire delivery and enunciation.

We first performed "Truckin'" in August 1970 at the Fillmore West in San Francisco. We didn't have time to go into rehearsal space to work on things. We did that live, while touring.

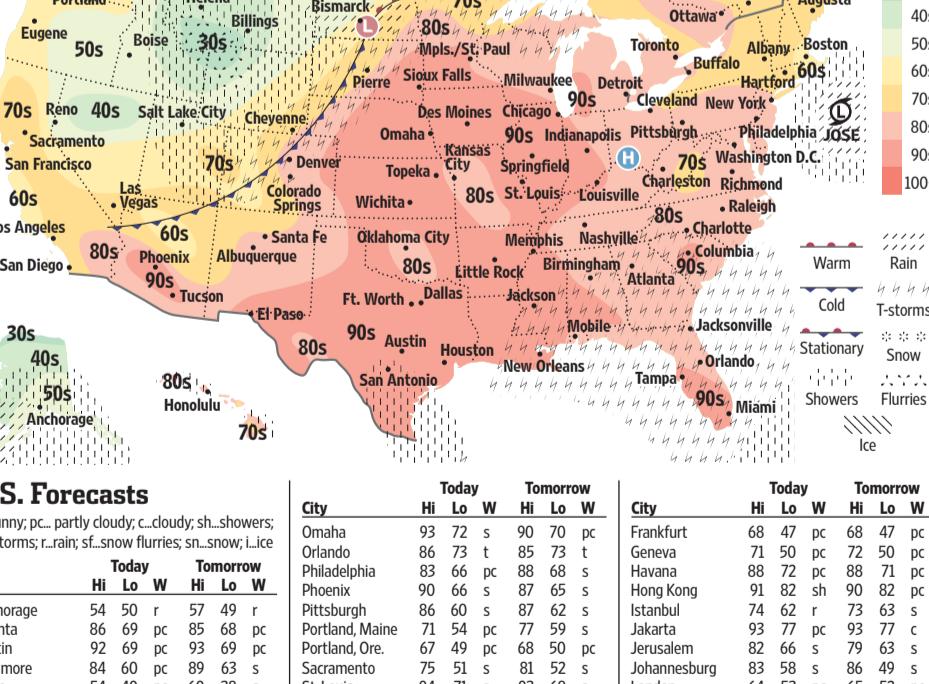
But the song was always a challenge for me. You had to hope you were having a good night to get the lyric out cleanly. If the band started too fast, I knew I was going to have a rough time of it.

We recorded "Truckin'" at Wally Heider Studios in San Francisco in September 1970 for our "American Beauty" album. We built a little fort of soundproofed partitions around Billy Kreutzmann's drums to keep the rest of the band's instruments and vocals from bleeding into his microphones.

We were only minimally successful at that. This is one of the reasons why we famously didn't make good records. We played too goddamn loud in the studio. On "Truckin'" I played my Gibson ES-335. It was my basic guitar then.

Today, in those rare moments when I do think about the words I'm singing on "Truckin,'" I usually wish I had a few new verses. But I don't feel at liberty to write them myself. I'll have to give Hunter a buzz to see if he has anything for me.

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 54 50 r 57 49 r

Atlanta 86 69 pc 85 68 pc

Austin 92 69 pc 93 69 pc

Baltimore 84 60 pc 89 63 s

Boise 54 40 pc 60 38 s

Boston 63 59 sh 72 60 pc

Burlington 78 55 s 83 64 s

Charlotte 86 66 s 87 63 s

Chicago 94 69 s 92 68 s

Cleveland 88 63 s 88 63 s

Dallas 94 75 pc 95 75 s

Denver 84 50 pc 66 45 t

Detroit 88 66 s 88 64 s

Honolulu 88 74 s 89 74 s

Houston 92 74 pc 92 73 pc

Indianapolis 92 69 s 90 65 s

Kansas City 88 69 s 87 67 s

Las Vegas 77 59 s 75 57 s

Little Rock 91 70 s 91 72 s

Los Angeles 74 60 s 76 59 s

Miami 90 79 pc 90 79 t

Milwaukee 89 68 s 87 67 pc

Minneapolis 90 74 s 88 71 pc

Nashville 89 68 s 89 67 pc

New Orleans 91 75 pc 90 74 t

New York City 80 66 pc 86 68 pc

Oklahoma City 87 67 c 87 66 s

International

City Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 65 46 pc 64 49 pc

Athens 79 65 s 79 64 s

Baghdad 105 76 s 103 73 s

Bangkok 90 77 t 87 77 t

Beijing 82 53 s 82 62 pc

Berlin 62 44 pc 62 53 r

Brussels 66 44 pc 64 46 pc

Buenos Aires 63 41 p 70 49 s

Dubai 106 87 s 103 85 s

Dublin 64 49 r 63 53 c

Edinburgh 57 48 s 65 51 pc

The WSJ Daily Crossword | Edited by Mike Shenk



UNDERDOGS OF FILM | By Patrick Berry

The answer to this week's contest crossword is a film about a team of underdogs.

Across

1 Kaffiyeh wearer

5 Performed

8 Small torpedo launcher

14 You're supposed to build up to it

16 Gripping stuff?

17 In direct confrontation

18 El Greco, for one

19 1991 role for Geena

21 Mumbai master

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

by 11:59 p.m. Eastern Time Sunday, Sept. 24. A solver selected at random will win a WSJ mug. Last week's winner: Will Irving, Pennington, N.J.

Complete contest rules at WSJ.com/Puzzles. (No purchase necessary.) Void where prohibited. U.S. residents 18 and over only.)

Down

1 Back on a plane

2 Site of the 2014 World Cup final

3 Equal

4 Colorful tropical fish

5 Pamper, with "on"

6 Fan mail recipient

7 Consider

8 Pipe material

9 Efficiently worded

10 Lost it

11 Fuel hydrocarbon

12 Cohort of d'Artagnan

13 Mountebank's medicines

15 Key figure in the Army-McCarthy hearings

20 Quantum Computer Services, today

22 Floor protector

23 "Forget it!"

24 Julie's "Doctor Zhivago" role

26 Picks up

28 "Fifty Shades of Grey" surname

29 Experiences

30 Masthead names

33 Danger that spreads

48 Kind

51 Biblical excerpt

52 Canyonlands National Park sight

53 Ledger line

56 Items in a rack

57 In short order

58 Lay flat

60 Over there

6

SPORTS

NCAA

Ohio State: College Football's Most Valuable

BY ANDREW BEATON

THE COLLEGE FOOTBALL season is in full swing and the picture for this year's College Football Playoff is still as jumbled as it was in February. But there's one question we can answer: Which team is the most valuable?

That would be Ohio State, which has surged to a \$1.5 billion valuation, according to an analysis by Ryan Brewer, an associate professor of finance at Indiana University-Purdue University Columbus. That's a 59.6% increase in value for a program that was already worth the most nationally according to the study, which analyzes what each team would be worth on the open market if sold like a professional sports franchise.

Texas (\$1.24 billion) and Oklahoma (\$1 billion) round out the three programs worth an estimated 10 figures. With five of the top-10 programs, the SEC has the highest average team value at \$523 million, followed by the Big Ten (\$416 million) and Big 12 (\$376 million).

The study broke down each program's most recently available revenues and expenses, from 2016, making cash-flow adjustments, risk assessments and growth projections. Across the sport, the value of Football Bowl Subdivision teams spiked by 26% over the 2015 numbers, the product of cash flows that rose 24% and revenues that grew by 19%.

One factor, Brewer noted, is that while the NFL has faced ratings declines in the last year, the same hasn't been true in the college game. "It's been tremendous," he said. "So far this season, we can confirm that college football is still strongly attended and



JAY LARRETT/ASSOCIATED PRESS

Three college football programs—Ohio State, Texas and Oklahoma—are valued at over a billion dollars.

strongly viewed."

Overall, he adds concerns over concussions, youth participation in football and trends in media consumption could be questions for

the sport going forward.

Although Ohio State leads the way, Brewer says it's easy to envision Texas passing the Buckeyes in the not-too-distant future. The

Longhorns boast the highest adjusted revenue (\$145 million), but still trail in overall value because of the Buckeyes' success under Urban Meyer and middling recent on-field

performance at Texas, a school going on its third coach in the last five years. But that's contingent on the Longhorns playing like the superpower they're supposed to be.

For college football fans, this list may be the only place where the No. 1 team in the country isn't No. 1. Alabama has won three of the last six national titles, but rank No. 4, with an estimated value of \$930 million.

RUNNING

MARATHON DRAMA ON ELECTION DAY

BY SARA GERMANO

Berlin

ON SUNDAY, the Berlin Marathon will feature a long-awaited matchup of two Olympic champions in their as-yet unfulfilled quest to break the world record for 26.2 miles. It's a contest that promises to yield far greater drama than the German capital's other race on Sunday: the federal election.

For the first time, the world's fastest marathon will take place on the same day as the country's national election, a coincidence highlighted by logistical challenges and stark contrasts. While Angela Merkel is widely expected to cruise to her fourth term as Germany's chancellor in a race that local and international media have dubbed a "bore," predicting a winner in Sunday's marathon is next to impossible.

In a preview of the road race, which will pit reigning Olympic marathon champion Eliud Kipchoge against 10,000 meter world record holder Kenenisa Bekele, editors of popular online running forum LetsRun.com wrote, "People could be talking about this marathon for a long, long time."

Both Kipchoge, of Kenya, and Bekele, of Ethiopia, have long sought the marathon world record in separate races but have thus far come up short. Their official personal-best times—2:03:05 and 2:03:03, respectively—are a gasp away from the record of 2:02:57 set in 2014 by Dennis Kimetto here.

in Berlin.

Kipchoge, who ran a world-best time of 2 hours, 25 seconds in an unsanctioned Nike marketing stunt this spring, won the 2015 Berlin marathon but missed the record after his shoes infamously fell apart mid-race.

Bekele, meanwhile, will make his third record attempt this year, after his quests in London and Dubai missed the mark. He is a three-time Olympic champion on the track and his rivalry with Kipchoge dates back to the 2003 track and field world championships, where the Kenyan upset the Ethiopian distance king for 5,000 meter gold.

They will also face previous marathon world record holder Wilson Kipsang (personal record: 2:03:13), who said he plans to run between 2:02:10 and 2:02:20 on Sunday.

"Wilson is a politician," said Kipchoge in an interview on the Berlin Marathon website. "He even ran for a seat in the Kenyan parliament, but was not elected. We will see what happens on September 24th."

In Sunday's election, Merkel has a healthy lead in the polls, with her position as Germany's chancellor nearly assured. Still, the race between minority parties seeking to join her coalition—or opposition—is heating up, and a late-August survey published by the Frankfurter Allgemeine newspaper here showed nearly half the electorate remains undecided.

As such, voter turnout will be crucial—and could be complicated by Germany's largest marathon blocking streets on election day.



Kenenisa Bekele, left, and reigning Olympic marathon champion Eliud Kipchoge are the favorites in the Berlin Marathon.

Race organizers and local election officials have taken extra steps to facilitate both events. The Berlin Wahlamt, or election office, estimates that some 44,000 voters live within the 30 polling districts affected by road closures, half of whom will need to cross the marathon route to get to their polling place, according to spokesman Tobias Kirchner. Over the last month, the office sent out additional notices to registered voters in the area warning them that foot traffic may be difficult.

On Wednesday, a blog post by a German journalists' union complained about the interference of the marathon with preparations to

cover election night results. The Deutscher Journalisten-Verband said members have been discussing logistical matters for weeks, including where to park television trucks outside the German parliamentary building.

Thomas Steffens, a Berlin Marathon spokesman, said the course isn't fenced in, and the first 12 kilometers will only be affected between 9:15 a.m. and noon, while polls are open from 9 a.m. to 6 p.m. The marathon has made a special "residents" section of its interactive course map online, where Berliners can plot out where their polling station is located as well as the nearest designated crossing point,

and the race has enlisted some 300 additional volunteers to help facilitate course-crossings.

The Berlin Marathon, part of the elite World Marathon Majors series which includes the New York, Boston, Chicago, London, and Tokyo races, has gained fame in recent years as the world's fastest course. Since the turn of the century, the world record has been broken in Germany's capital six times, helped by sanctioned pacemakers and Berlin's flat course.

Still, both Berlin races face a common, uncontrollable variable: weather. Early projections for Sunday show less than ideal conditions, with rain in the forecast.

NFL

HERNANDEZ BRAIN SHOWED DISEASE

BY JON KAMP

FORMER FOOTBALL star Aaron Hernandez, who committed suicide in April while imprisoned for a murder conviction, had an advanced case of a neurodegenerative disease caused by repeated head trauma, his attorney announced Thursday.

Attorney Jose Baez said he has sued both the National Football League and Hernandez's former team, the New England Patriots, in federal court on behalf of the former player's daughter. Speaking at

a press conference in Boston, Mr. Baez said a brain examination conducted by experts at Boston University revealed chronic traumatic encephalopathy, or CTE.

"The results of Aaron Hernandez's tests were positive," Mr. Baez said. The 27-year-old "suffered from a severe case of CTE."

The lawyer added that he was told "that it was most severe case they had ever seen for someone of Aaron's age."

A spokesman for the NFL said the league hasn't seen the lawsuit yet and could not comment. A Patriots spokesman declined to comment.

The Boston University CTE Center confirmed the findings in a statement, saying the former tight end had a Stage 3 case, out of a possible four stages that increase in severity. Dr. Ann McKee, who directs the CTE Center and is a professor pathology and neurology, conducted the exam. Another neuropathologist confirmed the diagnosis, the CTE Center said.

A study released in July showed that the vast majority of former football players whose brains were donated for research revealed signs of severe trauma. Among the sample in the report in the Journal



TEPHAN SAVIOIA/ASSOCIATED PRESS

of the American Medical Association, 110 out of 111 brains of former NFL players showed CTE symptoms.

Other neurologists have cautioned against drawing broad conclusions from the study because it only included the brains of individuals who either personally chose to participate or whose families donated their organs posthumously.

Mr. Hernandez had ceased playing football years before his death due to a 2013 murder conviction for the slaying of a former friend. A Massachusetts judge tossed that conviction out in May under a state common-law doctrine that dictates when a defendant dies before a conviction can be appealed, the conviction is essentially wiped away.

Mr. Hernandez killed himself just days after a jury in Boston acquitted him of separate murder charges, which stemmed from a drive-by shooting that left two men dead in 2012.

OPINION

Lisa Murkowski's Calculator



POTOMAC WATCH
By Kimberley A. Strassel

It's accurate to say that the fate of the GOP's new health-care bill, Graham-Cassidy, is in the hands of Alaska Sen. Lisa Murkowski. The question is whether Ms. Murkowski, when she considers her vote, will use the right calculator.

Majority Leader Mitch McConnell is agonizingly close to having the votes to pass the plan sponsored by South Carolina's Lindsey Graham and Louisiana's Bill Cassidy. It would replace ObamaCare by repealing its worst mandates and sending money to the states as block grants.

Two GOP senators are likely "no" votes: Kentucky's Rand Paul, who never votes for anything that might actually pass, and Maine's Susan Collins, who is always "disappointed" by Republican bills. But Arizona's John McCain, who spoiled this summer's attempt at ObamaCare repeal, seems unlikely to repeat his performance and sandbag his BFF, Mr. Graham.

That means the 50th vote will come down to Ms. Murkowski, who says she's still trying to decide how the bill will affect her state. The media and liberal analysts are therefore pumping out predictions of disaster for Alaska, from vicious Medicaid cuts to dying Eskimos. These predictions are not only wrong, they intentionally miss

How to Help Iraq's Religious Minorities

HOUSES OF WORSHIP
By Nina Shea

As Islamic State heads toward defeat in Iraq, Christian and Yazidi survivors of genocide should be returning to their hometowns in Nineveh province. Instead, these fragile minority communities mostly remain stranded at displacement shelters in Kurdistan without the means to rebuild their villages. Many are fleeing Iraq, and the country now risks losing these religious minorities entirely. The Trump administration is making the situation worse by continuing Obama policies that effectively exclude these non-Muslims from U.S. aid in Iraq.

Today there are fewer than 250,000 Christians in Iraq, according to the State Department, down from as many as 1.4 million before the 2003 invasion. These Christians speak Aramaic, like Jesus of Nazareth, and trace their faith to Thomas the Apostle, whose relics were spirited from Nineveh by Orthodox monks as ISIS approached. The Iraqi Jewish community, its roots in the Babylonian exile, was forced out over the past 70 years; fewer than 10 Jewish families remain in Baghdad. Yazidis—who have lived near the Sinjar Mountains—number about 400,000. Nadia Murad, the voice for thousands of Yazidis enslaved by ISIS, warned a congressional panel earlier this year that her people could soon disappear because of emigration. This would signal the end of Iraq's indigenous non-Muslim communities.

President Trump has spoken about the plight of Christians in the Middle East, but he has done little to effect change. Far lower percentages of Christians and Yazidis are returning from displacement to their homes in the devastated Nineveh Plains and Sinjar, respectively, compared with the larger religious groups in Tikrit, Fallujah and Mosul. The prior administration decided to have U.S. reconstruction assistance, now at \$265 million since fiscal 2015, also flow through the U.N. The director of the U.S. Agency for International Development, Mark Green, started only last month

the point. If Ms. Murkowski is honest with her constituents—and about her numbers—Alaska needs a "yes" vote.

What would Ms. Murkowski get by killing Graham-Cassidy? For a fleeting moment, the adoration of Anchorage's liberal elite and media. But come next election, that crew will be as arrayed against her as always.

She would get the ObamaCare status quo, which has hit Alaska harder than any other state. Health-insurance premiums have soared more than 200% and are now the highest in the country. All but one insurer has fled the state's individual market. People are dropping policies. Doctors are refusing to take the flood of new Medicaid patients.

Ms. Murkowski is dreaming if she thinks an alternative bill, some grand "bipartisan" deal, will rescue Alaska. Democrats have no interest in giving a sweet deal to a state that went for Donald Trump by 15 points.

House conservatives will never pass any bill that further entrenches ObamaCare. A "no" vote on Graham-Cassidy would condemn Alaska to a downward health-care spiral.

And there's this: She would get the fury of a White House and a GOP Congress with far more power over Alaska than just its health care. As Ms. Murkowski knows better than anyone, Alaska lives or dies on federal largess. It routinely tops the list of federal funding per capita. It receives billions in annual federal grants and billions more in defense spending. Federal money supports an

By contrast, what would Ms. Murkowski get with a "yes" vote? She would earn the support of conservative groups,

Write to kim@wsj.com.

Aspen Needs Mexican Tourists

By Mike Kaplan

My company runs four ski areas, two hotels and more than a dozen restaurants in Aspen and Snowmass, Colo. At peak season, we employ roughly 4,000 people. Foreign visitors are crucial to our business—and we have a problem. Last year visitation to Aspen by Mexicans dropped 30% compared with the 2015-16 ski season. Bookings for 2017-18 aren't looking much better. There are multiple reasons, but the xenophobia radiating from the Oval Office ranks at the top. As the head of the Mexico City public-relations firm that promotes Aspen in Mexico told us, "The dollar has been strong, which makes travel to the U.S. expensive, but Trump is the No. 1 reason."

They've been staying away, and 'Trump is the No. 1 reason.'

was elected. In 2009 Canada instituted a visa requirement for Mexican visitors. Last December, likely sensing opportunity, Canada rescinded the requirement.

If Mr. Trump is as concerned with the U.S. trade deficit as he says, he should recognize that tourism to the U.S. is a type of export to other

and has not yet moved to change this policy.

USAID lacks direct oversight in Nineveh and relies heavily on U.N. Development Program reports that claim progress in Christian towns. One local church authority told me the U.N. reports "grossly overstate the quality and substance of the actual work" and their projects' influence is "minimal or nonexistent." A representative from the Nineveh Reconstruction Committee, a unified church group, told me earlier

Trump should undo an Obama policy that largely blocks them from getting U.S. aid.

this month that the only major projects under way are its own. These are supported by Hungary and the Knights of Columbus. Samaritan's Purse and Aid to the Church in Need are planning projects in Qaraqosh, also without U.S. government assistance. These private charities can rebuild houses, but large infrastructure projects need government aid.

The U.N. acknowledges that most of the displaced minorities have not returned home and have shown "a reluctance to return without guarantees of their security and the stability of their towns and villages." Church leaders close to the displaced are excluded from U.N. and Iraqi government committees that decide stabilization

countries. Foreign visitors come here and spend their money. The U.S. destinations they visit cannot be "off-shored" or moved to Mexico.

While his defenders will argue Mr. Trump has only been singling out illegal aliens, the affluent Mexicans who would normally visit Aspen seem to disagree. Making an entire country's worth of people feel categorically devalued and unwanted is bad business, and Mr. Trump has piled on—from the haphazard banning of visitors from certain Muslim-majority countries and the drum-beat for building a wall along the Mexican border, to the proposal to cut legal immigration in half and the rescinding of Deferred Action for Childhood Arrivals.

From a pure business perspective, these acts have greatly diminished the U.S. brand. So it's been heartening to see Mr. Trump pivot away from the divisiveness in recent

estimated one-third of all the jobs and household income in the state.

Some of these funds come from mandatory entitlement programs, but the money that really matters is discretionary. It's the Denali Commission. It's the Essential Air Service, which subsidizes flights in rural

which will matter most in any re-election bids. She would get to keep open the Alaska money tap and even gain leverage for new projects. She would get the backing of a Trump administration that could turbocharge Alaska's natural-resources markets.

Mostly, she would get a bill allowing Alaska the flexibility to tackle its unique health-care needs. The state has just 740,000 people spread across 660,000 square miles. Gov. Bill Walker, an independent, knows the power of state innovation, having spent recent months bragging about a waiver the Trump administration gave Alaska to support a reinsurance fund for high-cost patients, which is helping with premiums. Mr. Walker's decision to oppose Graham-Cassidy is as churlish as it is political.

The Congressional Budget Office releases its preliminary score of the bill next week, and it will contain the usual wild predictions about costs. But that score won't factor in the out-of-the-box thinking that Mr. Walker credits for saving Alaska health-care dollars. It won't factor in the formula twiddles Senate Republicans are considering to ensure rural states aren't harmed by Medicaid block grants. And it won't factor in the dollars Ms. Murkowski would lose for her state more broadly by obstructing the GOP's health-care plan. Those are the numbers Ms. Murkowski needs in her calculator. And they add up to an easy "yes."

Write to kim@wsj.com.

projects, track progress and ensure locals are hired for them. Rex Tillerson's State Department has not changed this policy. Nor has it answered my request for information.

Security remains a problem and threatens America's regional interests. Iran is moving in on the towns minorities have been unable to reclaim. The U.N. has focused on minor projects in Bartella, a main Christian town. Yet on Sept. 15 the "Imam Khomeini" elementary school and mosque complex opened there at an official ceremony, a "gift from the Islamic Republic of Iran." In several towns, Iranian-backed militias stand guard.

President Trump can take immediate steps to ensure U.S. aid reaches Iraq's most vulnerable minorities. First, he can direct his administration to address their humanitarian and stabilization needs. This should include dropping the U.N. as a pass-through for U.S. aid. He can also appoint an interagency coordinator to ensure that bureaucratic hurdles don't interfere with getting aid to all groups. These relatively small tweaks would help preserve the region's religious minorities.

Iraq's religious minorities are small in number, but assisting them would affirm that the U.S. stands against genocide, protects religious freedom and aids vulnerable minority groups.

Ms. Shea is director of the Hudson Institute's Center for Religious Freedom.

BOOKSHELF | By Jeffrey Wasserstrom

The Globe And the Kettle

A Thirst for Empire

By Erika Rappaport
(Princeton, 549 pages, \$39.50)

In recent decades, a slew of books have advanced big claims through the examination of small things. In 1994, historian Robert Friedel used zippers as a metaphor for society's obsession with novelty. Mark Kurlansky's "Cod: A Biography of the Fish That Changed the World," published in 1997, explored transatlantic development through the interpretive framework of seafood. The 20 years since have seen similar books on everything from salt to indigo ("the color that changed the world"), curry to Kalashnikovs ("the gun that changed the world"), and coffee to cotton (the subject of not just one but two important studies). Erika Rappaport's "A Thirst for Empire: How Tea Shaped the Modern World" is a worthy addition to this lineage. Meticulously researched, the book showcases materials from archives scattered across the globe to illustrate how one product's flow across borders was knitting the world together long before the term "globalization" was coined.

Ms. Rappaport, who teaches at the University of California, Santa Barbara, has a background in British history that informs and enriches her book. Though she looks in passing at how tea was consumed in East Asia before it became fashionable in the West, her focus is on the British Empire from the 1700s onward. She describes, for instance, how advertising and early forms of mass marketing helped transform tea from a niche luxury into a household staple.

She examines the role of planters in tea's rise as a global product, looking at how they relied on imperial power to prop up their industry. And she weaves together vignettes that underscore the many cultural and political meanings the drink has taken on across the years, such as her detailed depictions of 19th-century tea-for-temperance rallies. The conclusion of the book covers tea's peak in England during World War II and the waning of the drink's popularity along with the British Empire.

One of Ms. Rappaport's main aims is to show how aspects of consumerism that seem like recent creations are in fact very old. For example, well over a century before Madison Avenue dreamed up Coca-Cola campaigns that linked the American beverage to the promotion of international harmony, marketers spent an enormous amount of energy trying to convince people to start thinking of a historically "Chinese" drink as an "Indian" or "English" one. They also sought to persuade consumers that imbibing tea would do more than just quench thirst or stimulate taste buds: The drink was promoted as good for the soul, as a demonstration of one's patriotism, as a display of sophistication, as a stimulant, as a medicine and as a virtuous alternative to alcohol.

Though the Opium War is named for the drug, it was driven by trade imbalances due to insatiable Western demand for Chinese tea.

Another theme is how the tea trade shaped Britain's relationships with other nations. Nowhere was this more notable than in the case of China. As part of the effort to weaken the association between tea and China, Ms. Rappaport notes, "pure food activists, retailers, and Indian tea growers asserted that Chinese teas were adulterated with dangerous chemicals and bore the residue of sweaty and dirty Chinese laborers." This disparagement was linked to other forms of British cultural prejudice toward the Qing Empire and frustration with having limited access to China's massive population of potential consumers. Indeed, it was trade imbalances stemming from runaway Western demand for Chinese tea that led British and American traders to try to push Indian-grown opium into China at a comparable rate (Chinese efforts to block the drug trade notwithstanding). The Opium War that followed—which Britain won, gaining them Hong Kong and enclaves in other key ports—is named for the drug but might just as well have been named for the drink.

The opium section illustrates how much of this book's richness derives from the fact that what is ostensibly a chapter of the tea story ends up drawing in another consumable item as well. Ms. Rappaport has fascinating things to say, for instance, on the closely entwined histories of tea and coffee. She notes that after the former was literally dropped during the American Revolution, the two drinks took on different political meanings on opposite sides of the Atlantic. Elsewhere, she forges interesting connections between tea and hard drinks during the Temperance movement, as well as between tea and soft drinks in more recent times.

As much as there is to please in Ms. Rappaport's work, the book's main downside is that it tries to please too much, appealing to both specialists and general readers. For the most part, Ms. Rappaport's writing is accessible and free of jargon or hyper-specific terminology. While the text at times gets bogged down in too much detail to hold the attention of most non-specialists, Ms. Rappaport is good at limiting scholarly comments to the endnotes. Occasionally, however, she writes as if worried about fellow academics peering over her shoulder. In referring to mass mixed-gender tea-drinking gatherings, for example, the word "heterosocial" is used where something more colloquial would achieve the same purpose. Also unusual is the inclusion of suggested topics for further research, standard in scholarly works but noticeably out of place in a popular history.

On the whole, though, Ms. Rappaport's book is one of relevance to us all. Her section on the Opium War highlights the complex ways that a country's dependence on a commodity, as well as individual addictions to that commodity, can lead to trouble on an international stage. Today's equivalents are, still, opium, or another dark addictive liquid: oil. As Ms. Rappaport shows, these modern dependencies have a long, complicated history. "A Thirst for Empire" is an excellent resource for those seeking to understand it.

Mr. Wasserstrom teaches at the University of California, Irvine, and is the author of "Eight Juxtapositions: China Through Imperfect Analogies from Mark Twain to Manchukuo."

Coming in BOOKS this weekend

David Ferry renewes the *Aeneid* • Bunny Mellon in her element • How the sea created civilization • In defense of invasive species • Great Goethe • Jenny Erpenbeck's new novel • Art Garfunkel's idiosyncratic memoir • & more

OPINION

REVIEW & OUTLOOK

The Panic Over Graham-Cassidy

Senate Republicans must be making progress on their latest attempt to reform health care, because the opposition is again reaching jet-aircraft decibel levels of outrage. The debate could use a few facts—not least on the claims that the GOP is engaging in an unfair process.

Republicans are scrambling to pass Lindsey Graham and Bill Cassidy's health-care bill before Sept. 30, when the clock expires on the budget procedure that allows the Senate to pass legislation with 51 votes. The bill would devolve ObamaCare funding to the states, which could seek waivers from the feds to experiment within certain regulatory boundaries, and it also repeals the individual and employer mandates and medical-device tax.

The left spent weeks declaring this dead on arrival, but now that Republicans appear close to a majority here come the tweets. The Graham-Cassidy proposal "eliminates protections for people who are or ever have been sick. GONE. Insurers back to denying coverage for the sick," Connecticut Democrat Chris Murphy claimed this week.

In fact, a state that receives a waiver from ObamaCare's regulations must show plans that retain access to "adequate and affordable" coverage for people with pre-existing conditions. ObamaCare's rules are not the only way to do this, despite the claims of Jimmy Kimmel. The Affordable Care Act's price restrictions have in practice degraded the quality of care for the ill and sent insurers shopping for healthy patients who are more profitable. (See "Pre-Existing Confusion," May 2)

States could set up high-risk pools, for example. These pools subsidize care for those who need costly treatment without concealing the expense across healthy patients, who may drop coverage if they can't afford it. This can lower premiums for everyone.

Another complaint is that Republicans may vote without a score from the Congressional Budget Office, which has said it will release a preliminary estimate but won't rule on premiums or coverage effects for several weeks.

CBO forecasts are often wrong, but in this case they'd also be meaningless. The point of Graham-Cassidy is to allow states to experiment and tailor approaches to local populations. Some might try to expand Medicaid's reach or even go single-payer. Others might tinker with reinsurance. The budget office can't possibly know what 50 states would do or how that would affect coverage.

The irony is that even as critics say little is known about the bill, progressive groups are pumping out black box estimates of what would

happen. A report flying around the internet from the consulting firm Avalere says that states will lose \$4 trillion in funding over 20 years.

That sounds bad. Except the study assumes no state block grants past 2026—because Congress would have to reauthorize funding. That's right: The report equates renewing an appropriation with zeroing out an account, as if Congress doesn't periodically approve funding for everything from children's health care to highway spending.

The least credible charge is that Republicans are undercutting bipartisan Senate debate and compromise. Bipartisanship would be nice, but let's retrace the history this year. Even moderate Democrats refused to cooperate during the first GOP shot at reform, though Minority Leader Chuck Schumer promised that if it failed he'd be ready to compromise.

Tennessee Senator Lamar Alexander then took up that offer and negotiated in good faith with Democrat Patty Murray to make modest repairs to insurance markets for 2018. There were hearings. There were meetings. Yet this week Mr. Alexander pulled the plug because they had "not found the necessary consensus." Democrats claim Mr. Alexander was coerced by GOP leaders and the White House, but in our experience the Tennessean doesn't give up easily or on anyone's orders. Senate Democrats refused in the talks to make more than de minimis changes to ObamaCare's waiver process to give states more regulatory flexibility.

Mr. Schumer is never going to let Ms. Murray make concessions beyond an insurer bailout because he figures he can blame Republicans for higher premiums going into the 2018 election. He also won't buck Bernie Sanders or his more than 15 other Members who recently endorsed single-payer health care. Democrats are moving left on health care, not to the center. "Process" is beside the point.

The shame is that many Democrats once liked a federalist solution to health care, and Lindsey Graham was one of those who worked with them. In 2007 he and Wisconsin Democrat Russ Feingold proposed the State-Based Health Reform Act that would have given states even more freedom than Graham-Cassidy. But these days Democrats fear that state laboratories would discredit the command and control approach to health care that they hope will lead to single-payer.

The choice Republicans face isn't between Graham-Cassidy or some bipartisan *beau ideal*. Their choice is to pass their own bill, which now means Graham-Cassidy, or fail again and cede the health-care advantage to the single-payer wing of the Democratic Party.

Right to Work Isn't Theft

Twenty-eight states have passed right-to-work legislation, and the latest union legal pushback has been unintentionally revealing.

Organized labor has argued that a portion of workers' paychecks really belongs to them. That is, by allowing wage-earners to withhold dues money for representation the workers don't want, states are actually "taking" union property "without just compensation" in violation of the Fifth Amendment. In the last week, two more courts have struck down this argument.

In a 3-2 ruling Friday, the West Virginia Supreme Court overturned a circuit court's preliminary injunction against the state's 2016 right-to-work legislation. In his concurring

Courts shoot down the union legal campaign to save coerced dues.

opinion, Chief Justice Allen Loughry slammed the union arguments as "fatally unsupported and lacking in merit" and said the lower court's actions were "not merely imprudent, but profoundly legally incorrect."

On Tuesday, Wisconsin's District Three Court of Appeals upheld the state's 2015 right-to-work law, overturning a 2016 Dane County Circuit Court ruling.

"Unions have no constitutional entitlement to the fees of non-member employees," wrote Judge Mark Seidl.

Union political power has long been bought from compulsory dues. But in state after state, workers have elected lawmakers willing to stop labor's efforts to transform its political agenda into sanctioned theft. The courts are right to reject Big Labor's "takings" claim.

The SEC's Cyber Embarrassment

The Securities and Exchange Commission let slip Wednesday evening—nearly half way into a 4,000-word statement on cybersecurity—that it learned last month that a hacking "incident previously detected in 2016 may have provided the basis for illicit gain through trading." In journalism, this is known as burying the lead.

The SEC's four-line disclosure provides few details other than that the breach affected its EDGAR system, which receives and processes more than 1.7 million electronic filings a year. Hackers were able to exploit a software vulnerability in the system to obtain nonpublic information. The agency says the weakness was patched promptly, though its investigation is "ongoing."

So the SEC waited weeks after learning that its filing system had been penetrated for potentially illicit gain to disclose the break-in. And then it discreetly dropped the news into a lengthy memo advising companies and exchanges about their regulatory obligations to manage and disclose cyber risks.

A few questions: Why didn't the agency report the incident when it occurred last year—and exactly when?—and what took it so long to figure out that the hack might have resulted in illegal trading activity?

The SEC provides no explanation but notes that there are "frequent attempts by unauthorized actors to disrupt access to our public-facing systems, access our data, or otherwise cause damage to our technology infrastructure" and "in certain cases cyber threat actors have managed to access or misuse our systems." This suggests that there been other successful hacks

that the SEC has not disclosed, perhaps because it doesn't have evidence that they resulted in securities fraud.

One hypothesis is that the SEC was worried that disclosing the hack would raise questions about the security of its Consolidated Audit Trail, a centralized database that will give the agency access to "significant, nonpublic, market sensitive data and personally identifiable information." The system, in the works for seven years, is supposed to come online this fall. But executives from U.S. financial exchanges have warned that it will be a rich target for hackers.

The SEC might also fear undermining its authority on cybersecurity. In 2014 the SEC issued regulations requiring exchanges and clearing-houses to "take corrective action with respect to systems disruptions, compliance issues and intrusions" and notify the SEC. It has also threatened legal action against public companies that don't make adequate disclosures.

Yet the SEC has been rebuked several times by the Government Accountability Office and its own Inspector General for lax cyber controls. A 2014 review by its IG found that some SEC laptops that may have contained non-public information couldn't be located. Agency staff have also transmitted non-public information through non-secure personal email accounts.

The SEC disclosure is particularly embarrassing in the wake of the Equifax data breach,

LETTERS TO THE EDITOR

Title IX, Sex, Violence and Campus Justice

Daniel Henninger is flat wrong in claiming that Title IX violates due process ("Sexual Politics," Wonder Land, Sept. 14). First, Title IX already protects all students—it requires schools to give both parties an equal opportunity to present evidence, call witnesses, hire attorneys, file an appeal, etc.

Second, the preponderance of the evidence standard is used in nearly all other disciplinary hearings and civil proceedings—including suits involving serious offenses like wrongful death (compare O.J. Simpson's criminal trial to the Goldman family's civil suit). In fact, the Supreme Court has only applied a greater-than-preponderance standard in civil suits where deprivations akin to incarceration, like deportation and involuntary psychiatric confinement, were at stake. Mr. Henninger conflates student disciplinary hearings with criminal prosecutions in his attempt to undermine the preponderance standard.

Finally, Mr. Henninger glosses over how applying a clear and convincing standard only to Title IX sexual assault cases would give special rights to accused rapists compared with students charged with plagiarism, drug use or physical assault. If Education Secretary Betsy DeVos creates a special exception for Title IX pro-

ceedings, she will be sheltering one group of students at the expense of the 71 million students she has sworn to protect.

NEENA CHAUDHRY
*National Women's Law Center
Washington*

When someone is robbed or murdered, her lawyer doesn't have to prove that the crime happened against her will. It is assumed that she didn't give her consent. Due process is fair both in abstract theories of justice and in such particular cases. Rape is a different kind of crime. It is the survivor who is on trial, since the only issue is whether or not she gave her consent. Due process in cases of rape simply gives the accused cover and works on the assumption that the survivor is lying. In cases of rape, it is the survivor who is "guilty until proven innocent."

Laurie Cheronnier
Winnetka, Ill.

Mr. Henninger's column brings to mind a question posed 2,000 years ago by Nicodemus, a member of the Jewish ruling council: "Does our law condemn anyone without first hearing him to find out what he has been doing?" (John 7:51, NIV).

Daryl Daugherty
Indianapolis

A Racial Disparity That Progressives Ignore

Destiny Lopez (Letters, Sept. 14) cites abortion rights as "inseparable" from Democratic Party shibboleths such as women's rights and economic and racial justice. Is it really racial justice to practice de facto eugenics by advocating abortion as an essential "right" for the minority women

Ms. Lopez touts as a constituency loyal to her party? In 2012, 6,500 more black babies were killed in the womb than born in New York City. Nationally, black women abort their children at a rate four times that of other ethnic groups. Proud eugenicist and founder of the staunch Democratic Party-ally Planned Parenthood, Margaret Sanger, would be very pleased by those numbers.

A party so wedded to identity politics might want to reconsider the wisdom of sacrificing potential fu-

ture supporters on the altar of "women's health." As long as Democrats continue to ignore the inconvenient but fundamental truth that abortion takes an innocent life, their numbers will indeed dwindle through their own misguided efforts.

Heidi Szrom
Westville, Ind.

If the racial disparity in abortion rates was found in other types of medical services, auto-lending practices, mortgage financing, pay policies, etc., progressives would be howling for heads to roll. When it comes to abortion, however, an unrestricted right of women of color to abort their unborn is celebrated and exploited for political purposes.

Lee Becker
Raleigh, N.C.

Red States Likely to Lose Popular Vote Again

Kimberley Strassel's "Here's What Really Happened" (Potomac Watch, Sept. 15) points to red and blue state-level rejection of progressive candidates and concludes that liberal populism is a loser when marketed to the country as a whole. Those of us on the right hope that she is right, but election math and voter demographic trends don't offer much comfort.

Hillary Clinton won the 2016 popular vote by a margin of nearly three million. More important, her popular-vote margin in the deepest blue coastal-progressive states—California, Illinois, New York, New Jersey, New England (six states), Oregon and Washington—was close to 10 million. Assuming that the coastal-progressive margin is a lock for any future Democratic candidates, no matter how far left and unlikely they may be, achieving a popular-vote tie in a presidential election means that a GOP candidate must win by about 10% in the rest of the country

(roughly 55% to 45%). But Republican presidential candidates have received a very small percentage of ethnic minority votes in recent elections, so getting close to a tie vote nationwide requires at least two-thirds support from white voters in aggregate. A two-thirds majority in that broad demographic is a tall order, even though the Electoral College will dampen geographical popular-vote majorities.

In most state-by-state votes, reasonable Republican candidates may have an edge over far-left Democrats, but with the massive popular-vote edge that Democrats have in coastal-progressive America, a popular-vote national victory will be challenging. If so, the coastal-progressive coalition needs minimal help from flyover country to proceed with a Sanders-Warren lurch to the left. Majorities in most states may not like it, but that may not matter.

Adam Clark
Alexandria, Va.

This 'Loophole' Is Vital to Housing the Poor

Chris Edwards and Vanessa Brown Calder's "Kill the Loopholes, Including the One for 'Low-Income Housing'" (op-ed, Sept. 19) calling for the elimination of the Low Income Housing Tax Credit misleadingly suggest that zoning and regulatory reform itself can sufficiently reduce the costs required to provide feasible rents. This is simply not true, and it is why a federal subsidy is absolutely necessary to promote the construction of sorely needed rental apartments.

Virtually no affordable rental housing is built or rehabilitated in the U.S. without some government incentive because rents which are affordable to low-income people are insufficient to cover development and operating costs. Harvard University's Joint Center on Housing Studies reiterates this point, noting that the "rising costs of construction make it difficult to build new housing for lower-income households without a subsidy."

During the past three decades, this extraordinary partnership between state and local governments, for-profit and nonprofit builders, and private investors and lenders has resulted in the construction and rehabilitation of more than 2.9 million rental homes for the most vulnerable members of our soci-

ety, including the formerly homeless. Millions have had their lives transformed by obtaining safe, decent and affordable housing through this program.

With the number of households spending more than 50% of their income on rent hitting an all-time high of 11 million in 2014, the Low Income Housing Tax Credit is needed now more than ever. A bipartisan consensus is emerging on the need to expand the program.

GRANGER MACDONALD
*Chairman, National Association of Home Builders
Washington*

Pepper ... And Salt

THE WALL STREET JOURNAL



OPINION

Inside the Madness at Evergreen State

By Jillian Kay Melchior

Biology professor Bret Weinstein has settled his lawsuit against Evergreen State College in Olympia, Wash. Mr. Weinstein became a pariah last spring when he criticized an officially sanctioned "Day of Absence" during which white people were asked to stay away from campus. He and his wife, anthropology professor Heather Heying, alleged

The school denies it is a racially hostile work environment, but internal emails belie that assertion.

that Evergreen "has permitted, cultivated, and perpetuated a racially hostile and retaliatory work environment." They claimed administrators failed to protect them from "repeated provocative and corrosive verbal and written hostility based on race, as well as threats of physical violence."

Last week the university announced it would pay \$500,000 to settle the couple's complaint. Evergreen said in a statement that the college "strongly rejects" the lawsuit's allegations, denies the Day of Absence was discriminatory, and asserts: "The college took reasonable and appropriate steps to engage with protesters, de-escalate conflict, and keep the campus safe."

A different story emerges from hundreds of pages of Evergreen correspondence, which I obtained through Washington state's Public Records Act. The emails show that some students and faculty were quick to levy accusations of racism with neither evidence nor consideration of the reputational harm they could cause. The emails also reveal Mr. Weinstein and Ms. Heying were not the only ones concerned about a hostile and dangerous campus.

Consider a February exchange, in which Mr. Weinstein—a progressive who is skeptical of identity politics—faulted what he called Evergreen administrators' "reckless, top-down reorganization around new structures and principles."

Within minutes, a student named Mike Penhaligon fired back an email denouncing Mr. Weinstein and his "racist colleagues."

Another student, Steve Coffman, responded by asking for proof of racism within the science faculty. Mr. Coffman cited Christopher Hitchens's variation of Occam's razor: "What can be asserted without evidence can be dismissed without evidence."

Jacqueline McCleeny, an office assistant for the First Peoples Multicultural Advising Services—a campus office that helped organize the Day of Absence—observed that because Hitchens's razor is an "Englishman's popularization of a Latin proverb," it "would seem to itself be the product of at least two traditionally hierarchical, imperialist societies with an interest in disposing of inconvenient questions."



LISA PEMBERTON/THE OLYMPIAN VIA ASSOCIATED PRESS

Students protest at Evergreen State College in Olympia, Wash., May 24.

Media professor Naima Lowe urged one of Mr. Weinstein's defenders to read about how calls for civility are "often used to silence and/or dismiss concerns about racism." She also said that the "white people making changes in their white supremacist attitudes and behaviors" were those "who do not immediately balk and become defensive," instead acknowledging that "white supremacy is literally ingrained in everything." In other words, merely defending oneself against the accusation of "white supremacy" is evidence of guilt.

The implications of such a mindset became clear later last spring, when hundreds of students protested Mr. Weinstein's opposition to the Day of Absence. To them, the existence of dissent was sufficient to prove the

college condoned racism. Mr. Weinstein was not their only target.

After a mob occupied the library, the college's facilities engineer, Richard Davis, wrote in an email that he believed "the students are testing how much lawlessness will be tolerated," and "they have not found a boundary yet." He described how two students stalked him and screamed at him, adding that he was disturbed by the lack of police. "Many of us are stating that as long as the students are not violent, their behavior is acceptable," Mr. Davis continued. "Apparently, violence in this context is bloodshed." (Mr. Davis retired in June.)

The protests were "loud and at times intimidating," wrote John Hurley, Evergreen's vice president for finance and administration. "Unfortunately some members of our

community were stopped as they tried to leave campus and that was scary and others felt barricaded in their office."

Nancy Koppelman, an American studies and humanities professor, described being "followed by white students who yelled and cursed at me, accused me of not caring about black and brown bodies, and claimed that if I did care I would follow their orders." Ms. Koppelman, who is 5-foot-1, said the students towered over her, and "the only thing they would accept was my obedience." She reported that the encounter so unnerved her that she was left physically shaking.

Ms. Koppelman wrote that she was worried about "features of the current protest strategy that violate the social contract, and possibly the law." Tolerating such tactics, she argued, "may create a working environment which is too hostile for some of us to continue our employment at the college." Her email concluded: "I have not decided whether or how to share these thoughts more widely. If I do, I will very likely be tagged as 'a racist' by some of my colleagues and the students they teach."

As for Mr. Weinstein and Ms. Heying, there's no doubt the environment at Evergreen was too hostile for them to continue their employment. The college declared in its statement: "They have agreed to resign from their faculty positions at Evergreen, effective today."

Ms. Melchior is an editorial page writer at the Journal.

Why Afghans Are Hopeful About Trump's New Strategy

By Parwiz Kawa
And Shafi Sharifi

In 2011 President Obama announced that all U.S.-led coalition forces would leave Afghanistan by the end of 2014. The timing of the departure could not have been worse. The country was being ripped apart politically by a presidential election marred with corruption. Afghan security forces were not fully ready to take on the Taliban and other terrorist groups pouring in from safe havens across the border in Pakistan, their ranks replenished by thousands of recent graduates of Pakistani madrassas.

In the absence of a clear U.S. strategy, Iran and Russia also began increasing their involvement in Afghanistan, providing arms to the Taliban. By mid-2015, the emboldened Taliban could see victory. They had been attacking Afghan government posts in bigger numbers, targeting provincial centers and strategic areas. According to public

reports and private accounts of Afghan officials, casualty rates of Afghan security forces in 2015 and 2016 soared to record numbers, as many as 50 killed and wounded daily.

Despite all this, violent extremists have failed to break up Afghan security forces or gain full control of a province. There were two reasons.

First, Mr. Obama realized that leaving Afghanistan altogether risked squandering the gains of the previous decade and a half. The limited presence and support of U.S. special forces and advisers helped Afghan special forces stall the Taliban's momentum, especially in the battle for Kunduz in 2015 and 2016.

Second, Afghanistan has changed fundamentally since 1996, when the Taliban came to power. The population is younger and better educated. Afghans have better access to information and technology, as well as higher literacy rates. Popular support for Afghan security forces has increased too, especially for the Afghan National Army.

Now that President Trump has announced a new strategy, there is renewed but cautious optimism in Afghanistan. Afghans are hopeful because Mr. Trump's plan, though lacking details, puts aside a time-line-based exit in favor of a conditions-based approach. It also boosts

Our country's future as a peaceful democracy is not guaranteed, but America won't abandon us.

support for Afghan security forces and, more important, addresses Pakistan's support for the Taliban and other terrorist groups like the Haqqani network. This will allow Afghanistan to sustain what has been achieved since 2001.

In the past 16 years a new generation of Afghans have come of age. They are accustomed to a free press, social media and fearless

self-expression. This was inconceivable for past generations. They are also against the Taliban's ideology and their version of Islam.

The new strategy provides more training and support for Afghan security forces. A strong military is essential if Afghanistan is to tackle domestic security challenges and join with coalition forces against terrorism in the country and region. It will also pave the way for a peaceful political settlement.

With his new strategy, Mr. Trump has made it clear that he recognizes Pakistan's double game—harboring, arming and supporting the Taliban and Haqqani network while claiming to be an ally of the U.S.

On the political side, the success of the new American strategy largely depends on whether President Ashraf Ghani's government can ensure that elections scheduled for 2018 and 2019 are fair, transparent and successful. Afghans cannot afford another debacle like the 2014 elections.

Corruption remains a significant challenge. Some corrupt officials have been successfully prosecuted: Gen. Mohammad Moeen Faqir and businessman Abdul Ghafar Dawi were convicted of embezzlement and abuse of authority in August. Yet the government must do a better job of tackling the ethnic divisions and partisan bickering that hamper anticorruption efforts. There is also the problem of brain drain. Without serious economic and security reforms to create more and better jobs, Afghanistan will lose its best asset: educated Afghan youth.

Afghanistan's future as a peaceful, functioning democracy is not guaranteed. But for the first time in a long time, Afghanistan has hope.

*Mr. Kawa is editor in chief of *Hasht-e-Sabz Daily*, Afghanistan's largest newspaper. Mr. Sharifi is the chairman of Afghanistan Analysis and Awareness, a Kabul-based think tank.*

By Alan S. Blinder

If you've been following the congressional health-care "debate"—an overly kind word, to be sure—you may now be getting an eerie feeling. It's sort of like "Jaws."

You thought it was safe to go back into the health-care waters. The poor and the powerless seemed to be out of harm's way. Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.) were reporting progress on a bipartisan compromise. Then the Graham-Cassidy bill came out of nowhere, like a great white shark, accompanied by a bit of ominous music.

Graham-Cassidy is a mean-spirited and totally partisan effort, but it is not frivolous. There is a real chance it could squeak through the Senate with 50 votes and a tie-breaker from Vice President Mike Pence, sail through the House, and deprive tens of millions of Americans of health coverage over the coming decade. It's time to sound the shark alarms on Amity Island. Loudly. Here's why:

• Graham-Cassidy would undo the

Medicaid expansion that was perhaps the Affordable Care Act's greatest achievement. So far, it has brought more than 11 million people under its coverage umbrella.

• The bill would end the subsidies that have made insurance offered on the ObamaCare exchanges affordable to families of modest means. By doing so, it would price many out of the market.

• It would give most of the money saved by this two-pronged destruction of ObamaCare to the states as block grants. The effects would vary greatly state by state, but the 31 states (many of them blue) that have already expanded Medicaid would lose funding. The 19 states that have not (most of them red) would come out ahead—at least for a while.

• Graham-Cassidy would reduce federal support for health care by about 11% by 2026, according to the Center on Budget and Policy Priorities. Then the block grants would end. Yes, you read that right. Drop to zero. Relative to current law, Graham-Cassidy would reduce federal health-care spending by about \$80 billion in 2026—that's bad enough—and by a mind-blowing \$300 billion in 2027. Sort of like being devoured by a shark.

• In case that's not enough to destroy ObamaCare, Graham-Cassidy would also end the individual mandate, which forces healthy people into the insurance pool and thereby enables insurers to cover unhealthy people with pre-existing conditions.

• By greatly liberalizing federal waivers, Graham-Cassidy would allow states to overturn regulations that require each insurance policy to cover a set of essential benefits. States could also end the rules that make coverage affordable for people with pre-existing conditions. These unfortunate once again would face the sky-high premiums and gaps in coverage that were common before ObamaCare.

• The bill would even damage regular Medicaid, which candidate Donald Trump once promised not to touch. It would convert the traditional system, in which Washington and the states share costs, to a per capita grant, but with a spending cap that is too low to do the job.

Graham-Cassidy is not a kinder, gentler health-care plan. It's more like a proposal to throw the weak swimmers into the shark tank.

Even if you somehow can get over the human toll, Fitch Ratings notes that the bill represents "a fundamental restructuring of the more than 50-year-old federal-state partnership" in Medicaid and "could lead state governments to face significant

Although the GOP's new health-care bill is mean-spirited and totally partisan, it isn't frivolous.

reductions in federal funding." That could imperil state budgets. The rating agency warns that Graham-Cassidy is "more disruptive for most states than prior Republican efforts."

Politically, the bill is downright weird. Previous Republican attempts to "repeal and replace" ObamaCare failed either because the budget cuts were too deep for GOP moderates or because tens of millions of Americans were projected to lose their health insurance. Graham-Cassidy probably does worse on both criteria.

Virtually every organized health-care group is against the bill. So is a

bipartisan group of 10 governors who wrote to the Senate leadership on Sept. 19. Yet Majority Leader Mitch McConnell is trying to ram Graham-Cassidy through even before the Congressional Budget Office has had time to score it.

Mr. McConnell knows the CBO score won't be pretty: The Commonwealth Fund estimates more than 32 million Americans would lose coverage under Graham-Cassidy by 2027. He knows that the longer a dead fish sits on the dock, the worse it smells. And the window for pushing this monstrosity through the Senate with just 51 votes closes on Sept. 30. After that, he's going to need a bigger vote.

In expressing her unease this year with earlier attempts to repeal and perhaps replace ObamaCare, Sen. Shelley Moore Capito (R., W.Va.) declared that "I didn't come to Washington to hurt people." That's the right attitude, though her votes did not always comport with her rhetoric. More Republican senators ought to think this way—and to vote with the thought in mind.

Mr. Blinder is a professor of economics and public affairs at Princeton University.

Notable & Quotable: The Forbes Rich List

From a Sept. 20 editorial in the *New York Sun*:

What a contrast. While the diplomats and heads of state were quarreling at the United Nations, we dropped in on the 100th anniversary of Forbes Magazine. . . .

Steve Forbes talked about how his grandfather, B.C., had started Forbes in the same year as the Bolshevik Revolution. Fresh off the boat from Scotland, B.C. had been so eager to demonstrate his journalistic esprit that he told one editor he'd work for a week without pay. He got the job. Then, under a "nom de plume," B.C. got a second business reporting job

at another paper. Supposedly the competing editors started boasting about their reporters, without realizing they were both B.C. Forbes.

B.C.'s son, Malcolm, eventually became captain of Forbes and introduced, among other things, the Forbes 400. That's the list of the richest people in America. . . . Steve Forbes relates that when his father first suggested such a list, his editors warned that it wasn't feasible. They feared it would inspire thieves and kidnappers.

Malcolm Forbes plunged ahead. He invested enormous amounts of reporting in the list each year. It soon became an American institution, inspiring millions. For it turns out that

Americans don't resent successful businessmen and women. They admire them. They, too, want to be rich. A failure to appreciate this, in our opinion, is one of the blunders that caused Hillary Clinton to underestimate Donald Trump.

The Democrats just couldn't see that one reason such huge crowds thronged to airport hangars to see Mr. Trump pull up in his gilded jetliner is that millions admire his success. They want to be like him. The Forbes 400 shows some of them can. The list has many regulars. But each year it drops some names and adds new ones. The 400 list included more than 1,200 persons during its first 25 years.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Executive Chairman, News Corp

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Deputy Editor in Chief

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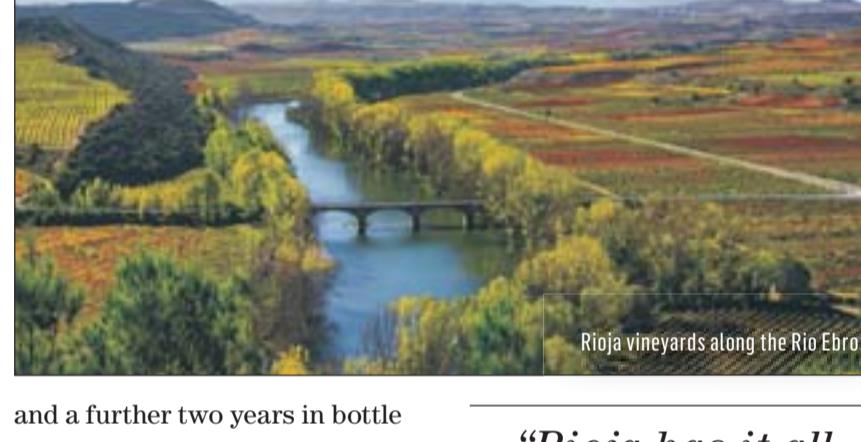
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— HUGH JOHNSON, POCKET WINE BOOK

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Friday, September 22, 2017 | B1

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SoftBank's Uber Deal Hits Snag

Benchmark signals it won't sell its stake, impeding investment by Japanese group

BY GREG BENSINGER

As Uber Technologies Inc. works to nail down a multibillion-dollar investment from Japan's SoftBank Group Corp., one of the ride-hailing giant's earliest and biggest shareholders has indicated it doesn't intend to sell.

The signal from Benchmark Capital is complicating a proposal by SoftBank and its \$93 billion tech-focused Vision Fund, along with partners, to buy 17% to 22% of Uber—mostly through purchasing shares from existing share-

holders.

Benchmark has told fellow investors it is unlikely to sell any of its 13% holding to the SoftBank consortium, according to people familiar with the matter. Benchmark's representative on Uber's board, Matt Cohler, was the only one of Uber's eight directors to vote against a term sheet granting SoftBank exclusive rights to an investment deal, the people said.

The U.S. venture firm has been pushing to ensure the deal results in more independent board seats and additional rights for all shareholders, including broader voting power, according to people familiar with the matter.

Benchmark, along with a few other early investors, holds outsize voting power relative



The ride-hailing firm's board includes a Benchmark representative.

to its stake.

The proposed investment by the SoftBank group, which could total as much as \$10 billion, hinges on getting enough

existing investors to sell their shares at what amounts to a 30% discount to Uber's most recent valuation of nearly \$70 billion, people familiar with the

terms said.

That would risk devaluing whatever equity shareholders don't sell to SoftBank. To try to assuage those concerns, SoftBank also has proposed directly investing at least \$1 billion into Uber at roughly the \$70 billion valuation as part of the deal, the people said. In addition to the stake, SoftBank is seeking two board seats.

The Wall Street Journal reported last week that resistance from some investors was impeding the SoftBank deal talks. But Benchmark's position on the matter couldn't be determined then.

Benchmark's stance could put a chill on other stakeholders who might otherwise view the SoftBank deal as a rare opportunity to cash in. Uber has

Please see UBER page B2

U.S. Weighs An End To AIG's Oversight

BY RYAN TRACY
AND LESLIE SCISM

U.S. officials are considering whether to remove federal oversight of insurer American International Group Inc., according to people familiar with the matter.

The Financial Stability Oversight Council, a group of senior regulators, was set to discuss the matter at a meeting Friday, these people said. No final decision has been made, and the outcome of the discussion isn't certain, they said.

It is possible the council could decide not to vote on the matter Friday, delaying the decision until a future meeting.

Removing stricter oversight of AIG would be a symbolic step: The company was at the center of the global markets meltdown in 2008 and was effectively nationalized through a government bailout that topped \$180 billion. That made it a poster child for financial excesses and was one of the reasons for the creation of the oversight council in the 2010 Dodd-Frank financial regulatory law.

In 2013, the oversight council determined AIG posed a risk to the economy and designated it a "systemically important financial institution," or SIFI. It was the first time the council had used its main Dodd-Frank power. The label subjects AIG to stricter oversight than it would otherwise face, including supervision by the Federal Reserve.

The oversight council is required to review SIFI designations each year. Under the Trump administration, discussions about whether to remove the tag have become more active this year, the people familiar with the matter said.

To remove the SIFI label, officials would have to determine that distress at AIG no longer poses a risk to U.S. financial stability.

The company is about half the size it was during the government rescue, slimming down to \$499.76 billion in total assets as of June 30, down from \$1.048 trillion in 2007. It has divested itself of dozens of businesses, though it remains one of the biggest sellers of property-casualty insurance to businesses worldwide and is also a major seller of life insurance and retirement-income products in the U.S.

The Financial Stability Oversight Council currently has 10 voting members.

It will take a two-thirds vote of the oversight council to remove AIG's SIFI designation.

Stock Pickers Watch ETFs for Trade Ideas

BY CHRIS DIETERICH
AND CORRIE DRIEBUSCH

Stock pickers, who for so long decried the rise of passive investing, are now trying to profit from it.

In what is emerging as a nascent line of market research across Wall Street, investors are attempting to puzzle out how passive investing creates opportunities—or pitfalls—for individual stock trading. They are looking at factors such as the percentage of a stock owned by index funds and money flows into and out of such funds as they size up whether to buy or sell shares of a company.

This new type of analysis shows how the rise of passive investing—tracking a basket of securities rather than picking individual ones—is changing the makeup of markets. Even active investors are now resigning themselves to the influence of indexing and are contriving ways to take advantage of its impact.

The research, by investors and academics alike, is largely in its infancy, many say. And fundamental factors, such as valuations, generally remain most important to stock pickers.

But with passive investing this year representing about 29% of assets in domestic stock funds alone, according to Moody's Investors Service—a figure the firm sees topping 50% as soon as 2021—investors who pick single stocks are paying attention.

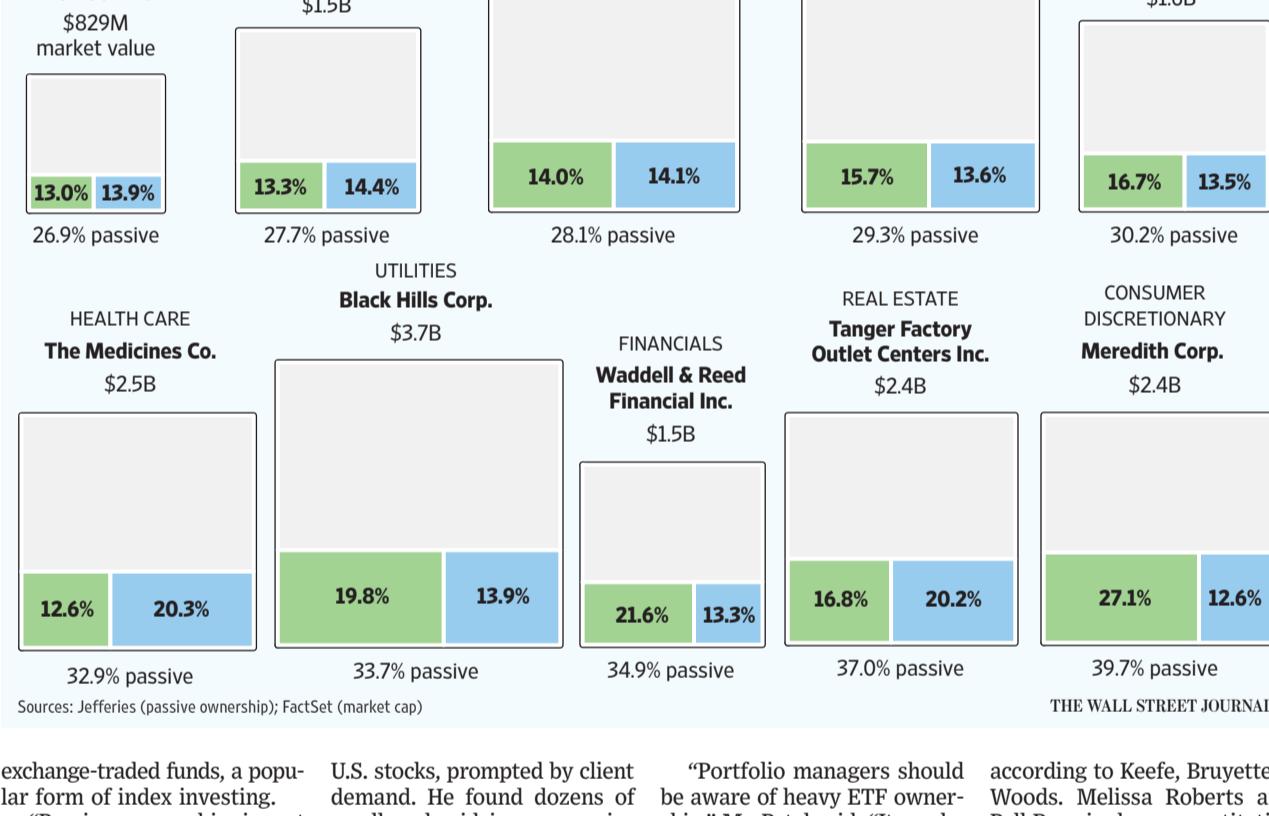
"When I think about what makes a stock tick, it comes back to earnings, the quality of management and the ability of a company to execute, but being in an ETF is a factor to be aware of," said Christopher Marinac, director of research at Atlanta-based FIG Partners, of

Passive Power

These companies top the charts in their sector for passive ownership, according to a Wall Street firm's analysis.

Percentage of shares owned by passive funds

Square size reflects total market value



Sources: Jefferies (passive ownership); FactSet (market cap)

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The company's new CEO is broadly supportive of the deal.

UBER

Continued from the prior page generally restricted investors from such so-called secondary share sales.

Travis Kalanick, the Uber co-founder who was pushed out as chief executive in June under pressure from Benchmark, also is unlikely to sell any of his approximately 10% stake, according to people familiar with the matter. That means that roughly one-quarter of Uber shares would be unavailable to SoftBank, which has teamed up with Dragoneer Investment Group and private

Benchmark has proved itself an unpredictable investor in Uber.

equity firm General Atlantic for the proposed investment.

Two directors, chairman and co-founder Garrett Camp and early employee Ryan Graves, are expected to sell at least some of their stake to SoftBank, according to the people familiar with the matter.

For most venture-capital firms, Benchmark's return on its Uber holdings is the stuff of dreams, even at a discount. Its investment of \$27 million six years ago is worth about \$8.4 billion on paper today, according to other investors. Selling some of that could shelter Benchmark from the risk of a drop in Uber's stock following an initial public offering, as has happened after some tech firms went public recently. New Uber CEO Dara Khosrowshahi has said the company could go public in as little as 18

months.

But San Francisco-based Benchmark said in August it believed Uber's valuation could eventually top \$100 billion.

Other investors have privately cited that lofty expectation as a reason they may not sell to SoftBank in the tender offering.

Some people close to the deal talks cautioned they could collapse.

Benchmark has proved itself an unpredictable investor. It sued Mr. Kalanick weeks after helping oust him, saying he reneged on an agreement to return to board oversight three board seats he controls.

The suit is being sent to private arbitration.

The suit divided Uber directors, many of whom were surprised when Benchmark filed it in early August. Benchmark alleged Mr. Kalanick defrauded investors by not telling them about questionable business practices like a program to evade authorities using a fake version of the Uber app.

Mr. Kalanick argued in court papers that the suit is a meritless, personal attack. He is contesting the suit and has indicated he has no plans to turn over the board seats.

The new CEO, Mr. Khosrowshahi, hadn't yet been named when the possible SoftBank deal started coming together following weeks of discussion, but he is broadly supportive, according to people familiar with the matter.

For SoftBank, a deal with Uber would give it a stake in all of the largest global ride-hailing firms. And it already has directors on the boards of ANI Technologies Pvt.'s Ola and GrabTaxi Holdings Pte., which compete with Uber directly in India and Singapore and Southeast Asia, respectively.

—Mayumi Negishi contributed to this article.

BUSINESS & FINANCE

L'Oréal Heiress Lived Under Spotlight

By MATTHEW DALTON

PARIS—Liliane Bettencourt—who presided over the L'Oréal cosmetics fortune, becoming the world's richest woman—died on Thursday after spending decades under the spotlight for her ties to powerful

LILIANE BETTENCOURT
1922-2017

politicians and her role in a bitter family feud. She was 94 years old.

"My mother has left peacefully," said Françoise Bettencourt-Meyers, her daughter.

In announcing the death, Ms. Bettencourt-Meyers offered assurances that L'Oréal SA, the world's biggest cosmetics company, remained in steady hands with Chief Executive Jean-Paul Agon. Ms. Bettencourt-Meyers controls 33% of L'Oréal along with her sons as guardian of her mother's assets.

"In this painful moment for us, I would like to reiterate, on behalf of our family, our entire commitment and loyalty to L'Oréal and to renew my confidence in its President Jean-Paul Agon and his teams worldwide."

Ms. Bettencourt amassed one of France's biggest fortunes



Ms. Bettencourt led a sale of a stake of her company to Nestlé.

while overseeing L'Oréal's rise from a family makeup company to a globe-spanning colossus. Forbes estimated her net worth at \$45 billion.

Born Liliane Schueller in 1922 in Paris, she was the daughter of Eugène Schueller, a chemist who founded L'Oréal. In 1950, she married André Bettencourt, a journalist who had been a member of a fascist youth group at the start of World War II but who then joined the French resistance.

Mr. Bettencourt went on to become a politician, holding ministerial positions in multiple governments.

Mr. Schueller didn't want his daughter to run L'Oréal. After his death in 1957, Ms. Bettencourt largely followed his wishes, keeping out of the day-to-day operations of the company.

However, she guided one of its more important transactions: the 1974 sale of a large stake in L'Oréal to the Swiss

consumer-goods giant Nestlé SA. Ms. Bettencourt orchestrated the move to fend off a feared nationalization of L'Oréal by the French state. Nestlé now owns 23% of L'Oréal.

Toward the end of her life, Ms. Bettencourt was best known internationally for the Bettencourt affair: a family dispute over her relationship with a male friend that broadened into a financial scandal touching the inner circle of former French President Nicolas Sarkozy.

Late in life, Ms. Bettencourt began lavishing money and gifts on François-Marie Banier, 63, a socialite photographer and friend, totaling more than €1 billion (\$1.19 billion), according to a lawsuit filed by Ms. Bettencourt-Meyers against Mr. Banier. Her daughter accused Mr. Banier of exploiting her mother's mental weakness and asked the court to name her as Ms. Bettencourt's guardian. Mr. Banier denied any wrongdoing.

Ms. Bettencourt opposed her daughter's effort to place her under guardianship, sparking a vicious legal battle between the two. In 2011, a court placed Ms. Bettencourt under the control of Ms. Bettencourt-Meyers and her sons.

KB Home Punishes CEO After Tirade

By CARA LOMBARDO AND CHRIS KIRKHAM

Home builder KB Home said it will cut its chief executive's annual bonus by 25% after a recording surfaced this week purportedly of the CEO berating his neighbor, comedian Kathy Griffin, in an explosive-laced tirade replete with sexist and antigay language.

On a more than two-minute recording published by HuffPost, Jeffrey Mezger castigates Ms. Griffin and her boyfriend for having called the police to complain about noise coming from his house in the Los Angeles neighborhood of Bel Air, where his grandchildren were using his pool.

KB Home, which is based in Los Angeles, said in a filing Thursday its board decided to

cut whatever bonus Mr. Mezger would have "otherwise been entitled to receive" because his "recent behavior in his personal dealings with a neighbor is unacceptable and a negative reflection on KB Home."

KB Home also issued a statement on behalf of Mr. Mezger saying he "regrets losing his temper and the language he used," but added that the incident "was the culmination of a series of unneighborly actions taken by Ms. Griffin and her boyfriend."

The statement goes on to say that Ms. Griffin and her boyfriend had called police and neighborhood security "between 7 and 10 times, and in each case the complaints were dismissed with no further action required." The statement notes that Ms. Griffin or her

boyfriend had called police to complain about music played during a ceremony in which Mr. Mezger's niece, who has stage-4 cancer, and her husband were renewing their marriage vows.

Ms. Griffin's boyfriend, Randy Bick, didn't respond to a request for comment and Ms. Griffin couldn't be reached.

It is unclear exactly how much money the outburst will cost the executive, who has held KB Home's top job since 2006. Last year, Mr. Mezger received a salary of \$1 million and a \$3.77 million bonus payment, according to filings. Cutting that bonus by 25% would have lowered it by \$943,000.

The KB board said it also put Mr. Mezger on notice, telling him that if there is another such incident, he will be dis-

missed.

In the recording, Mr. Mezger criticizes Ms. Griffin's appearance to her boyfriend, threatens to declare war between the neighbors and refers to the backlash she faced after appearing in a photo shoot with a faux severed head that looked like President Donald Trump.

Ms. Griffin can be heard in the background of the audio.

A former KB Home executive who worked with Mr. Mezger for nearly two decades said he was shocked when he heard the tape, which he said was completely out of character for the CEO.

"He never lost his cool, never once raised his voice to me on anything," said the former executive, who hasn't worked at the company in more than a year.

STREET

Continued from the prior page come up with estimates is to look at price moves on days when news about QE was revealed, which is fair enough. But the same days that bond yields fell, stock prices often fell, too, the opposite of the usual story about QE. To make matters worse, look at the period as a whole, and during QE1, QE2 and QE3, bond yields went up, along with stock prices, while the dollar was mixed, plausibly a sign that QE had worked and boosted expectations of growth and inflation. If the markets have a similar delayed reaction to the end of QE, can we be sure which direction bond yields will move?

Third, the effects of QE clearly depend on what's going on in markets at the time. Every study finds a bigger impact from crisis-era QE than from the later versions, as would be expected. Central bank intervention helped fix dysfunctional markets, so it played a role beyond merely buying bonds. Effects on investor sentiment are likely to be bigger when sentiment is deeply depressed, too. A study by

Bank of England staff and Tomasz Wieladek of Barclays PLC last year found QE had had the effect on U.S. economic growth during the panic period than later QE rounds.

Mr. Kalanick argued in court papers that the suit is a meritless, personal attack. He is contesting the suit and has indicated he has no plans to turn over the board seats.

The new CEO, Mr. Khosrowshahi, hadn't yet been named when the possible SoftBank deal started coming together following weeks of discussion, but he is broadly supportive, according to people familiar with the matter.

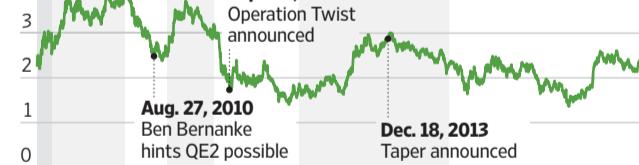
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—Mayumi Negishi contributed to this article.

The QE Effect

During the three main periods of Federal Reserve bond buying, both Treasury yields and shares rose and the dollar was mixed.

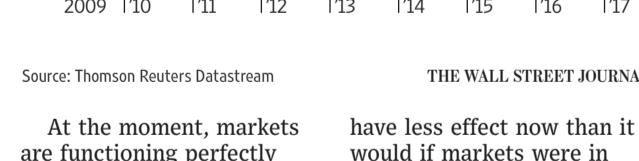
S&P 500 Sterilized QE



Yield on 10-year Treasury note



ICE Dollar Index



Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL.

At the moment, markets are functioning perfectly well and sentiment if anything is too positive, judging by high valuations for U.S. stocks and junk bonds. Reversing QE is thus likely to

have less effect now than it would if markets were in turmoil. The natural assessment, then, is that the Fed reducing Treasury holdings will push up yields, but not by much. For one to think

acerbate performance," Ms. Birmingham said.

Still, being owned by indexes can be a good thing.

Research from Savita Subramanian, equity and quantitative strategist at **Bank of America** Merrill Lynch, suggests that companies with a larger proportion of tradable shares in passive funds tend to see more choppiness since fewer shares are available for active traders. That is because the "true float" of available shares is diminished, she said.

"Stocks with more float held by passive funds exhibit, on the margin, higher volatility," Ms.

that powers the \$16 billion SPDR S&P 500 Dividend ETF. In a matter of days, the ETF bought nearly 3 million Meredith shares and became one of the stock's biggest single owners.

Trading volume during the session when Meredith was added to the index was the heaviest in more than a year, according to FactSet.

"We have seen inclusion in indexes add to demand for Meredith stock," said Mike Lovell, Meredith's director of investor relations.

BUSINESS NEWS

Generic Drug Rivals Conduct Deal Talks

BY DANA CIMILLUCA
AND JONATHAN D. ROCKOFF

Impax Laboratories Inc. is in talks to combine with rival Amneal Pharmaceuticals LLC as the companies seek to build strength in a challenging market for generic-drug makers.

Impax and closely held Amneal are in talks that could yield a transaction next month, assuming they don't fall apart, according to people familiar with the matter. Terms couldn't be learned, but Impax had a market value of about \$1.6 billion Thursday morning before The Wall Street Journal reported on the possible deal, meaning a takeover could value it at roughly \$2 billion or more.

Impax shares rose 10% to close at \$23.80 on Thursday.

Impax and Amneal, which have offices in the same New Jersey suburb of Bridgewater, have been trying to carve out profitable niches selling generic drugs at a time when the industry is facing pricing pressure that is squeezing profits.

A deal would be the latest example of industry executives figuring that a combination will produce economies of scale.

In April, German health-care firm Fresenius SE & Co. KGaA agreed to buy U.S. generic-drug manufacturer Akorn Inc. for \$4.3 billion. In 2016, Teva Pharmaceutical Industries Ltd. bought Allergan PLC's generic-drug business for \$40 billion—though the debt from that and other deals has hobbled Teva.

Impax, based in Hayward, Calif., is led by Paul Bisaro, an Allergan board member and former chief executive at one of the companies Allergan was built from. Mr. Bisaro took the helm of Impax this year. Amneal, which is based in Bridgewater, was founded in 2002 and is led by brothers Chintu and Chirag Patel.

Whole Foods Goes Conventional

Specialty grocer will no longer allow 'brand advocates' in stores, a blow to local sellers

BY HEATHER HADDON
AND ANNIE GASPARRO

Whole Foods will change the way companies can sell and market their products in its stores beginning next year, one of the biggest moves yet in its push to operate more like a traditional market.

Under the changes planned for April, Whole Foods' 470 locations will no longer allow brand representatives to promote their products or check to make sure they are stocked and displayed correctly.

Whole Foods also is centralizing much of its decision-making regarding the assortment of products across the chain. Instead of allowing brands to frequently pitch their products to individual stores or regions, Whole Foods executives in its Austin, Texas, headquarters will choose a higher percentage of the inventory.

The move was slowly getting under way before Amazon.com Inc.'s deal for the chain in August, and its acquisition has added incentive for Whole Foods to shift from its decentralized model and become more efficient.

"This is another step in the conventionalizing of Whole Foods as we know it," said Jim Cusson, of Theory House, a brand consultancy based in Charlotte, N.C.

A Whole Foods spokeswoman said the chain remains committed to offering local brands across its stores, and their streamlining of purchasing will help ensure a mix of small and big products.

Amazon is hoping to boost sales at the struggling grocer, in part, by standardizing operations and prices. Market reports show traffic improvement since the deal closed last month, likely because the chain lowered prices on key items



The Amazon-owned chain plans to centralize product selection and limit brand representatives' access to its stores.

like eggs and milk.

Whole Foods' share of the U.S. grocery market jumped by upward of 16% week-over-week in the first three days after the Aug. 28 price cuts, but is now trending up by more-modest margins, according to inMarket location data.

The changes are among those expected to be discussed next week by top executives and managers at the chain's quarterly meeting in Seattle, a regional hub for Whole Foods and Amazon's home base.

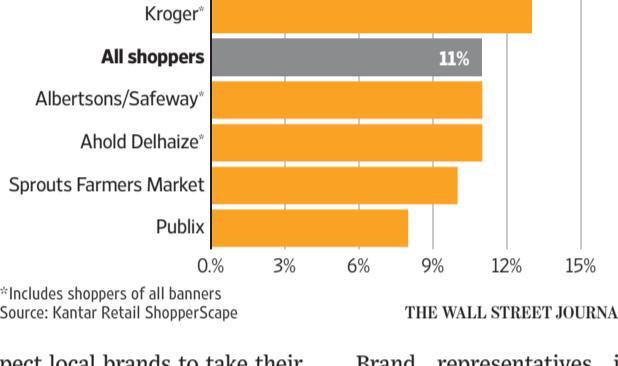
Whole Foods representatives informed suppliers and third-party brand representatives about the plans during a series of closed-door meetings at an industry conference last week.

Whole Foods is unique among large retailers in the extent to which it has let representatives of lesser-known products into the stores to promote their offerings.

Some suppliers and natural-food consultants say sales of specialty products could suffer because items such as chia-soaked seeds and charcoal body butter require some explanation and more marketing. Some consultants also say they ex-

Home Cooking

Share of shoppers from each store that said local products unique to the community are one of the most important things a retailer could do to improve the shopping experience.



*Includes shoppers of all banners

Source: Kantar Retail ShopperScape

store associates will diminish over time," Mr. Cusson said.

Other suppliers said they welcome the change. They said they expect Whole Foods to begin offering brand advocacy themselves for a fee that is similar to what they pay the third-party providers, and that this arrangement could produce better results. "Whole Foods' staff will know each other and the brands. You'd expect higher service because of this," said Greg Fleishman, a natural-foods consultant at Purely Righteous Brands.

A Whole Foods spokeswoman said having brand advocates in stores is distracting to employees and inefficient. Whole Foods has had them there for years, but sales declines in recent years have brought scrutiny to the grocer's long-held practices.

The new system, the Whole Foods spokeswoman said, is intended to save money and provide more consistent service and a national approach to its locations. She declined to detail what Whole Foods will do to make up for the work these third-party brand-support companies have provided in stores.



Going further together to deliver innovative investment solutions.

ENHANCED KNOW-HOW TO SUPPORT OUR PARTNERS

With the acquisition of Pioneer Investments, Amundi is now even better equipped to provide investment solutions geared to investors' needs. We do this through our proven experience with our partner networks, including wealth management firms, independent financial advisors, registered investment advisors and retirement plan providers. So we can provide products and services to over 100 million retail clients around the globe⁽¹⁾. Because that's what you expect from a trusted partner. Let's go further together.



TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

Innovators Seen as Public Nuisance


As in Silicon Valley, Chinese tech companies like to think of themselves as agents of positive change. And just as in the U.S., the public doesn't always see them that way.

China's three main online meal-delivery services are in the crosshairs of public opinion over perceptions they aren't socially responsible. A nonprofit group is suing the companies—Ele.me, Baidu Waimai and Meituan Dianping—for generating huge amounts of waste that it alleges constitute environmental harm. A Beijing court agreed early this month to hear the case.

Public disapproval started to build after an article trashing the apps went viral on social media last month. The article, headlined "Meal Delivery Is Destroying Our Next Generation," accused them of pursuing growth to the detriment of the country's already degraded environment. Big state media followed up, and in weeks a tide of news articles and social-media commentary swelled.

"Say 'no' to meal delivery!" became a popular cry on Weibo, China's Twitter-like service.

"Can't agree more," commented Mao Daqing, founder of space-sharing startup Ur-Work (Beijing) Venture Investment Co., on his WeChat account. "Many people around me, including my child, are eating garbage every day and producing garbage at the same time."

Ele.me, Baidu Waimai and Meituan Dianping are among the most popular services of the mobile internet. Some 295 million Chinese, nearly 40% of the country's internet users, turned to one of their



JONATHAN BROWNING FOR THE WALL STREET JOURNAL

Meituan food deliverymen in Beijing. Some tech firms have been criticized for being socially irresponsible.

apps in the first half of 2017, up from 21% a year ago, according to government data. The services have received funding from the biggest tech forces in China—e-commerce giant **Alibaba Group Holding Ltd.**, game and social-media titan **Tencent Holdings Ltd.** and **Baidu Inc.**, the dominant search engine.

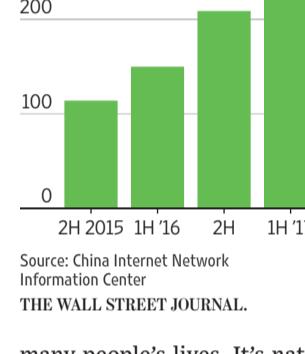
These internet companies touch more aspects of people's lives than any other sector in the world's second-biggest economy. But they're ill-prepared for the expectations of social responsibility that come with their influence and power, say industry experts and social activists.

"Some internet companies grew to be very big very quickly, but the public perception of them also changed very quickly from innovators to nuisance," says Yin Juelin, a management professor at Xi'an Jiaotong-Liverpool University. "They impact so

Hungry Online

Meal-delivery apps have grown sharply in China.

300 million users



Source: China Internet Network Information Center

THE WALL STREET JOURNAL

many people's lives. It's natural that the public wants to hold them accountable."

Meituan and Ele.me—which recently acquired Baidu Waimai though they operate separately—declined to comment on the lawsuit.

They said in statements that they're committed to protecting the environment, and each noted various green initiatives under way.

Meituan and Ele.me have added the option of "no-chopstick packages" in recent weeks. Baidu Waimai will make the change next month. Ele.me started using a new type of biodegradable plastic bag in April. Meituan said it appointed a chief environmental officer in early 2017.

Zhang Shouchun, the attorney representing environmental group Green Volunteer League of Chongqing, which brought the lawsuit, said his client previously contacted the companies about adding a "no-chopsticks" option but never got anywhere. The suit demands that the companies apologize for the environmental damage and set up funds to clean it up.

Public lashings of internet

companies over social accountability recur frequently so they ought to be better prepared. Tencent landed in hot water this summer when state media and the public criticized its top mobile game, "Honor of Kings," for being so addictive that it was harming China's youth. Tencent now limits daily play time for users under 18.

Baidu's share price got hammered last year after a public outcry over the death of a college student suffering from a rare cancer; he died following treatment found via the search engine.

Meal-delivery apps are so pervasive and cheap that many Chinese scarcely leave their office or home to eat. Meituan says it handles more than 13 million orders a day. Ele.me says that it had served 260 million customers by June 2017 since its founding in 2008. Many of those customers come from a growing middle class that is anxious about dirty air, water and food.

Ele.me, backed by Alibaba, is valued at \$6 billion and has raised \$2.3 billion since 2008. Meituan Dianping, which has funding from Tencent, raised \$3.3 billion in January 2016 at a valuation of \$18 billion and is currently raising a further \$2 billion, according to a person familiar with the matter.

None of them, however, is profitable, according to analysts and investors.

These companies need to tweak their business models to shoulder additional costs, says Ms. Yin, the management professor: "They have to respond to the demand of the growing middle class. This issue isn't going to go away."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

Hewlett Enterprise To Cut Staff 10%

BY RACHAEL KING

Hewlett Packard Enterprise Co. plans to cut its workforce by 10%, according to a person familiar with the plans, the latest cost cuts as the business-technology giant combats increasing competition and higher component prices.

The cuts, which will trim about 5,000 jobs, are to start by the end of this year. They could be a prelude to more layoffs, the person said, as HP Enterprise continues its HPE Next initiative, a three-year plan announced in June to take out \$1.5 billion in gross costs and shift resources toward areas such as research and development.

Chief Executive Meg Whitman has remade the company, formerly called Hewlett-Packard, through a series of splits and divestitures including the largest breakup in corporate history—which created HP Enterprise and a PC-and-printer business called HP Inc.

Hewlett-Packard had about 350,000 workers when she took the helm in 2011. HP Enterprise today has about 52,000, after several huge spinoffs and tens of thousands of layoffs.

This year's layoffs are part of a separate plan to cut \$200 million to \$300 million in costs during the second half of the year. Ms. Whitman has said that the retooling effort will continue with HPE Next.

"We are actually cleansing both the operating model and the organizational structure to simplify how we work," Ms. Whitman said on an earnings call earlier this month.

The planned layoffs were reported earlier Thursday by Bloomberg News.

BUSINESS WATCH

VICE MEDIA

Organized Labor Notches Victory

Organized labor has announced a significant victory in its push into digital media with the completion of a drive to unionize hundreds of writers and production staff working on video and television content at **Vice Media**.

The Writers Guild of America, East and the Motion Picture Editors Guild said Thursday that they believe they will represent around 430 Vice staffers and freelance employees working on video and television programming. The Screen Actors Guild-

American Federation of Television and Radio Artists is continuing organizing efforts among Vice's on-air talent.

The Writers Guild had already successfully organized approximately 70 Vice employees who write text for its websites in 2015. In all, Vice employs about 3,000 people worldwide.

—Lukas I. Alpert

ALPHABET

Refunds Due for Ads On Fake-Traffic Sites

Alphabet Inc.'s Google confirmed Thursday it will issue refunds for ads bought through its systems that ran on websites

with fake traffic, and said a handful of its partners have agreed to do the same.

The Wall Street Journal reported in August that Google was issuing refunds to some advertisers after ads purchased through its DoubleClick Bid Manager tool ended up running on websites with fraudulent traffic.

At the time, Google was only prepared to reimburse advertisers for the "platform fee," which ranged from 7% to 10% of the total ad spending. That reflected the fee those advertisers paid to use Google's ad-buying tools.

The rest of the money flows through to dozens of online ad exchanges, which connect marketers to ad space across a vast



German auto maker Daimler is boosting its U.S. operations.

DAIMLER

Alabama to Receive \$1 Billion Investment

Daimler AG said Thursday it will invest \$1 billion in its Alabama manufacturing operations and start production in Tuscaloosa of a fully electric sport-utility vehicle.

The German auto maker's expansion in the U.S. is part of its push into electric vehicles and follows its July announcement of plans to build a battery assembly facility in China. The company intends to offer over 50 fully or partly electric vehicles, and by 2022 offer electrified options for its entire Mercedes brand lineup.

—Chester Dawson

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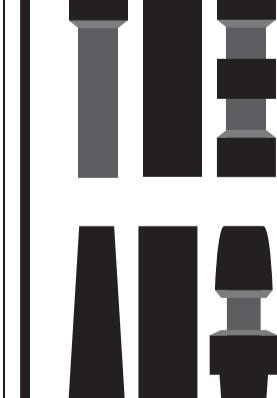
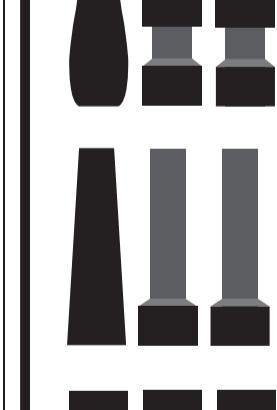
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CEO and Co-Founder,
Vera



John P. Carlin

Chair, Global Risk and
Crisis Management Team,
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Theresa Payton

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BUSINESS NEWS

HuffPost Tries Anti-Elitist Rebranding

'Listen to America' bus tour serves editor in chief's effort to reposition news site

BY LUKAS I. ALPERT

ST. LOUIS—With the famed Gateway Arch overhead, Lydia Polgreen bounded on stage last week to open a 25-city "Listen to America" tour to help promote a redefined mission for the 12-year-old website formerly known as the Huffington Post.

Since taking over in January as editor in chief, Ms. Polgreen has tried to push the progressive-leaning news outlet out of its comfort zone and zero in on stories that might resonate as much with factory workers as with hipster city folk. The goal of the tour is to find out what people across the country care about and to incorporate more of that into coverage at HuffPost, as the site is now rebranded.

"Too often you have the media say this is what's important, this is what matters, but we want to hear what you think. We want to give you the

mic," she said, before inviting civic leaders onstage to discuss issues of concern in St. Louis, like policing and race relations.

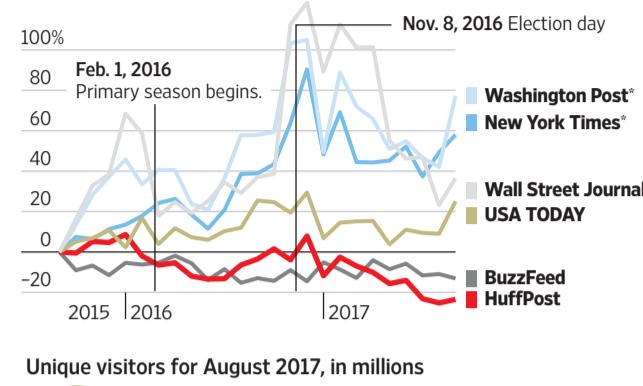
The effort comes at a pivotal time for HuffPost, which is trying to reignite growth and forge an identity separate from that of its founder, Arianna Huffington, whose persona and interests largely permeated the site until her departure a year ago. It also comes amid the backdrop of a major corporate shuffle and cost-cutting effort by owner Verizon Communications Inc., which has been working to merge HuffPost's parent company, AOL, with Yahoo. While the site historically has commanded large audiences, it hasn't been consistently profitable.

HuffPost rose to the top of the digital news heap after its 2005 launch, partly through its pioneering expertise in what is known as search-engine optimization—publishing tactics that ensure high placement in online search results. But the site's approach as a click-bait-driven, liberal counterpoint to sites such as the Drudge Report has paid fewer

The Trump Effect

While some news sites enjoyed major audience gains during the past two years, others such as HuffPost didn't.

Percentage change in unique site visitors from August 2015



Unique visitors for August 2017, in millions



Note: Chart reflects select major news sites *Sites sell digital subscriptions

Source: comScore

THE WALL STREET JOURNAL.

dividends in recent years as readers increasingly find news through social media.

"No longer does gaming SEO win the day and building scale mean a sustainable business model," Ms. Polgreen said in an interview in July. "To

succeed now requires deeply sustained engagement with your audience."

In 2014, HuffPost regularly recorded well over 100 million unique visitors a month in the U.S., but that figure slid into the high 70 million-to-low-80

million range by 2016, according to comScore Inc.

Even during last year's election and its aftermath, when interest from liberal readers drove a "Trump bump" at other news sites, HuffPost's U.S. audience has remained mostly stagnant.

Last month, the site had 66.4 million unique U.S. visitors. HuffPost also operates several international editions and typically attracts around 100 million additional viewers from outside the U.S. each month.

Ms. Polgreen, a veteran foreign correspondent who came on board at the Huffington Post after nearly 15 years at the New York Times, oversaw the rebranding and has tried to reposition the site as a more populist tabloid that can forge an enduring connection with readers.

"In the past, the brand identity was very liberal progressive, but I see us as really reflecting an audience that feels left out," she said. "So many news organizations already go after elite audiences."

Ms. Polgreen came up with the idea for the six-week bus

tour to determine what readers between the coasts are interested in.

But the trip has become an issue of discontent among some staffers who bristled at its reported \$1 million price tag when it was announced shortly after a sizable news-

Lydia Polgreen has tried to push the news outlet outside of its comfort zone.

room layoff. HuffPost's Washington, D.C., bureau bore a heavy brunt of the layoffs including the site's only Pulitzer Prize winner.

Other staffers have struggled to understand why the brand needed fine-tuning in the first place.

"We have always been for struggling middle-class voters. Populist issues have always been HuffPost issues," one recently departed staffer said. "This search for a new identity has been confusing for everyone."

CVS

Continued from page B1
chronic pain in particular could cause cumbersome paperwork and delays. "The guidelines that CDC put out were for prescribers to try to avoid those doses. They were not meant for payers to say we're not going to fill something if it's above that limit," said Walid Gellad, the University of Pittsburgh physician.

CVS manages medications for nearly 90 million people, or about 28% of the U.S. population, through its Caremark unit. It also runs 9,700 retail pharmacies nationwide.

The "overarching reason" for the limits "is to reduce the amount of human suffering

that results from people being addicted to these medications," Dr. Brennan said. The new rules could also bring cost savings for employers and insurers if they prevent some patients from becoming addicted, he said.

CVS will send doctors and patients information about the new limits before they come into effect, he said. It won't "make sense" to apply the restrictions to some patients, Dr. Brennan added. "Doctors can write prior authorization [requests] for those patients," he said.

Widespread opioid addiction has pushed U.S. overdose death rates to new highs. Many Americans became addicted by taking prescription painkillers, and often progressed to heroin and other

street drugs.

CVS and other health-care companies have faced accusations of helping fuel the crisis through their handling of opioid painkillers. Last year, CVS paid \$3.5 million to settle federal allegations that 50 of its pharmacies in Massachusetts and New Hampshire filled forged prescriptions for painkillers and other controlled substances.

The company said it has "implemented enhanced policies" to help its pharmacists determine whether prescriptions are legitimate.

Earlier this year, the Cherokee Nation sued drug distributors and pharmacy chains including CVS in a tribal court in Tahlequah, Okla., alleging they "utterly failed" to control a flood of painkillers that caused

widespread addiction in the tribal community. CVS officials on Wednesday called the lawsuit groundless.

Gary Mendell, founder of a nonprofit called Shatterproof that seeks to combat addiction, welcomed CVS's efforts to restrict prescriptions but said the firm should set even stricter limits if it wants to follow CDC guidance.

The CDC recommendations advise doctors that prescriptions of "three days or less" are often sufficient for patients with acute pain, and that more than seven days "will rarely be needed." For chronic pain patients, they advise doctors to "carefully reassess" the need for doses of 50 MMEs or more a day, and to "avoid" doses of 90 MME or more a day.

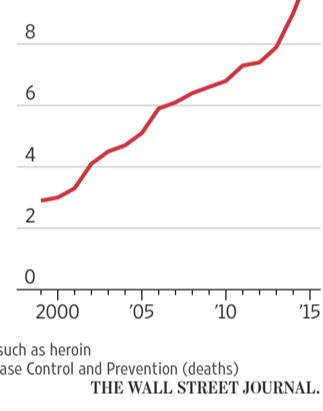
Widening Crisis

As prescription opioid sales have increased, so have opioid-related deaths.

Prescription opioid sales in the U.S.*



U.S. opioid-related deaths per 100,000†



*Wholesale revenues †Includes illicit opioids such as heroin

Sources: QuintilesIMS (sales); Centers for Disease Control and Prevention (deaths)

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EQUITIES

Dow Jones Industrial Average



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	22419.51	22356.55	22359.23	-53.36	-0.24	22412.59	17888.28	21.6	13.1	9.0
Transportation Avg	9698.76	9618.88	9668.99	14.62	0.15	9742.76	7914.69	21.4	6.9	3.8
Utility Average	735.69	730.24	730.78	-0.83	-0.11	754.80	625.44	5.0	10.8	9.5
Total Stock Market	25958.91	25879.91	25897.78	-74.30	-0.29	25972.08	21514.15	14.7	11.3	7.4
Barron's 400	660.00	657.26	658.55	-1.10	-0.17	661.93	521.59	18.6	9.5	7.4
Nasdaq Stock Market										
Nasdaq Composite	6448.57	6405.30	6422.69	-33.35	-0.52	6461.32	5046.37	20.3	19.3	11.9
Nasdaq 100	5965.60	5915.74	5934.91	-38.69	-0.65	6004.38	4660.46	21.3	22.0	13.1
Standard & Poor's										
500 Index	2507.16	2499.00	2500.60	-7.64	-0.30	2508.24	2085.18	14.9	11.7	7.5
MidCap 400	1767.21	1761.71	1762.83	-4.14	-0.23	1791.93	1476.68	12.8	6.2	7.5
SmallCap 600	871.43	866.87	868.96	-0.20	-0.02	876.06	703.64	13.6	3.7	9.7
Other Indexes										
Russell 2000	1448.84	1441.69	1444.18	-1.24	-0.09	1450.39	1156.89	14.3	6.4	8.0
NYSE Composite	12152.77	12120.88	12133.62	-13.88	-0.11	12147.50	10289.35	12.4	9.7	3.4
Value Line	529.25	527.61	528.00	-1.25	-0.24	533.62	455.65	8.7	4.3	2.2
NYSE Arca Biotech	4208.78	4156.92	4158.00	-50.08	-1.19	4232.90	2834.14	19.8	35.2	10.2
NYSE Arca Pharma	546.76	544.26	544.37	-1.54	-0.28	549.20	463.78	3.5	13.0	0.4
KBWB Bank	97.37	96.48	97.15	0.50	0.52	99.33	69.71	36.3	5.8	9.6
PHLX® Gold/Silver	86.19	84.38	85.03	-0.45	-0.53	98.78	73.03	-13.9	7.8	-0.7
PHLX® Oil Service	135.89	133.86	134.50	-1.85	-1.36	192.66	117.79	-12.6	26.8	-21.4
PHLX® Semiconductor	1147.73	1134.13	1143.87	-4.74	-0.41	1164.98	796.64	40.6	26.2	20.8
CBOE Volatility	10.21	9.54	9.67	-0.11	-1.12	22.51	9.36	-19.6	-31.1	-7.2

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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
Vipshop Holdings ADR	VIPS	6,493.2	9.33	0.01	0.11	9.40	9.31
SPDR S&P 500	SPY	6,345.7	249.56	0.17	0.07	250.10	249.34
Van Eck Vectors Semiconduc	SMH	6,270.2	90.93	-0.27	-0.30	91.20	90.93
Intel	INTC	4,251.8	37.20	...	unch.	37.24	36.92
Spectrum Pharmaceuticals	SPPI	4,001.6	9.81	...	unch.	9.85	9.81
Enterprise Pdts Partners	EPD	3,864.0	25.88	...	unch.	25.88	25.88
iShares Russell 2000 ETF	IWM	2,987.4	143.75	0.06	0.04	144.02	143.66
MPLX	MPLX	2,939.4	34.02	...	unch.	34.02	34.02

Percentage gainers...

Ascendis Pharma ADR	ASND	47.8	39.15	11.41	41.13	40.49	27.74
Scorpio Tankers	STNG	37.2	3.67	0.23	6.69	3.67	3.44
Axovant Sciences	AXON	21.7	27.10	1.02	3.91	27.93	25.85
Louisiana-Pacific	LPX	10.6	28.80	0.89	3.19	28.80	27.84
Uniti Group	UNIT	56.6	16.40	0.39	2.44	16.44	16.00
Versartis Inc.	VSAR	2,290.1	3.55	-18.05	-83.56	21.60	3.10
Ultra Petroleum	UPL	81.8	7.58	-1.07	-12.32	8.74	7.58
Dicerna Pharmaceuticals	DRNA	31.8	4.07	-0.45	-10.02	4.07	4.07
Presidio	PSDO	34.9	12.80	-1.15	-8.24	13.99	12.62
TransUnion	TRU	6.8	42.27	-2.25	-5.05	44.52	42.27

...And losers

Versartis Inc.	VSAR	2,290.1	3.55	-18.05	-83.56	21.60	3.10
Ultra Petroleum	UPL	81.8	7.58	-1.07	-12.32	8.74	7.58
Dicerna Pharmaceuticals	DRNA	31.8	4.07	-0.45	-10.02	4.07	4.07
Presidio	PSDO	34.9	12.80	-1.15	-8.24	13.99	12.62
TransUnion	TRU	6.8	42.27	-2.25	-5.05	44.52	42.27

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	725,732,085	7,894,731
Adv. volume*	286,993,647	3,644,222

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	2,9205	2,9280	2,9090	2,9140	-0.0355	1,619	
Sept	2,9205	2,9280	2,9090	2,9140	-0.0355	1,619		
Dec	2,9590	2,9630	2,9200	2,9345	-0.0345	185,881		
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1299.10	1304.10	1290.30	1290.60	-21.40	706	
Sept	1299.10	1304.10	1290.30	1290.60	-21.40	706		
Oct	1300.70	1303.80	1286.80	1290.60	-21.90	32,613		
Dec	1304.80	1305.00	1291.20	1294.80	-21.60	451,035		
Feb'18	1308.80	1308.80	1295.50	1298.90	-21.60	41,640		
June	1311.20	1311.60	1303.50	1306.60	-21.60	10,231		
Dec	1320.60	1323.10	1315.00	1318.10	-21.60	10,740		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	1299.10	1302.90	912.90	912.95	1.40	5	
Sept	912.00	912.00	912.90	912.95	1.40	5		
Dec	911.75	918.40	904.15	911.55	1.40	30,260		
March'18	912.35	912.75	900.45	906.65	2.35	1,056		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	991.20	991.20	991.20	939.40	-5.50	2	
Oct	944.20	945.40	931.00	939.90	-5.50	37,601		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	16.895	16.920	16.800	16.937	-0.314	369	
Sept	17.225	17.225	16.865	17.018	-0.316	153,982		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	50.72	50.81	50.07	50.55	-0.14	589,197	
Nov	51.04	51.13	50.45	50.93	-0.11	359,027		
Jan'18	51.28	51.37	50.72	51.21	-0.07	217,753		
March	51.57	51.60	51.00	51.49	-0.07	177,420		
June	51.50	51.60	51.03	51.53	-0.05	178,272		
Dec	51.30	51.39	50.86	51.35	0.02	236,014		
NY Harbor Oil ULSD (NYM)	-42,000 gal.; \$ per gal.	1.8065	1.8172	1.8006	1.8153	.0083	55,919	
Oct	1.7989	1.8100	1.7919	1.8074	.0083	116,961		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.	1.6505	1.6558	1.6205	1.6438	-.0113	57,294	
Nov	1.6111	1.6184	1.5912	1.6066	-.0092	145,084		
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.	3.081	3.149	2.942	2.946	-148	68,759	
Oct	3.141	3.149	3.003	3.007	-142	269,102		
Dec	3.283	3.293	3.160	3.163	-128	116,290		
Jan'18	3.384	3.391	3.267	3.270	-122	149,215		
March	3.344	3.348	3.235	3.238	-113	113,737		
April	2.978	2.983	2.923	2.929	-057	123,786		

Contract

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Agriculture Futures

Corn (CBT)	-5,000 bu.; cents per bu.	349.50	351.25	348.50	350.25	.25	806,730
Dec	362.25	364.00	361.00	363.00	.50	237,526	
Oats (CBT)	-5,000 bu.; cents per bu.	246.25	252.00	246.25	250.00	3.75	4,838
Dec	254.25	258.00	254.25	257.00	4.75	1,123	
Soybeans (CBT)	-5,000 bu.; cents per bu.	96.50	97.00	97.05	.75	359,842	
Nov	97.95	98.00	97.93	98.00	.50	101,389	
Soybean Meal (CBT)	-100 tons; \$ per ton.	305.90	309.30	305.20	309.00	2.70	33,474
Oct	309.60	313.10	309.10	312.90	2.80	180,793	
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.	34.75	34.75	34.08	34.10	-.57	36,796
Dec	34.99	34.99	34.31	34.34	-.57	210,390	
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.	127.00	129.50	126.00	127.00	-9.50	9,757
Nov	130.00	130.10	129.70	129.60	-9.50	579	
Wheat (CBT)	-5,000 bu.; cents per bu.	451.75	454.50	445.50	452.50	2.75	253,857
Dec	471.25	473.75	465.50	472.00	2.25	82,676	
Wheat (KC)	-5,000 bu.; cents per bu.	448.75	451.50	443.50	449.50	1.50	139,728
Dec	464.00	465.25	461.50	467.50	1.50	77,547	
Wheat (MPLS)	-5,000 bu.; cents per bu.	622.00	630.00	621.25	624.25	2.75	42,487
Dec	634.25	640.75	633.50	636.00	1.75	21,879	
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.	153.975	154.000	152.500	153.175	-.800	3,534
Sept	153.975	154.000	152.500	153.175	-.800	3,534	
Nov	157.300	157.425	155.875	156.825	-.725	16,102	
Cattle-Live (CME)	-40,000 lbs.; cents per lb.	111.000	111.175	109.675	110.100	-.850	66,356
Oct	116.175	116.900	115.575	116.200	-.050	133,401	
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.	58.550	58.550	57.075	57.325	-1.325	51,814
Dec	59.750	59.825	57.750	58.700	-125	112,179	
Lumber (CME)	-100,000 bd. ft., \$ per 1,000 bd. ft.	390.10	391.70	387.30	388.40	-1.60	4,450
Nov	395.50	395.50	392.50	393.70	-2.40	957	
Jan'18	395.50	395.50	392.50	393.70	-2.40	957	

Interest Rate Futures

Treasury Bonds (CBT)

\$100,000; pts 32nds of 100%

Yield (%)

Latest 7.150 20.790

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 l-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 h-Does not meet continued listing standards.
 If-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, September 21, 2017

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
NYSE				BCE	BCE	47.75	-0.10	CVN	CVX	116.47	+0.10	SKT	SKM	24.22	+0.37	UL	ULR	58.53	0.47
BBH	BBH	41.70	-0.35	ChinaAstrm	CEA	26.58	-0.11	ICE	ICE	66.83	-0.16	SLG	SLG	101.13	3.41	Globe	GDK	62.29	0.22
BHP	BBL	36.39	-0.12	ChinMobile	CHL	15.31	-0.13	InterCont	IHI	50.63	0.08	EnergyTr	ETP	18.30	-0.19	CDW	CDW	62.68	-0.13
BHP	BBL	37.70	0.47	ChinaPetrol	SNP	76.14	0.06	Int'lFlavor	IFV	143.77	-1.24	EnLinkMidP	ENLK	16.22	-0.19	CRM	CRM	94.86	-0.35
BIG	BIG	19.36	-0.20	ChinaSairline	ZNH	37.44	-0.48	InvestPaper	IPG	57.29	-0.55	EnterprisePod	EPD	25.88	-0.11	InterCap	ICP	20.85	0.06
BIG	BIG	36.58	-0.92	ChinaTelecom	CHC	49.94	-0.24	Equifax	EFX	98.25	2.25	EquityFife	EFL	87.08	-0.70	InvitationHomes	INH	22.57	0.10
BIG	BIG	40.80	-0.92	ChinaUnicom	CU	14.63	0.14	EquityResntl	EQR	66.47	-0.25	EquityResntl	EQR	17.31	-0.11	IronMountain	IRM	39.77	-0.05
BIG	BIG	113.37	-0.56	ChinaWind	OCN	10.52	-0.10	EnergyTransfer	ETP	18.30	-0.19	EsteeLauder	EL	108.25	-1.28	IsraelChemicals	ICL	4.58	0.05
BIG	BIG	73.37	-0.07	ChinaWind	OCN	10.52	-0.10	EverestRe	ER	22.70	-0.28	EverestRe	ER	22.70	-0.28	Investment	IFV	143.77	-1.24
BIG	BIG	37.37	-0.21	ChinaWind	OCN	10.52	-0.10	EverestRe	ER	22.70	-0.28	EnterprisePod	EPD	25.88	-0.11	InterCap	ICP	20.85	0.06
BIG	BIG	40.80	-0.92	ChinaWind	OCN	10.52	-0.10	Equifax	EFX	98.25	2.25	EquityFife	EFL	87.08	-0.70	InvitationHomes	INH	22.57	0.10
BIG	BIG	10.37	-0.24	ChinaWind	OCN	10.52	-0.10	EquityResntl	EQR	66.47	-0.25	EquityResntl	EQR	17.31	-0.11	IronMountain	IRM	39.77	-0.05
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BIG	BIG	73.37	-0.07	ChinaWind	OCN	10.52	-0.10	EquityResntl	EQR	66.47 </									

BANKING & FINANCE

S&P Downgrades China's Credit Rating

Firm says high debt level increases risks; move comes as Beijing to shuffle leadership

BY LINGLING WEI

BEIJING—S&P Global Ratings became the last of the three major rating firms to lower its view on China's creditworthiness, a move that came as Beijing has taken measures to tamp down risks and emphasize stability.

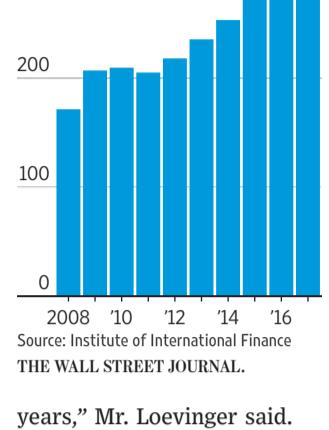
The timing of the move, just weeks ahead of a Communist Party leadership transition, was likely to be an irritant for Beijing and raised eyebrows among some economists and investors.

In a statement Thursday, S&P said the downgrade, to A-plus from AA-minus, reflected its assessment that "a prolonged period of strong credit growth has increased China's economic and financial risks." The rating and the view of risks in China now match those of Moody's Investors Service, which lowered China's rating in May, and Fitch Ratings, which did so in 2013.

"The S&P conclusion isn't exactly head-slapping news to the market or Chinese regulators," said David Loevinger, a managing director at fund manager TCW in Los Angeles. "It's a bit ironic given that China's fundamentals are the strongest they've been in two

Deeper in Debt

China now has debt equivalent to almost three times GDP.



Source: Institute of International Finance
THE WALL STREET JOURNAL.



A steel plant in China. The country's economy expanded 6.9% in the first half, but higher borrowing costs are crimping activity.

years," Mr. Loevinger said.

China's economy expanded 6.9% in the first half of the year, well above Beijing's 2017 growth target, though recent data indicate that higher borrowing costs are starting to have an effect on business activity.

"The timing is awkward for China's leaders," said Mark Williams, chief China economist at Capital Economics. It is "arguably questionable on the basis of recent economic and financial developments," he wrote in a note.

An S&P spokesman declined to comment on questions about the timing of the rating firm's action.

In a bid to keep the economy on an even keel ahead of the

power transition, Beijing has moved aggressively to rein in rampant borrowing this year.

The result: Credit growth in China, as measured by M2, a broad gauge of money supply, hit a low last month. Officials at the People's Bank of China say slowing M2 growth could be a "new normal" thanks to Beijing's resolve to keep a lid on leverage.

However, S&P raises a valid concern about China's credit continuing to expand faster than output, economists and analysts say. That reflects more loans going into supporting unprofitable firms, such as state-owned steelmakers, as opposed to more productive areas. Such continued misallocation of resources raises the specter of a pro-

longed economic downturn.

"Given the high levels of debt in China, this doesn't look like it is unreasonable," said Louis Kuijs, head of Asia Economics at Oxford Economics in Hong Kong. "The downgrade is not putting China in the basket-case territory," he added. With the downgrade, China now has the same long-term S&P rating as Japan, Ireland and Israel.

Chinese officials have maintained that Beijing has the ability to control its debt growth and prevent systemic risks. The Ministry of Finance didn't respond to requests for comment late Thursday.

China opened the credit spigot during the 2008 global financial crisis, a move that

Lender Taps Investors Abroad

State-owned Postal Savings Bank of China Co. is raising up to \$7.6 billion in one of the largest-ever sales of offshore securities by a Chinese lender.

The bank, China's sixth largest by assets, on Thursday launched a sale of U.S. dollar-denominated securities that are known as contingent convertibles, or "cocos." Investment bankers in recent days have been marketing the offering to investors in Hong Kong,

Singapore, Paris and London.

The deal, which was expected to be priced later in the day, will be a test of global investors' appetite for risk in China's financial sector. The securities were initially being offered with a yield of about 4.85%, according to a person familiar with the matter, but strong investor demand led bankers later to lower guidance for the yield to 4.55%.

Chinese banks are looking offshore for funds as borrowing costs have risen. Regulators also have been trying to rein in loose lending and imposed stricter capital rules.

—Manju Datal

helped shield it from the economic malaise afflicting much of the rest of the world, and debt levels have continued to balloon to prop up growth. The Institute of International Finance estimates that China's overall debt load will reach nearly 300% of its gross domestic product by the end of this year, up from less than 180% at the end of 2008.

Corporate debt is projected to make up about 16% of GDP by the end of 2017, followed by government debt at 47%, according to the institute. In recent years, Chinese families have also increased their borrowing, with households' debt-to-GDP ratio set to increase to 45% by the end of this year from less

than 40% two years ago, it said.

S&P said recent government efforts to rein in borrowing could stabilize "the trend of financial risk" in the medium term. But "credit growth in the next two to three years will remain at levels that will increase financial risks gradually."

Some analysts say the downgrade could make it more expensive for Chinese companies seeking to sell bonds overseas, though it likely will have limited impact on China's domestic bond market.

—Saumya Vaishampayan and Grace Zhu contributed to this article.

◆ Heard on the Street: What lies in store for China..... B12

New Suit Accuses SoFi Of Sexual Harassment

BY PETER RUDEGEAIR

A former employee of embattled online lender Social Finance Inc. accused the company of tolerating sexual harassment in a lawsuit, raising additional concerns about its treatment of women a week after Chief Executive Michael Cagney stepped aside.

Julia Zamora, who worked as a loan reviewer at SoFi's Healdsburg, Calif., office from October 2015 until October 2016, said in a complaint filed Thursday against the company that a manager had propositioned her for sex and retaliated against her when she refused.

She said SoFi exhibited a "hostile work environment where sexually inappropriate behavior became widely accepted and laudable by upper management."

Ms. Zamora's allegations came about a week after Mr. Cagney said he would resign after litigation and negative media attention created "a distraction from the company's core mission." Last month, another former SoFi employee sued the company for wrongful termination after he reported another manager had harassed female employees by making sexual or inappropriate comments.

This month, the company opened an outside investigation into claims that current and former employees were sexually harassed at work.

A SoFi spokesman declined to comment on Ms. Zamora's claims but said the company takes any allegations of sexual harassment seriously. He added in a statement that "harassment of any kind has no place at SoFi."

The recent developments have clouded the prospects of

the startup that had ambitions to open a state-chartered bank and sell shares to the public in coming years.

Tom Hutton, a SoFi board member who was named interim CEO last Friday, said that the most important work the company could do was "paving the way for future success by building a transparent, respectful and accountable culture."

In her complaint, Ms. Zamora said a SoFi director of operations who had authority over promotions approached her during and after an office Christmas party in December 2015. The manager, Adam Cobb, told her that he was "intimidated by [her] beauty" and that he "want[ed] to do sexy things" to her, ac-

The suit says 'sexually inappropriate behavior became widely accepted.'

cording to the complaint. She denied his advances, the complaint added.

In the weeks following those comments, Mr. Cobb refused to promote Ms. Zamora and refused to write her a letter of recommendation after she resigned from the company, according to the complaint. She raised the issue with supervisors just after the party, but said that they found the story "entertaining rather than upsetting."

Mr. Cobb, who wasn't named as a defendant in the suit, didn't respond to a request for comment. He no longer works for SoFi, a spokesman said.



AIA Group committed itself to providing life-insurance products to the Australian lender's customers for 20 years.

Australia Bank Sells Insurer Units

BY ROBB M. STEWART

MELBOURNE, Australia—Commonwealth Bank of Australia is considering splitting off its global asset-management unit after announcing a US\$3.05 billion sale of its life-insurance businesses to AIA Group Ltd.

A sale of Colonial First State Global Asset Management would further bolster the capital position of Australia's largest bank at a time when regulators are pushing lenders to increase buffers against risk and tightens the bank's focus as it defends itself against accusations its compliance failings allowed its accounts to be used for money laundering.

In a statement Thursday, Commonwealth Bank said it was selling all of its life-insurance businesses in Australia and New Zealand to AIA for 3.8

billion Australian dollars (US\$3.05 billion). The sale agreement also includes having the pan-Asian insurer provide life-insurance products to the bank's customers for 20 years.

It adds to a number of recent moves by Australian banks to unload capital-intensive life-insurance operations to dedicated insurers better able to compete in a sector that has struggled in recent years with rising claims and policy terminations. Earlier this week, Australia & New Zealand Banking Ltd. said it was in talks with a number of potential suitors for its Australian wealth operations, which includes its local insurance, pension, investments and advice businesses.

AIA, one of the world's largest life insurers, said it would become the market leader in Australia's banking regulator this year ordered the country's

major banks to reach by 2020.

However, the sale will dilute Commonwealth Bank's earnings modestly and it said it expected about a A\$300 million loss on the deal, largely due to the carrying value of goodwill. The businesses being picked up by AIA had earnings of about A\$224 million in the latest fiscal year, a fraction of the A\$9.7 billion before items reported by Commonwealth Bank.

The price the bank will fetch for the businesses was slightly below expectations but it is outweighed by the longer-term benefits, particularly the increase in capital, said David Ellis, an analyst at investment research firm Morningstar.

"It's a good outcome," Mr. Ellis said, adding it allowed Commonwealth Bank to clean up its businesses after a string of scandals.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns. Figures don't reflect sales charges ("loads") or redemption fees.

NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes p and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1 r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Thursday, September 21, 2017

Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET	Fund	NAV	Net YTD %RET						
American Century Inv	64.94	-0.12	26.2	Value	20.75	-0.02	6.4	EdInCnA	11.13	+0.01	6.5	Oppenheimer Y	NA	... NA	PRIMECAP Odyssey Fds	r 117.68	-1.53	3.5	TgtRe2045	21.69	-0.05	14.8				
Ultra	42.99	-0.19	23.3	SmCpA p	55.08	-0.06	19.8	DevMktY	NA	... NA	Growth r	33.89	-0.01	18.3	SmCapAdm	66.25	-0.14	8.2	TgtRe2050	34.90	-0.07	14.8				
American Funds CI A	13.03	... 4.6	5GblFxdinc	11.01	... 2.1	LSBalncd	15.75	-0.03	11.2	IntlGrowY	42.24	-0.01	21.8	Principal Investors	NA	... NA	TStBondAdm	10.46	... 1.5	1.5	TgtRetInc	13.44	-0.06	6.2		
AMcPA p	30.67	-0.05	14.3	WshA p	30.99	-0.01	10.4	John Hancock Class I	10.57	-0.01	11.4	Parnassus Fds	NA	... NA	Divlntflst	13.73	-0.03	24.8	STIGradeAdm	10.69	... 2.1	2.1	TgtGradeAdm	10.80	... 2.2	6.7
Baird Funds	22.42	-0.05	29.9	EmgMktVa	30.40	-0.15	27.2	John Hancock Inst	10.67	-0.01	12.9	AlAssets	NA	... NA	TRBdZ	14.95	+0.01	5.5	TotInlBdxdAdm	21.79	-0.01	1.2	Wellsl	41.82	-0.27	9.1
BalA p	26.88	-0.05	10.0	AggBdlnst	10.92	... 3.7	IntlVal	10.69	... 16.7	JP Morgan Funds	NA	... NA	Wendlsl	21.94	-0.05	21.7	Wndsl	38.01	-0.01	9.2	VANGUARD INDEX FDS	NA	... NA	NA		
BondA p	12.98	... 3.4	CorBdlnst	11.28	-0.01	4.1	StratVal	10.69	... 16.7	JP Morgan I Class	NA	... NA	TStAdm	62.42	-0.45	12.8	ExtdInstPl	196.11	-0.30	10.4	ExtdInstPl	196.11	-0.30	10.4		
CapBdlnst	62.58	-0.02	11.3	GblAlloc	20.22	-0.04	10.8	IntlEq	10.69	... 16.7	JP Morgan P	NA	... NA	WdrslAdm	38.65	-0.33	8.7									

MARKETS

Treasurys Pull Back For Ninth Day in Row

BY DANIEL KRUGER

CREDIT MARKETS U.S. government-bond prices declined for a ninth session in a row, a day after the Federal Reserve signaled that it could raise interest rates again in December.

The yield on the 10-year Treasury note rose to 2.278% on Thursday from 2.276% Wednesday. Yields rise as bond prices fall.

Meanwhile, the price on the two-year Treasury note, which is more sensitive to market expectations for Fed policy, was steady, with its yield at 1.442%, the highest closing level since November 2008.

The Fed on Wednesday said it would begin to shrink its \$4.5 trillion bond portfolio in October, in an effort to bring it into alignment with levels before the financial crisis.

The central bank will be pulling \$10 billion a month from the financial system and increasing that amount gradually.

Policy makers released projections that showed they expect to increase rates again later this year, followed by three more increases in 2018.

"Financial conditions have eased quite a lot," said Christopher Sullivan, a bond-fund manager for the United Nations Federal Credit Union. "There's a likelihood just based on that" of an additional rate increase.

Goldman Sachs Group Inc. assessed the chances of a December rate increase at 75%, up from 60% before Wednesday's Fed meeting, citing Chairwoman Janet Yellen's skepticism that weakness in inflation over the past several months will endure.

That prediction roughly matches the futures market, which is pricing in a 78% chance of higher rates, according to CME Group Inc. data.

Treasury Sets Sales Of \$179 Billion in Debt

The Treasury Department will auction \$179 billion in securities next week, comprising \$88 billion in new debt and \$91 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$42 billion in 13-week bills, a reopening of an issue first sold on June 29, 2017, maturing Dec. 28, 2017. Cusip number: 912796MJ5.

Also, \$36 billion in 26-week bills, a reopening of an issue first sold on March 30, 2017, maturing March 29, 2018. Cusip number: 912796LS6.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

♦ **Tuesday:** \$26 billion in two-year notes, dated Oct. 2, 2017, maturing Sept. 30, 2019. Cusip number: 9128282X7. Non-competitive tenders must be received by noon Tuesday and competitive tenders by 1 p.m.

♦ **Wednesday:** \$13 billion in one-year, 10-month 0.060% floating-rate notes, a reopening of an issue first sold on July 31, 2017, maturing July 31, 2019. Cusip number: 9128282M1.

Also, \$34 billion in five-year notes, dated Oct. 2, 2017, maturing Sept. 30, 2022. Cusip number: 9128282W9.

Noncompetitive tenders for the floating-rate notes must be received by 11 a.m. Wednesday and competitive tenders by 11:30 a.m. For the five-year notes, noncompetitive tenders are due by noon and competitive tenders by 1 p.m.

♦ **Thursday:** \$28 billion in seven-year notes, dated Oct. 2, 2017, maturing Sept. 30, 2024. Cusip number: 9128282Y5. Non-competitive tenders must be received by noon and competitive tenders by 1 p.m.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

NINE-YEAR, 10-MONTH TIPS

Applications \$25,542,896,400
Accepted bids \$11,000,003,900
"noncompetitively" \$11,826,400
Auction price (rate) 99.354592 (0.450%)

Bids at clearing yield accepted 0.375%
Cusip number 9128282L3

The Treasury auction-protected securities, dated Sept. 29, 2017, mature on July 15, 2027.

Quakes Trigger Disaster-Bond Loss

Investors in Mexico securities could be on hook for as much as \$150 million

BY ANUPREETA DAS

Investors recently bought a catastrophe bond designed to minimize the financial hit to the Mexican government from earthquakes. They could now be on the hook for as much as \$150 million after two major quakes struck the country in quick succession.

Already popular with insurance companies as a way to transfer some risk to the global capital markets, "cat bonds" and other financial products have also been adopted by countries to protect public coffers from massive natural disasters.

Big investors such as pension funds have lapped up cat bonds because they earn high rates of interest and returns are uncorrelated to market downturns. Cat-bond investors can lose some or all of their principal if a prespecified disaster occurs and an issuer has to pay claims.

Mexico, which is highly vulnerable to storms, earthquakes, floods and other disasters, is a pioneer among countries in the use of cat bonds. Since 2006, it has raised more than \$1 billion from investors to help finance rescue and rebuilding efforts, although not all of the bonds have paid out.

In August, the Mexican government tapped the capital

markets via a World Bank-issued cat bond that buys up to \$360 million of cover against disasters, including as much as \$150 million from earthquakes.

Catastrophe bonds were developed by the insurance industry in the 1990s as a way to spread risk to financial markets. An investor, say an endowment, family office or pension fund, buys the bond, taking into account calculations by an independent risk-modeling firm of the odds of a specified disaster occurring. The principal and interest are held in escrow and typically invested in Treasurys.

These bonds are usually sold in tranches, each with a different trigger. Some triggers are based on metrics tied to a weather event, some are tied to a single event, while others reference damage accumulated over designated periods. For taking on the risk, investors are paid interest at rates comparable to high-yield bonds.

The insurance industry, along with international organizations such as the World Bank, has increasingly promoted the use of capital-markets instruments for developing countries that financially struggle to cope with the fallout from calamities.

"There are billions and billions of dollars...that are looking to be put to use," said Albert Benchimol, chief executive of specialty insurer and reinsurer Axis Capital Holdings Ltd. "We have to be creative in finding new uses for that capital."

Mr. Benchimol is part of the

Defending Against Disaster

Nations that have raised funds in the market since 2006 to help defray potential natural-disaster losses

Country	Perils covered	Amount (millions)
Mexico*	Earthquake, hurricane	\$965
Turkey	Earthquake	\$500
Uruguay*	Drought, oil prices	\$450
Global*	Pandemic	\$425
Six Pacific Island Countries (PCRAFI)*	Earthquake, hurricane, tsunami	\$233
Philippines*	Earthquake, hurricane	\$206
Caribbean Catastrophic Risk Insurance Facility (CCRIF)*	Earthquake, hurricane	\$204
Mexico	Earthquake	\$160
Malawi*	Drought	\$19

*Includes World Bank role

Sources: AIR Worldwide; Artemis.bm; RMS; World Bank

woman said. Mexico received \$50 million, or half the principal amount of one class of the bond that covered Pacific Ocean storms.

The country tapped investors for the fourth time a few weeks ago through a cat bond issued by the World Bank. The \$360 million bond is divided into three classes, each providing protection from a different kind of disaster—earthquakes, Pacific hurricanes and Atlantic hurricanes.

On Sept. 7, an 8.1-magnitude quake struck southern Mexico, killing nearly 100 people in Chiapas and Oaxaca states. The second earthquake hit on Tuesday, causing more than 200 deaths and significant damage including in Mexico City, just 60 miles north of the epicenter.

The maximum potential payout from the earthquake-class of the bond is \$150 million, the principal amount. Bond buyers will lose their principal if the earthquakes meet certain criteria for severity, depth and location. Nearly half of the earthquake-class bond buyers are based in Western Europe, and more than three-quarters of the buyers are specialist funds that invest in cat bonds and other insurance-linked securities."

A World Bank spokeswoman said they are determining if the quakes are eligible for some or all of the proceeds of the bond, which will be paid to the Mexican government's Fund for Natural Disasters.

—Leslie Scism

and Nicole Friedman contributed to this article.

Stocks' Winning Streak Comes to an End

BY MICHAEL WURSTHORN

AND RIVA GOLD

The Dow Jones Industrial Average and the S&P 500 ended a streak of record closes Thursday, as investors took stock of the Federal Reserve's renewed commitment to raise interest rates again this year.

Eight of the 11 major S&P 500 sectors ended the day lower, with the steepest declines among technology and consumer-staples shares.

Some investors and analysts attributed the stall in the stock market to uncertainty after the Fed suggested Wednesday that it could raise interest rates for the third time this year in December. A streak of soft inflation data recently had made some investors skeptical the Fed would raise rates again in 2017. That the central bank signaled otherwise caught some off-guard, portfolio managers said.

"The market is sorting through to what extent it needs to incorporate future Fed activity into its thinking," said Mike Allison, a portfolio manager with Eaton Vance. "There's some uncertainty as to the impact since interest rates have been so low for so long."

The Dow industrials fell 53.36 points, or 0.2%, to 22,359.23—ending the blue-chip index's run of nine consecutive sessions of advances.

The S&P 500 slipped 7.64 points, or 0.3%, to 2,500.60, the index's first day of losses following four straight sessions of gains. The tech-heavy Nasdaq Composite fell 33.33 points, or 0.5%, to 6,422.69.

Consumer-staples companies were among the S&P 500's biggest decliners, falling nearly 1%. Beauty-products maker Coty fell 65 cents, or 3.9%, to \$16, while Procter & Gamble fell 1.76, or 1.9%, to 92.64.

Technology stocks, among the best performers in the S&P 500 for 2017, also came under pressure. Apple fell 2.68, or 1.7%, to 153.39, extending the company's declines since it acknowledged problems with cellular connectivity in its newest smartwatch.

Apple is down 4.6% since rolling out its latest slate of iPhones and other products last week, putting it on track for its worst performance from a product-announcement date to a release date since it launched the iPhone 5s in 2013.

Even with Thursday's declines, U.S. stocks remained near their all-time highs. Some investors said they are now looking ahead to any policy developments in Washington that could provide further direction for the stock market.

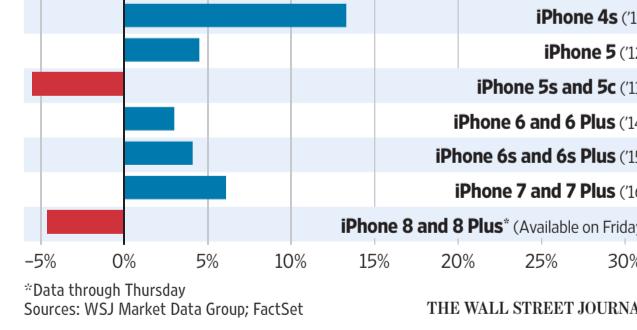


Technology stocks posted some of the largest declines on Thursday. A smartphone is used to snap a photo of Apple's iPhone X.

Sour Apple

Apple shares are on pace for their worst performance from announcement date to release date since the iPhone 5s in 2013.

Performance from close of announcement date to end of day on release day



*Data through Thursday

Sources: WSJ Market Data Group; FactSet

Investors Appear Ready to Head More Hawkish Fed

If investors doubted the Federal Reserve's seriousness about lifting rates, they are starting to believe now.

And that could shake up investors, reordering winners and losers in the stock market.

Central bankers surprised some investors Wednesday by signaling that they still plan to go ahead with another interest-rate increase before the year is out. The Fed's summary of economic projections showed all but four officials were on board with at least one more increase this year.

"Fed communications suggest a more hawkish path of policy actions despite the dovish tone and careful wording of the Fed chair's comments," said David Kelly, chief global strategist at J.P. Morgan Asset Management.

Chances of one or more additional rate increases before the year is out shifted as a result, according to federal-funds futures data tracked by CME Group. The probability had been just about 50-50 before the Fed statement, but jumped to

almost 78% Thursday. Treasury yields also edged higher.

The market moves suggest that investors are taking the prospect of a more hawkish Fed seriously, and that could affect investors across the market. Long-term yields may push higher as short-term rates rise and the Fed trims the size of its balance sheet. The central bank's plan to do the latter was rolled out on Wednesday as well.

That could help financial stocks, which tend to rally alongside long-term rates because it increases the difference between what a bank pays to borrow and what it charges to lend money. S&P 500 financial stocks climbed 0.8% over the past two sessions, outperforming the broader index's 0.2% fall.

Utilities stocks tend to get hurt by rising rates because they pay out high dividends that look less attractive relative to bonds when yields rise. S&P utilities stocks fell 0.9% over two sessions.

Investors could decide not to play along with the Fed's more hawkish mantra at any time, but for now the prospect of higher rates is rippling through markets.

—Ben Eisen

stock rally. Low interest rates have helped keep U.S. stocks climbing since the financial crisis. A Fed that raises rates faster than the economy can support could cause the stock rally to stall, investors say.

Elsewhere, the Stoxx Europe 600 rose 0.2%, led by a 1.4% advance in bank stocks. Early Friday, Japan's Nikkei Stock Average was down 0.3%, Hong Kong's Hang Seng Index was down 0.7%, South Korea's Kospi was down 0.5%, while Australia's S&P ASX 200 was up 0.5%.

MARKETS

U.S. Oil Exports Flow as Prices Decline

Hurricane weighs on West Texas crude, boosting its appeal to refiners overseas

By ALISON SIDER
AND LYNN COOK

U.S. oil is trading at the biggest discount to the global price in two years, helping extend a boom in exports of crude from American shale fields to refiners in Europe and Asia.

After Hurricane Harvey hammered the Gulf Coast last month, the price of West Texas Intermediate crude, the U.S. reference price, sank to as much as \$6.30 a barrel below its European counterpart, Brent—the widest gap since August 2015.

Harvey has passed, but analysts say the storm will reshape global crude flows for months. The difference between U.S. oil and Brent, the international benchmark, at \$5.88 as of Thursday, is key in determining when it is profitable to ship oil from U.S. ports to places overseas.

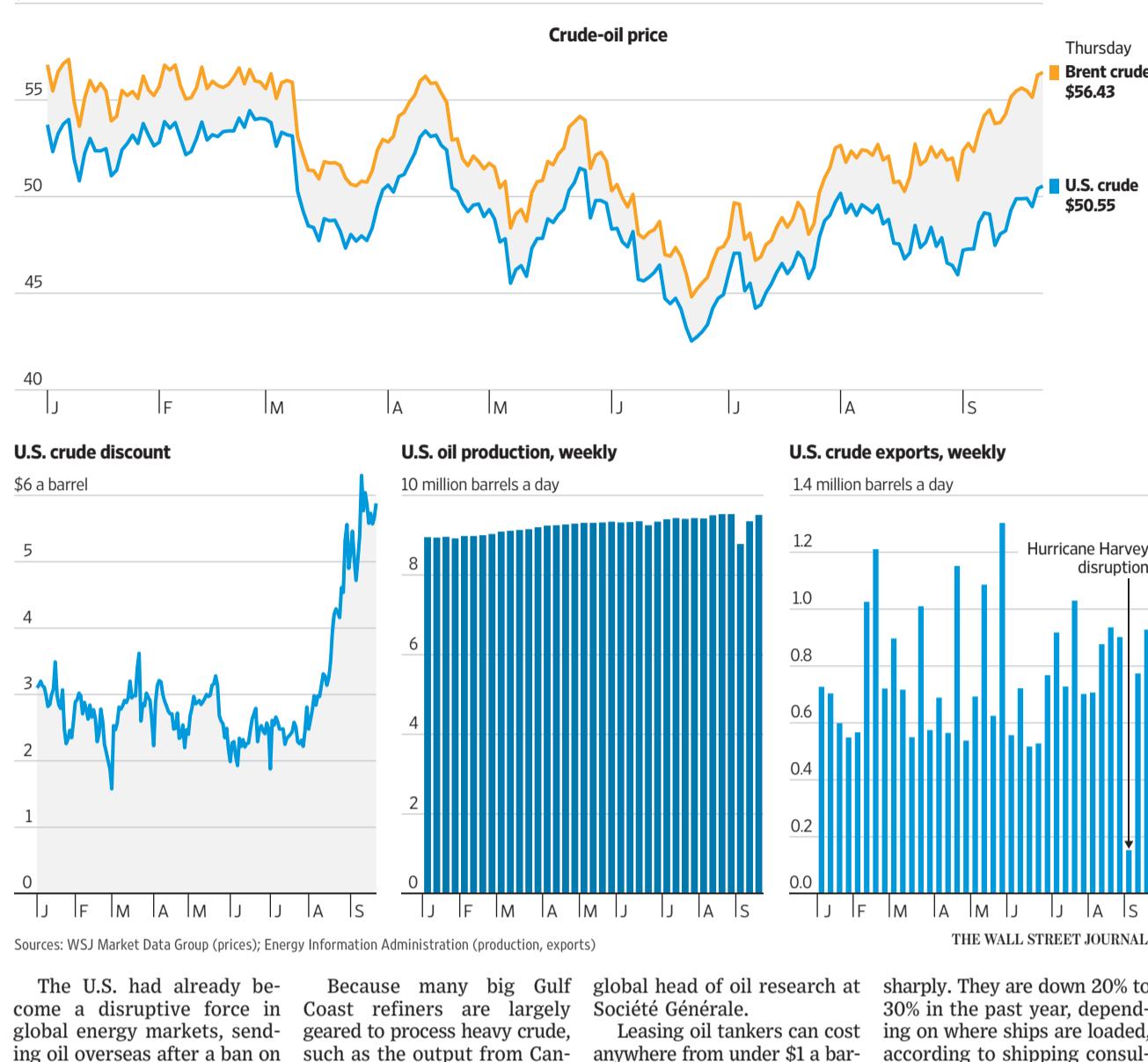
A difference of at least \$4 makes it attractive for a refiner in countries such as China or South Korea to buy oil from shale producers in Texas and North Dakota, said R.T. Dukes, an oil expert with consulting firm Wood Mackenzie.

"Get to a \$4 spread, and you can take it anywhere in the world," he said.

Take Occidental Petroleum Corp., a major U.S. exporter and large producer in the Permian Basin of West Texas. Occidental is shipping more crude than ever as lower U.S. prices boost demand for oil from the Permian. The company recently struck new deals with customers in South Korea, India, China and countries in Southeast Asia, said Cynthia Walker, an Occidental senior vice president.

Shipping News

The spread between U.S. and global oil prices has widened, fueling the latest surge in American crude exports.



Sources: WSJ Market Data Group (prices); Energy Information Administration (production, exports)

The U.S. had already become a disruptive force in global energy markets, sending oil overseas after a ban on most exports was lifted at the end of 2015. In recent years, the rise of the highly productive U.S. shale industry has pushed oil prices down worldwide. Exports have become a relief valve for U.S. drillers, who have continued to pump despite relatively low prices.

Because many big Gulf Coast refiners are largely geared to process heavy crude, such as the output from Canada and South America, they have continued to import barrels, while some of the output from shale formations has started to flow abroad to refineries set up to process the light, sweet variety.

"The export window is wide open," said Michael Wittner,

global head of oil research at Société Générale.

Leasing oil tankers can cost anywhere from under \$1 a barrel to a few dollars, depending on the length of the trip. For instance, taking oil from Texas to Asia is more expensive since it is a longer voyage than to Argentina or the Netherlands. After tanker owners expanded their fleets in recent years, shipping rates have fallen

sharply. They are down 20% to 30% in the past year, depending on where ships are loaded, according to shipping consultancy McQuilling Services LLC.

For now, the WTI-Brent spread is wide enough to offset the expense of loading supertankers that are too heavy for relatively shallow Texas ports, consultancy JBC Energy said. While the huge tankers generally have to wait offshore to be

loaded by smaller vessels, their larger volumes make longer journeys more economical. Analysts at McQuilling Services expect at least 10 of these tankers to be loaded from the U.S. next month, a record.

One big obstacle to more exports could soon be resolved. The Louisiana Offshore Oil Port is the one place in the U.S. that is deep enough for supertankers that can most profitably make the journey to Asia. The LOOP is looking to add the capability to load those tankers next year.

U.S. and global oil prices had already drifted apart in August, and during Harvey's peak, WTI tumbled. More than a quarter of total U.S. refining capacity was offline as plants curtailed operations, causing demand for U.S. crude to dwindle. Some refineries are still struggling to return.

At the same time, global oil prices were on an upswing after more than eight months of production cuts by the Organization of the Petroleum Exporting Countries and strong demand.

Planned maintenance over the summer also limited output from one of the key oil fields in the North Sea that determines the price of Brent. European refiners cranked up output to pick up the slack for closed U.S. plants.

Harvey all but stopped the flow of oil to and from the U.S., but crude exports jumped back up by 775,000 barrels a day to 928,000 barrels a day in the first two weeks of September, as ports along the Gulf reopened following the storm.

Analysts expect crude exports to hit records in coming months. Volumes are likely to surge to 1.3 million barrels a day in the last three months of the year—more than double amounts from the same time last year, analysts at Energy Aspects say.

—Stephanie Yang contributed to this article.

WSJ.com/Heard

HEARD ON THE STREET

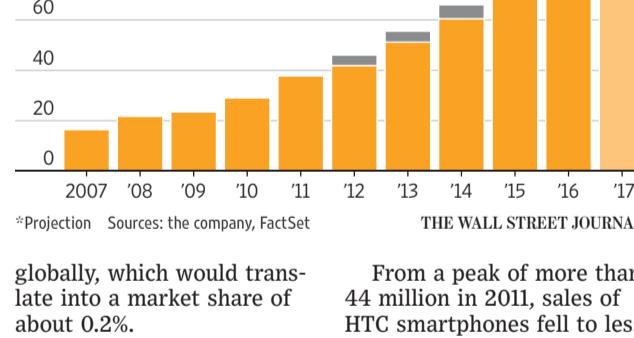
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FINANCIAL ANALYSIS & COMMENTARY

Google Dials Up HTC's Phones

Redial

Alphabet's revenue by source



globally, which would translate into a market share of about 0.2%.

Hiring a couple of thousand engineers from HTC won't solve that problem right away. Though once a strong No. 2 to Samsung

Electronics in smartphones running on Google's Android operating system, HTC—like Motorola before it—has been steamrolled by Samsung's manufacturing and marketing prowess.

From a peak of more than 44 million in 2011, sales of HTC smartphones fell to less than 14 million last year, according to IDC. Samsung's shipments exceeded 300 million phones.

But Google doesn't need to match Samsung's numbers to be a success. Nor is this deal necessarily about Apple-hardware envy. Increasing the Pixel's share of just the premium segment would benefit the features and ser-

vices Google is looking to deploy for all Android phones—such as its artificial-intelligence-powered Google Assistant software—and so help keep Android users on board.

In the long run, Google's scaled-up efforts in phones could be bad news for other makers of high-end Android smartphones.

For all of Samsung's scale, most of its profit came from the premium segment, and one more big player could hurt that important business. And apart from beefing up its hardware, Samsung has been trying to differentiate its smartphones by offering its own versions of services like a virtual assistant and a payment system. But most users still prefer Google's.

The smartphone business is brutally competitive, so Google—even with its deep pockets and acquired talent from HTC—is taking a gamble. But this time, it is a manageable one.

—Dan Gallagher and Jacky Wong

OVERHEARD

This company name wasn't meant to be taken literally.

New York-based **Death Wish Coffee** Co. makes a strong cup of joe. The company, which says it will refund customers if it's not the strongest coffee you've ever had, brands its products with a skull-and-crossbones logo. The company is now recalling its Death Wish Nitro cans of cold brew coffee.

Death Wish discovered that its brewing process could lead to the growth of the deadly toxin botulinum, the company said in a statement posted to the Food and Drug Administration website on Tuesday.

No illnesses have been reported, the company said.

"Despite the name and logo, customer safety is our number one value and we're committed to being a pioneer in the coffee space in all aspects, especially safety," founder and owner **Mike Brown** said via a company spokeswoman.

What China Downgrade Means Now

A global rating agency has again downgraded China, and there is little new information for investors to digest. It may, however, be worth reading between the lines.

Joining Fitch and Moody's, S&P Global Ratings downgraded China's sovereign rating by a notch. Citing well-known worries, the rating agency said China's rapidly accumulating debt load is raising financial and economic risks.

This downgrade comes at a particularly sensitive time. In a few weeks, China's Communist Party will hold its 19th National Congress, in which President Xi Jinping is expected to consolidate power.

But most telling about the downgrade was S&P's assertion that compared with its similarly rated peers, China had "less transparency, and a more restricted flow of information."

The assertion is China is less open than it was when it earned its last upgrade in 2010. In many ways, the once unstoppable China economic reform story, if not in reverse, is at least showing little progress. It is a grim reality that should be taken seriously.

S&P differs with Moody's downgrade rationale by dismissing concerns about the Chinese government's contingent liabilities. S&P figures the stack of debt, net of state assets, will shrink in the next few years to around 46% of gross domestic product from 51% this year, even as it expects the economy to expand more slowly.

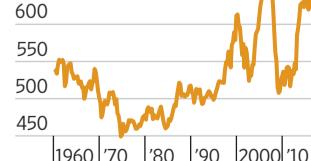
Reducing debt amid slower growth is a tough balancing act. The S&P downgrade calls attention to the challenge ahead.

—Anjani Trivedi

Americans Are Richer; Why Are They Still So Cautious?

Rich Feeling

Net worth as a share of disposable income



ing flush, they aren't acting like it. Consumer spending has been tepid, and people have been far less willing to tap wealth to fuel spending than they used to be. Bank of America Merrill Lynch esti-

mates that for each dollar gain in housing wealth, people increase their spending by just two cents, versus five cents in the mid-1990s. For stock gains, the figure has slipped to one cent from four cents.

There are few likely reasons for the change in behavior. First, people don't put as much trust in the staying power of wealth gains. The big stock market bust and the financial crisis are hard to forget, and the housing bubble ended the old notion that home values are safe. Second, a greater share of U.S. stock market and housing wealth is con-

centrated in the hands of the rich, who don't boost their spending in response to wealth gains as much as other people do. Finally, tighter lending standards have made it more difficult to tap into housing wealth than it was before the financial crisis.

During the early years of the recovery, as asset prices rebounded but the economy only trudged along, the Fed probably wished Americans weren't so hesitant to spend their wealth. But now, with the economy healthier and the Fed tightening, the central bank is probably pleased that it doesn't have to rein in reckless consumer spend-

ing, says Merrill economist Michelle Meyer.

The downside is that if consumer behavior and asset prices continue to diverge, the Fed could face some hard choices. Say consumer spending stays muted, the economy grows at the same steady pace and inflation remains low. And say that stock prices keep on rising, stretching valuations to the point where they look frothy. Under those circumstances, should the Fed keep rates steady, and risk a bubble? Or raise rates to cool asset prices and risk pushing consumer spending and inflation dangerously lower?

—Justin Lahart

Reducing debt amid slower growth is a tough balancing act. The S&P downgrade calls attention to the challenge ahead.

—Anjani Trivedi

But if households are feel-

Woolworth Building
penthouse in New York
hits the market
for \$110 million **M2**



MANSION

If you don't find it in the index,
look very carefully through the
entire catalogue.'

—Sears, Roebuck and Co. 1897 catalog

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, September 22, 2017 | **M1**

Kit Homes: An Appreciation

Sold from the pages of a catalog, these houses had high-quality materials and were shipped to faraway places. Those that remain today can sell for over \$1 million.

ELI MEIR KAPLAN FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)



IN THE CATALOG Michael and Megan Spratt bought a 1925 Colonial-style home in Washington, D.C., above, for \$1.06 million last year. The home's original owners picked this design, the Martha Washington, from the pages of a Sears, Roebuck and Co. catalog, right. Top right, the Spratts with their children, Trevor and Genevieve; below, the living room.



BY NANCY KEATES

A 1925 COLONIAL-STYLE HOME in Washington, D.C., that sold last year for \$1.06 million had humble beginnings. It was a Sears, Roebuck and Co. kit home, the Martha Washington, advertised in the company's ubiquitous catalog for \$3,727 in the 1920s.

"It was something that made it unique," says Michael Spratt, an attorney who bought the house with his wife, Megan. "It was really solidly built."

From 1908 to the 1940s, Sears, Roebuck sold an estimated 750,000 homes.

Please turn to page M4

BY RUTH BLOOMFIELD

DURING WORLD WAR II, Gen. Dwight D. Eisenhower masterminded the victory of the Allied forces from an office on London's Grosvenor Square.

The view of the tree-lined square that the future president looked out upon has changed little since the 1940s—but London's property market certainly has.

Eisenhower's former military headquarters are now being transformed into luxury residences, with some priced above £50 million, or about \$67.7 million.

By next summer when the redevelopment of 20 Grosvenor Square is complete, the large private office used by Eisenhower as his U.K. base in 1942 during the Allied invasion of French North Africa, and in the immediate run up to the D-Day landings

Please turn to page M5

LONDON LUXE A rendering of the redeveloped 20 Grosvenor Square, set to be completed next summer.

INSIDE



LIVING HISTORY
A Norwegian estate's storied past **M3**



DOOBIE BROTHER
Michael McDonald on his first piano **M10**



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MANSION

PRIVATE PROPERTIES

A \$110 Million New York Penthouse



FROM TOP: WILLIAMS NEW YORK (RENDERING); RELATED-OXFORD (RENDERING); DAVID KOTZEBUE (RENDERING)

An enormous penthouse at the iconic Woolworth Building in Manhattan is going on the market for an equally enormous asking price: \$110 million.

If the property were to sell for that price, it would blow away the current record for an apartment downtown, which is currently held by the \$50.9 million sale of a unit at Chelsea's Walker Tower, according to public records.

When it was completed in 1913, the 792-foot neo-Gothic skyscraper, seen in a rendering

here, was the world's tallest building. The apartment, which has been dubbed the Pinnacle, starts at 700 feet up and is contained within the building's pointed, green, copper-clad peak. There is an open observatory with 360-degree views.

Inside, the 9,710-square-foot apartment has ceilings up to 24 feet and a private elevator. The interior is still raw, so prospective buyers could customize the number of bedrooms and bathrooms to their preference, said Ken Horn, the

founder and president of Alchemy Properties, the company converting the top floors of the building to residential use.

The unit is the highest priced of the building's 33 residences, which sit on top of the 58-story tower named for discount-store pioneer F.W. Woolworth. Sales first launched at the building in 2014, but the penthouse was held back from the market until construction progressed and prospective buyers could safely tour the space, Mr. Horn said. The

lower levels are still leased for commercial use.

Local agents said sales have

been slow at the building amid

a turndown in the ultraluxury

Manhattan property market,

though Mr. Horn said activity

picked up starting in the

spring. He declined to com-

ment on exactly how many

units were spoken for.

Stan Ponte and Joshua

Judge of Sotheby's Interna-

tional Realty are handling sales

at the building.

—Katherine Clarke

on the top two floors of the 89-story building. The condo has four bedrooms, six bathrooms, a private elevator, a 26-foot-tall ceiling in the living room and 116 linear feet of floor-to-ceiling windows that provide views of the Hudson River and the Statue of Liberty, said Sherry Tobak, senior vice president of sales at the Related Companies, the building's developer and a co-developer of Hudson Yards.

The building broke ground in 2014 and initiated sales last fall. It will be ready for residents to move in by the fourth quarter of 2018 and has sold over 40% of its 285 units, Ms. Tobak said. Units currently start at \$3.9 million for a two-bedroom, she said.

The unit comes to market at a time when there have been sharp price declines in a number of Manhattan's high-end listings. Ms. Tobak said sales have been strong and that the "uniqueness factor" of the penthouse, plus "spectacular views" will drive interest.

—Katy McLaughlin

UNBUILT CALIFORNIA WATERFRONT SPEC HOUSE ASKS \$65 MILLION

In Marin County, Calif., a wealthy bedroom community north of San Francisco, an unbuilt waterfront spec house with plans for a Japanese-style garden and a boat locker is seeking \$65 million.

If the house sells for its asking price, it will be a record for Belvedere, said Scott Woods of Pacific Union International, who shares the listing

with colleague Bill Smith. The current record is a house that sold for \$47.5 million in 2015, according to public records.

The previous owner of the property was former Yahoo CEO Tim Koogle and his wife, Pamela Scott, according to public records. Developer Lowell Strauss bought the land and the existing 1950s home, which he plans to tear down, in 2016

for \$5.25 million, also according to public records.

The 1.21-acre property includes its own beach and views of the Golden Gate Bridge, San Francisco and Sausalito. Plans for a 10,374-square-foot house, a 756-square-foot guesthouse and a deep-water dock have been approved, said Mr. Strauss.

The main house, seen in a



rendering here, will have five bedrooms and 4½ baths and include a 48-foot-long wall of glass in the great room that opens with the push of a button, Mr. Strauss said. The studio guesthouse, which is closer to the water, will have the Japanese-style garden. There will be an elevator from the main house to the guesthouse, and a second elevator from the guesthouse to the beach, said Mr. Strauss. The plans also call for an infinity pool, a fire pit and the boat locker.

Construction will take approximately two years, said Mr. Strauss. He and his wife, Jacqueline, co-founded development company Amalfi West, which is known for building high-end homes in Marin County.

—Sarah Tilton

► See more photos of notable homes at [WSJ.com/Mansion](#). Email: [privateproperties@wsj.com](#)

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LACHLAN MURDOCH BUYS
ASPEN ESTATE FOR \$29 MILLION

Media executive Lachlan Murdoch has paid \$29 million for a large equestrian property in Aspen.

The Colorado home was first listed for \$49 million in 2015, and the price dropped to \$44 million in June.

The 46-year-old son of media mogul Rupert Murdoch, Lachlan Murdoch is co-chairman of News Corp., which owns Dow Jones & Co., publisher of The Wall Street Journal. He is also executive chairman of 21st Century Fox, which shares common ownership with News Corp. He confirmed through a representative that he and his wife, Sarah, were the purchasers.

Nestled on Buttermilk Mountain, the estate, known as Mopani, has views of Red Mountain, the city of Aspen and Mount Sopris, a twin-summit mountain in the Elk Mountains range, according to the listing.

The main home, a 13,500-square-foot contemporary house with six bedrooms and



—Katherine Clarke

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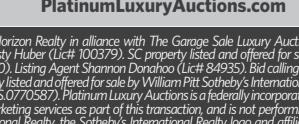
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COMING SOON: RICHMOND, VA

MANSION



BENT RENÉ SYNNÆVÅG FOR THE WALL STREET JOURNAL (4); AGNETE MOHN/BENT RENÉ SYNNÆVÅG FOR WSJ (2, HISTORICAL)

ON THE MARKET Helge Riisøen and Janicke Hetland have added luxury details to the historic Mohr estate since buying it in 1990. The property, shown below left in 1966, is listed for about \$2.1 million.



LIVING HISTORY

A Norwegian Estate Is Made Grand

Once a stop for dignitaries, a property hits the market after an extensive renovation

BY J.S. MARCUS

FOR CENTURIES, the city of Bergen on Norway's western coast fostered a distinctive merchant class profiting from trade in commodities such as Norwegian cod and Russian grain. One of the last and most distinguished of these merchant-princes was Conrad Mohr (1849-1926). A key remnant of his one-time enormous holdings—a manor house completed in 1912—has come on the market.

The four-level 6,500-square-foot clapboard home has nine bedrooms and five bathrooms, and sits on a secluded 2½-acre lot in the Paradis neighborhood south of Bergen's historic core. The residence was built by his son, politician and farmer Wilhelm Mohr (1886-1978), on land given to him as a wedding present in 1908.

The home stayed in the family until after the death of the younger Mohr's wife, Emily, in 1988. It was sold again in 1990 to Helge Riisøen, a Norwegian neurologist and crime-novel author, and his wife, Janicke Hetland, a nurse.

The couple paid about \$204,000 for the property and spent about \$383,000 on renovations. They are selling the estate for 16.5 million Norwegian kroner, or about \$2.1 million.

Ms. Hetland remembers the estate from her childhood, when it was common for Bergen families to take

day trips to the sprawling working farm and marvel at its hundreds of animals.

The Mohrs' commercial presence in Bergen dates back to the early 19th century. Conrad Mohr was a major importer of grain to Norway, says Bergen historian Atle Thowsen, director emeritus of the city's Maritime Museum. The first oil tanker built for a Norwegian shipping company, commissioned before World War I to import Standard Oil petroleum from America, was named the Conrad Mohr.

By the late 19th century, Mohr began piecing together a vast estate, in what was then outside city limits. Agnete Mohn, Conrad Mohr's great-granddaughter, says it reached a peak of nearly 173 acres. The property, which included Conrad Mohr's mansion before it was torn down in the 1960s, once welcomed foreign dignitaries such as Germany's Kaiser Wilhelm II. Later, the Shah of Iran was a visitor to the manor house now for sale.

The Mohr family, which had German and Danish origins, maintained strong ties to Germany. Conrad Mohr was the German consul in the city, and a friend of the kaiser.

That friendship proved decisive for the history of Norway, says Mr. Thowsen. Following Denmark's defeat in the Napoleonic wars in the early 19th century, Norway passed into a subordinate union with Sweden, becoming independent in 1905



GLORY DAYS The restored home is 6,500 square feet and has nine bedrooms and five bathrooms.

after a threat of war between the countries. Mr. Thowsen says Conrad Mohr's relationship with the kaiser led to German interference on Norway's behalf.

Wilhelm Mohr was allowed to keep the house during the Nazi occupation of Norway during World War II, in part because of his family, Ms. Mohn says. Many other large Bergen houses, explains Mr.

Thowsen, were confiscated and used by the Germans.

That war proved a testing ground for another resident of the house—aviator Wilhelm Mohr Jr., who served in the British Royal Air Force and later became head of the Royal Norwegian Air Force.

Ms. Mohn calls her uncle, a decorated soldier, "a real war hero." He died in 2016 at age 99. "I'm the last Mohr descendant left in Bergen," she adds.

Two Norwegian sovereigns—King Haakon VII (1872-1957), and his son King Olaf V (1903-1991)—knew the manor house, says Ms. Mohn, a 72-year-old retired teacher. She now has the home's original oak dining table, custom-made in eastern Norway, in her Paradis home nearby.

She recalls that her grandparents made do with chamber pots in the upstairs bedrooms until the 1970s. By the late 1980s, Emily Mohr was living in a nursing home nearby, and the house's only occupant was an elderly maid.

When Dr. Riisøen and his wife bought the house in 1990, they embarked on a decadeslong upgrade. They retained some original pieces, including a rough-hewn, rock-crystal chandelier and a fireplace from the U.K. They also added some luxurious elements: Oriental carpets, a marble fireplace and ornate chandeliers.

"The house is grander now than it ever was before," says Ms. Mohn, a frequent visitor there in her grandparents' time.

Dr. Riisøen, now 66, and his wife, 60, raised three

children in the house. Now that the children are grown and the doctor has retired, the couple are planning to move to a newly constructed Paradis duplex, about one-third the size of their current home. Hugo Førde of DNB Eiendom is handling the sale of the estate.

Ms. Hetland herself comes from a distinguished Bergen family. Her father was Audun Hetland, an artist and one of Norway's leading caricaturists.

Amid the decorations of the now-elegant ground-floor rooms where heads of state once relaxed are some of her father's comic depictions of Norwegian celebrities.

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MOHR MANOR The home, below, was built for Emily and Wilhelm Mohr, right, who married in 1908. The current owners spent about \$383,000 on renovations and luxury details, above.



MANSION

CATALOG KIT HOMES: AN APPRECIATION

Continued from page M1

mated 70,000 kit homes in about 370 different styles, from Colonials to bungalows. In the 1920s, prices ranged from about \$600 to \$6,000, which is roughly \$8,400 to \$84,000 in today's dollars. Once purchased, all of the parts—lumber, windows, cabinets, nails, paint and more—were shipped across the country for assembly on the customer's lot.

In the first half of the 1900s, seven national companies sold kit homes from catalogs, but Sears, Roebuck and Montgomery Ward were the best known. Today, nobody knows exactly how many of the homes remain. But real-estate agents say they're seeing more listings emphasizing a kit-home provenance.

When real-estate agent Anna Mackler listed a kit-home in Washington, D.C., the marketing materials crowed, "Own a piece of history!" In May, the home sold for about \$636,000—which was \$200,000 over the asking price. The kit-home angle "made it more appealing by adding to its character," Ms. Mackler says.

Catarina Bannier, an agent with Evers & Co. Real Estate in Washington, says she has been getting more emails from real-estate agents, owners and buyers who want to know if a house is from a catalog and if it increases a home's value. That depends on its location, she says. In April, she sold a stately 1920s, five-bedroom brick kit home made by a company called Lewis Manufacturing for \$2.75 million.

The buyers, Richard and Jill Lane, say that after purchasing the house they became more interested in the history, discovering it was one of only four authenticated Standish models still standing. The exterior, says Mr. Lane, a 54-year-old principal in a commercial real-estate firm, has classic style and curb appeal.

Some homeowners have completely overhauled their kit homes. In the capital's Chevy Chase neighborhood, Michael and Caity Callison have a Liberty kit home also made by Lewis Manufacturing that they purchased about 30 years ago. Mr. Callison, a 63-year-old architect, did a \$300,000 renovation in 2005, adding about 900 square feet. He created a master bedroom on the lower level so it wouldn't affect the home's original roofline. "I didn't want to change the character of the house," he says.

Kit homes appealed to buyers at the time because they were affordable, included quality materials and could be shipped to faraway places.

In Indianapolis, Russ Lawrence, a real-estate agent with F.C. Tucker Co., listed a renovated, 6,000-square-foot, 1930s Sears, Roebuck house in April that is located in a neighborhood where most of the older homes have been torn down and replaced with big new houses. Its history has been a selling point, Mr. Lawrence says. "Every single person who sees it mentions the Sears history. There's a curiosity factor," he says.

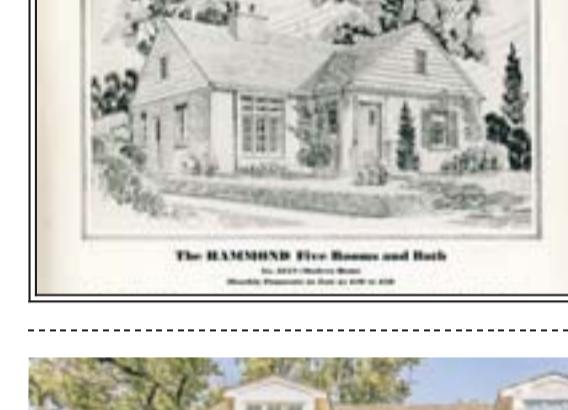
The current owners, Scott Wise, 44, who founded a chain of brew-house restaurants, and his wife, Amy, 43, say the previous owner kept the character of the kit house but added on a new master bedroom and addition in the back of the house. "This is a perfect amalgamation," says Mr. Wise. Their four children don't grasp the significance of the home, but they're sad to leave it: The family has listed the home for \$725,000 to move to a house with more space.

Most people knew about kit houses in their heyday because everyone had a Sears catalog in their house, says Andrew Mutch, an information-technology administrator who lives in a Sears kit house in Novi, Mich. About five years ago Mr. Mutch, 45, started driving around looking for kit homes using a field guide called "Houses By Mail," posting his findings on his Kit House Hunters blog.

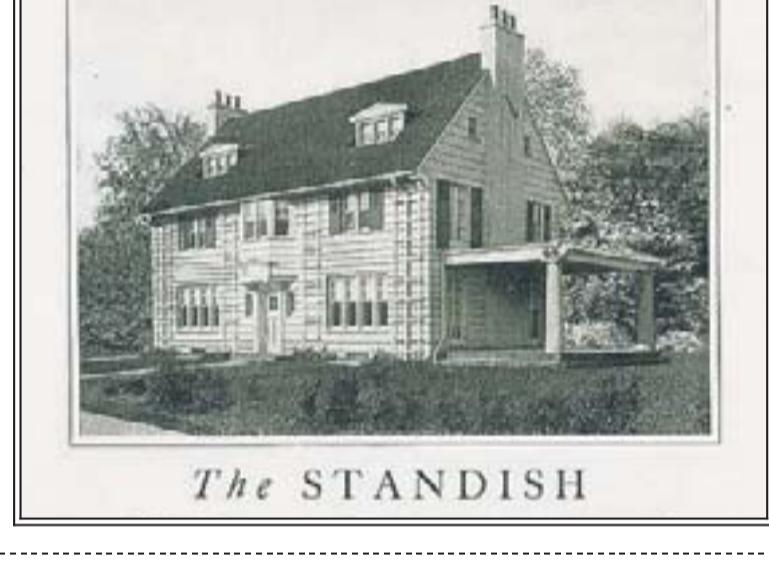
Mr. Mutch is part of a small network of kit-house enthusiasts across the country who are intent on documenting the remaining kit houses.

"It's kind of like bird watching," says Judith Chabot, a French teacher in St. Louis who moderates the Sears Modern Homes Facebook page and writes the Sears House Seeker blog about the kit houses she finds around the country. She says there are over 8,200 documented Sears kit homes and around 1,000 from the other kit companies.

When Eric Romain, a 32, an

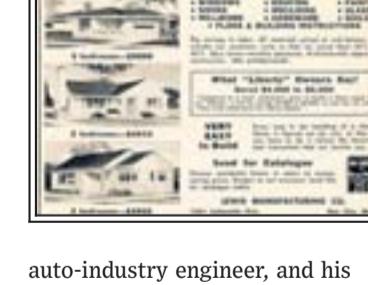


TIME CAPSULE In Indianapolis, Scott and Amy Wise listed their home for \$725,000. Left, their home, the Hammond, as depicted in a Sears, Roebuck catalog. Above, a plaque on the home; right, the couple with their kids, Lincoln, Slater, Vaughn and Ivy.



The STANDISH

PICTURE PERFECT Richard and Jill Lane paid \$2.75 million earlier this year for a 1920s kit home in Washington, D.C., made by Lewis Manufacturing. At right, a rendering of their home, the Standish, in an advertisement.



TIMELESS DESIGN In Washington, D.C., Caity and Michael Callison, top left, own a kit home, above, from the Liberty line advertised by Lewis Manufacturing, left. A \$300,000 renovation added space but kept the home's original roofline.

auto-industry engineer, and his wife, Jenna, 28, an accountant, bought their 1,400-square-foot house in Royal Oak, Mich., for \$269,500 in 2015, they knew it was a kit house from the real-estate listing ads, but they didn't know what that meant. The learning process that ensued has changed Mr. Romain's life.

He started by researching the model of his home, a Sears, Roebuck 1925 Vallonia, digging up the blueprints and photos as far back as the 1930s, and examining how the house had changed over the years. Now he is working to undo the changes, including restoring the porch railings, and he has plans to take off the aluminum siding.

While awareness of kit homes has increased, there is no organized effort to try to save them. Gloria Henn recently put the 1,584-

square-foot, four-bedroom kit house her husband's grandfather built in the 1950s in Mashpee, Mass., on the market for \$1.295 million. She knows it'll likely be torn down since the location, right on Cape Cod's Waquoit Bay, is more enticing than the house, which has no heat and sits on a cinder block foundation. "My neighbors are upset with me. They say I should donate it," she says.

That's not to say kit homes will disappear—there are still companies that make them today. As housing prices have gone up and subcontractors are in greater demand, more people are opting for kit homes—and these are typically bigger than their predecessors.

"It's a shift," says Dave Kimball, whose Warner, N.H.-based company Shelter-Kit has shipped components for homes as large as 8,000 square feet—a product that cost

\$300,000. Like most modern kit homes, Shelter-Kit includes everything needed to create the shell, but not the interior materials, windows, doors, plumbing or electrical.

Lindal Cedar Homes, based in Washington state, has sold about 50,000 kit homes since 1945. The models start at about \$100,000 and range in size from 700 square feet to 25,000 square feet.

What has changed, says vice president of marketing Signe Benson, is that the younger clients now want modern instead of traditional designs. And most of her company's customers hire contractors to build the homes.

Bob Andreasen built a 7,000-square-foot Lindal kit home as a vacation house for his daughters and grandchildren in Sheffield, Mass. He says the quality of the materials was better than he could source himself and the cost, at

\$220 a square foot for the finished product, was lower than a new custom home. The house took about seven months to build. Mr. Andreasen, a 70-year-old former spec-home developer who lives in Greenwich, Conn., doesn't anticipate kit homes will catch on widely because people don't want to do the work themselves anymore.

For do-it-yourselfers, the savings can be dramatic. Jeff Yoder, 34, an information-technology support specialist, built a three-bedroom, two-bathroom, 2,760-square-foot Shelter-kit house in Ypsilanti, Mich., in nine months. The home, finished in March, cost \$125,000 and included everything except the land. His wife, Grace, 33, hung most of the drywall. Having never built a house himself, he had a tough time convincing the bank to give him a construction loan. "Everyone is always amazed," he says.

CHRIS SMITH FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)

STEPHEN VOSS FOR THE WALL STREET JOURNAL (2); LEWIS MANUFACTURING (HISTORICAL)

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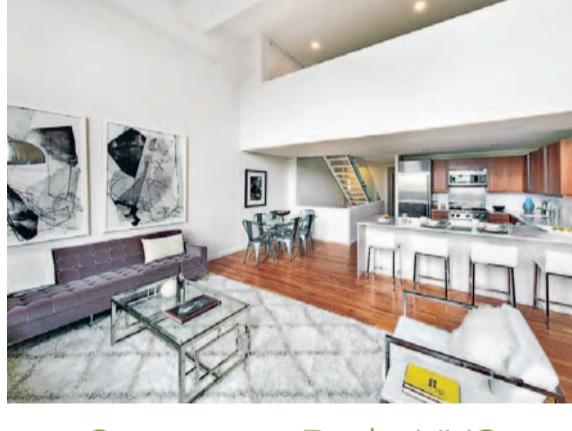
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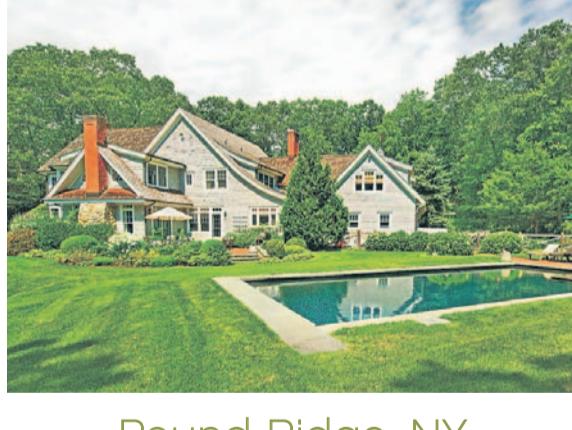
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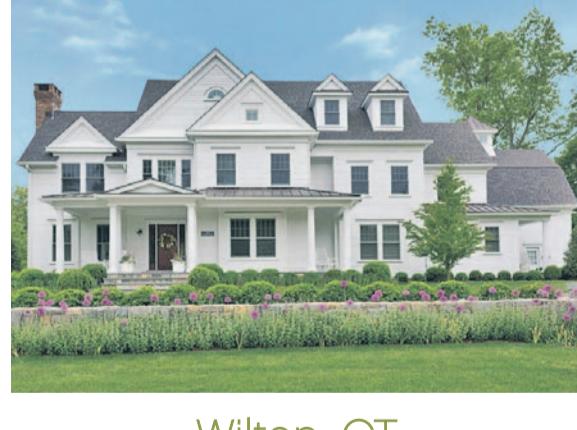
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MANSION

IN LONDON, BUYERS LIKE IKE



FINCHATTON (2); DWIGHT D. EISENHOWER PRESIDENTIAL LIBRARY & MUSEUM (HISTORICAL)

Continued from page M1

of 1944, will have been repurposed into two first-floor bedroom suites.

"When we first bought the building we found a giant map of the world, with the U.S. right in the middle, in what was Eisenhower's office," said Alex Michelin, co-founder of Finchatton, the project's developer.

The map proved too fragile to salvage, but the floor plaque commemorating the building's role as the former headquarters of the U.S. Naval Forces Europe will be repurposed as a table top for one of the building's communal areas.

Other than the building's red-brick facade, this plaque will be the only original feature in a redevelopment that has involved entirely rebuilding the inside of the building.

Grosvenor Square was laid out in the 1720s as a Georgian garden square surrounded by townhouses. An early resident was John Adams, first American minister to Great Britain, and the second president of the U.S., who lived on the square between 1785 and 1788. The square is at the heart of the Mayfair neighborhood, which was, at the time, almost exclusively residential. But over the centuries that followed most of the original houses were demolished and rebuilt (often several times) and gradually replaced with offices, apartments, as well as the U.S. Embassy and the Canadian High Commission.

During World War II, the U.S. Navy took over a 1930s apartment building on the square. Eisenhower's arrival prompted its nickname, "Eisenhowerplatz," in honor of the Supreme Commander of the Allied Expeditionary Forces.

The Navy continued to use the

GENERAL IDEA Above and below, interiors of the residences at 20 Grosvenor Square, shown in renderings; right, Dwight D. Eisenhower meets with military aides at 20 Grosvenor Square in 1944.



building until 2009. In 2013 it was sold to Finchatton and the Abu Dhabi Investment Council for £250 million.

Permits for the 250,000-square-foot building's conversion into 37 residences was granted in 2014, and the first owners will move in next summer.

The developers added two extra stories to the building, bringing it to eight stories. They also sunk a three-level basement beneath the building, which will provide space for a host of amenities: a pool surrounded by four-poster day beds, a wine cellar, a games room, function and meeting rooms, and a movie theater with leather armchairs and cocktail lounge style tables.

The interiors are a symphony of slightly bland good taste: kitchens designed by Finchatton and built by Bulthaup, bathrooms in a mixture of black-and-white, book-matched marble, a color scheme heavily dominated by tones of gray and taupe, silk carpets and linen

wallpapers.

The residences officially go on sale this month, but buyers have been quietly picking up homes at 20 Grosvenor Square ever since news of Finchatton's purchase of the building broke. More than half of the residences already have been sold.

Charles Leigh, sales director at Finchatton, said buyers range in age from their early 30s to late 70s, and come from all over the world, with countries including India, Belgium, Chile and Russia represented; there are also buyers from North America and the Middle East. Three sets of buyers have purchased two apartments each; they plan to live in one and use the other to house aging relatives or student offspring.

These buyers do have one thing in common: extreme wealth.

Apartments sold so far range in price from about \$23 million to "north of" \$67 million, with homes overlooking the square command-



ing about \$10,000 per square foot. On average, the development has sold at around \$4,700 per square foot.

Currently available are three- to four-bedroom apartments, starting at about \$23 million, and five-bedroom apartments that are "just shy" of about \$54 million.

Finchatton has now owned 20 Grosvenor Square for four years, negotiating its purchase as prime central London's market was starting to recover from the recession. While workmen were digging out its basement and removing its innards, prices in prime London were soaring as international buyers piled into its luxury market.

Over the past two years, however, prices have peaked, plateaued and fallen. According to Knight Frank, prices dropped an average of 6.7% across prime central London in the year to January, with Mayfair enduring a fall of 4.4%.

Mr. Michelin, along with most observers, blames the stumbling

market on a series of increases in Stamp Duty rates imposed by the British Government. Anyone spending £50 million, or about \$67.7 million, on a second home in London will now incur a levy of £7,413,750, or a little over \$10 million.

"The biggest difference ... [in the market] ... is a lack of urgency," he said. "People still have money, and a desire to buy in London, but these people are usually discretionary and there is no feeling that if I don't buy this I am going to lose it."

Nonetheless, apartments at 20 Grosvenor Square have continued to sell, slowly but steadily.

A selling point is the involvement of Four Seasons Hotels and Resorts, which will run the building's services. Residents will pay an annual service charge of around \$16 to \$19 per square foot, covering maintenance and access to the leisure facilities, and will pay on top of that for "extras," which range from grocery delivery and dog walking to massage treatments.



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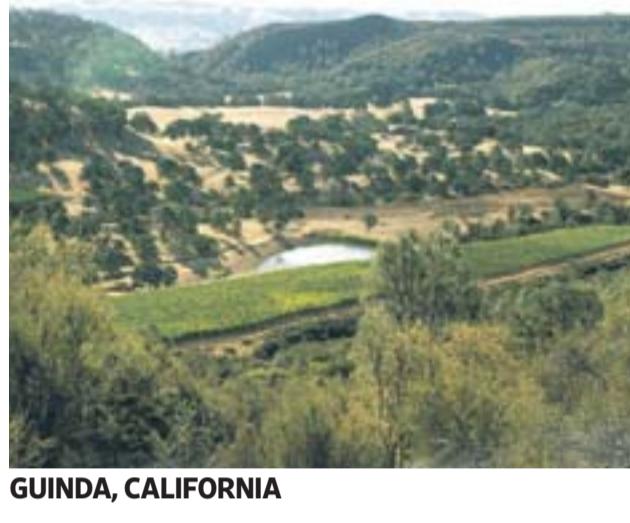
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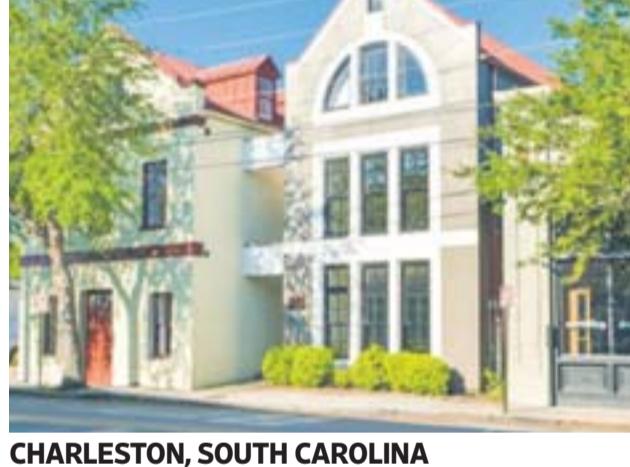
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Special Advertising Feature

Explore New England's Lesser-Known Markets

EASY ACCESS TO URBAN HUBS ALLOWS YOU TO RELAX AFTER WORK AND SPEND YOUR EVENINGS GAZING OUT AT DISTANT ISLANDS

By Joseph Dobrian

If you're house-hunting in New England, you're probably aware of the best-known markets for waterfront properties in top condition. In each of the six New England states, though, you'll find magnificent homes slightly off the beaten path.

Ruth Kennedy Sudduth, director of Residential Brokerage at LandVest, headquartered in Boston, cites York Harbor, Maine and Manchester-by-the-Sea, Mass., as two New England destinations that boast breathtaking homes. LandVest currently offers one such home in York Harbor, and two in Manchester-by-the-Sea.

a shingle-style five-bedroomer in a dramatic rocky setting looking out at distant islands. A house at Coolidge Point recreates classic style in recent construction with 270-degree panoramic views on 2.07 acres. An English Arts-and-Crafts-style home at 33 Proctor features a rare deep-water dock and 325 feet of water frontage.

WATERFRONT EXPERTS

"If you're looking for waterfront property, make sure you're supported by a broker who's deeply expert in waterfront matters, so that you're in full command of the information as you negotiate," Ms. Sudduth advises. "Your broker must have a team of experts to support you through flood zone

lakefront properties, but she also recommends lesser-known Lake Sunapee, which offers 10 miles of crystal-clear waters just 90 minutes from Downtown Boston and 20 minutes from Dartmouth College in Hanover.

LAKES AND PONDS

"The Lake Sunapee region is a four-season resort area anchored by Mt. Sunapee ski resort and many smaller lakes and ponds surrounding New London," she explains.

"Current offerings on Lake Sunapee range from a delightful two-bedroom cottage with long dock, priced at \$495,000, to a stunning Jeremiah Eck-designed contemporary compound on the eastern shore, priced at \$4,950,000. In recent years, more than 40 older cottages and even 1980s-style homes have been torn down and replaced with new timber-frame or contemporary glass-and-stone constructions, designed to let light and water views in from all angles. In all the lake markets, buyers will pay more for level land, beaches, quality neighborhoods, deep water docks—and above all, privacy."

Ms. Perkins is currently promoting Waypointe, a 2.7-acre compound on Lake Sunapee's eastern shore, with an indoor pool, heated tennis court, deep-water docks



This waterfront property at 33 Proctor boasts a deep-water dock.

and miles of water views.

Dutchman's Pond is a former gatekeeper's cottage on a 27-acre pond near New London.

Chris Lynch, president of Legacy Properties Sotheby's International Realty in Maine, notes that his market contains several relatively undiscovered towns or combinations of towns that he calls "true gems," with beautiful properties and great values.

LOW PROPERTY TAXES

"The Damariscotta Peninsula towns of Bristol and South Bristol offer an exceptional combination of deep-water frontage, nice homes, prices under \$1 million and very low property taxes," he says. "The oceanfront market in Maine is in good shape. There's enough inventory to satisfy buyer demand, but it seems to be at or near equilibrium with respect to the supply/demand

equation. Prices are steady as a result, but we're on track to hit another all-time record for luxury oceanfront property in Maine this year."

He adds that while property taxes have become a more important issue, Maine still compares pretty well to other states on average. Towns like Bristol, South Bristol and Harpswell are exceptional in delivering a very low tax bill.

Among Legacy's current offerings are two outstanding homes in South Bristol priced below \$1 million. One, on Good Day Drive, consists of two cottages on 2.6 acres, a deep-water dock, sandy beach, and only \$3,600 a year in property taxes. Another, on Roderick Road near Christmas Cove, also consists of two separate cottages on the water's edge, with deep-water dock and a mooring, boathouse, and an annual tax of \$2,200.

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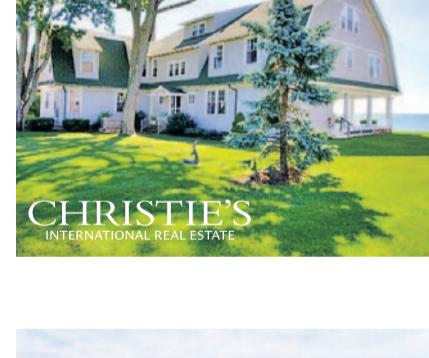
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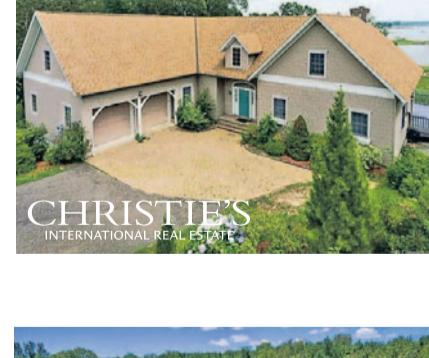
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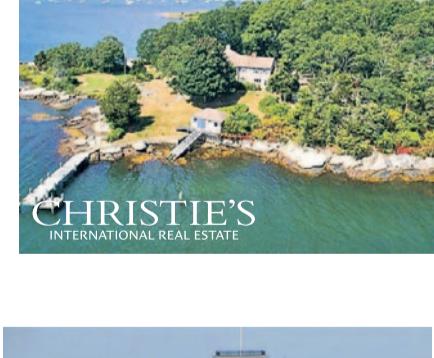
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Special Advertising Feature

Maintenance-Free Lifestyle in New England

PURCHASERS WANT HOUSES THAT ARE READY TO MOVE INTO, WITH A FULL RANGE OF HIGH-END FEATURES

By Joseph Dobrian

It's common knowledge that the "fixer-upper" home in New England has lost almost all the romantic charm that it held for Baby Boomers. Younger generations are looking for homes in turnkey condition, with all the conveniences in place. Millennials and empty-nesters want nearby amenities such as golf, boating and tennis; condo-dwellers want concierge-style services that will leave them free to travel.

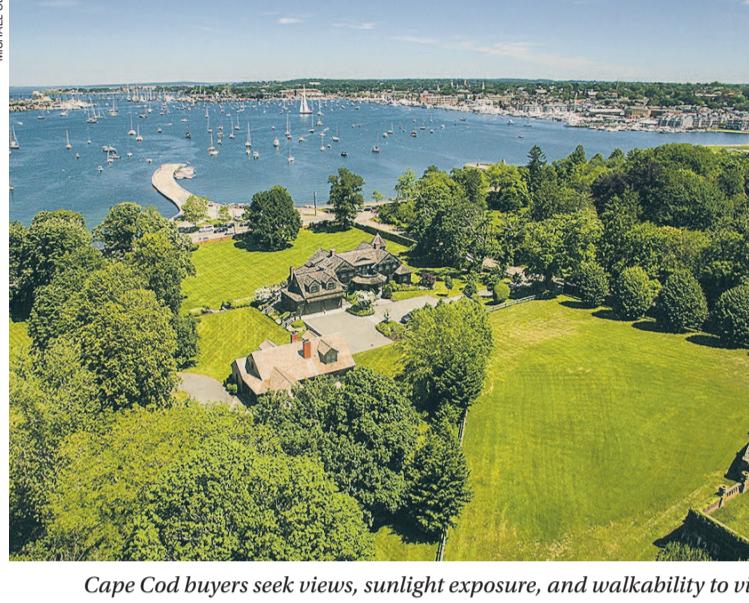
HIGH-END FINISHES

"People are looking for all the bells and whistles: wireless Internet, surround-sound in the walls, the highest-end custom cabinetry and finishes for kitchens and baths," says Paul Leys, co-owner of Gustave White Sotheby's International Realty in Newport, R.I. "If you don't have immediate access to the water, you probably want a pool. Recently, people have been looking for geothermal heat instead of oil or gas."

"I'm optimistic, going into the fall. July and August are busy months for showing, but the shoulder season is our busiest time for contracts. The lower end—the \$300,000 to \$600,000 range—is on fire for the first time in years, and this will create a domino effect."

Michael O'Mara, principal broker at Island Properties Berkshire Hathaway in Nantucket, Mass., agrees that buyers aren't eager to add value to a property themselves.

MICHAEL OSEAN



Cape Cod buyers seek views, sunlight exposure, and walkability to village and recreational amenities.

Also, more recently, home-buyers tend to want homes that are already furnished.

"There are currently 417 properties for sale on Nantucket," he reports. "Once the low-hanging fruit has been sold, the search for a property that 'checks most of the boxes' can become a more time-consuming process. Total number of sales, year-to-date, are down 5% from 2016, but total sales volumes are up 3.5%, and the average home price is \$2,290,000: an increase of more than 13%."

On Cape Cod in Barnstable County, Mass., severe lack of inventory continues to be the main story, according to Kathy Forrester, director of marketing for the Randall family of companies, which includes Kinlin Grover Real Estate, based there. Real estate inventory is down 30% in July 2017 compared to July 2016, and new listings are down 10%

on the same time last year.

"This lack of inventory is putting pressure on prices," she says. "Through July 2017, year-over-year median sale price is up 6.6%. Our agents are finding buyers are active and very motivated to find and buy the right home. Well-priced homes are selling within days of going on the market with cumulative days on market continuing to fall: down 20.5%, year-over-year. Waterfront property comes at a significant premium."

Cape Cod introduces its own variables when it comes to valuation, Ms. Forrester warns, and typical real estate valuation programs don't necessarily apply. Different home-buyers have different location requirements and value views and other amenities differently.

While one individual may place a higher value on a western-facing harbor view for

KINLIN GROVER REAL ESTATE



views, open space and sunlight exposure to walkability and access to village and recreational amenities.

In the greater Boston area, demand is strong for luxury condos, more than for single-family homes, according to Mark Lippolt, senior vice president at Hammond Real Estate. Inventory is chronically low in Boston, but it continues to be a popular destination for business relocations, with technology, health care, pharmaceuticals, education, advertising and marketing all major industries. The Boston government is encouraging residential construction on city- or state-owned land adjacent to transportation hubs.

CONDO LIVING

"Dual-income couples—especially those who have kids—and aging Baby Boomers are increasingly seeking maintenance-free living," he says. "For Boomers, this often means a home where they can 'age in place.' Condos are often the answer, especially those that offer one-floor living, parking, an elevator, professional building management, and a couple of extra bedrooms for visiting children and grandchildren. Busy young families are often drawn to new-construction houses that include a direct access garage, in-ground sprinklers, a central vacuum, a family room off the kitchen, energy-efficient appliances and systems, pre-wiring for surround sound and Wi-Fi—and, of course, a wine fridge."

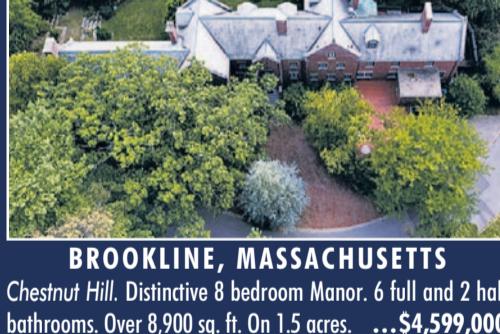
"WELL-PRICED HOMES ARE SELLING WITHIN DAYS OF GOING ON THE MARKET."

Luxury buyers don't want to settle for space that others have decorated and lived in. This means that any home less than a few years old is commonly marked for significant renovation. Cape Cod buyers bring unique tastes and 'want lists' to the process—from desired

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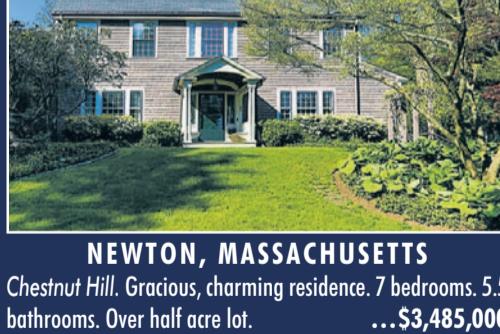
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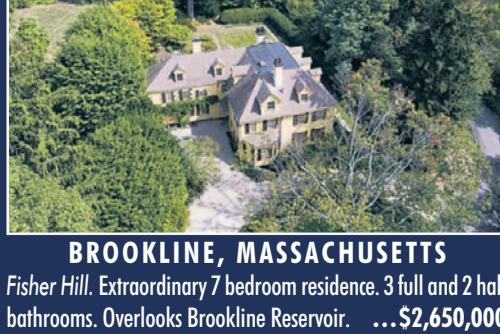
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Special Advertising Feature

Waterfront Living: Opportunities Abound

WHETHER IT'S A WHITE SANDY BEACH, A BOAT DOCK, OR SUNSET VIEWS YOU DESIRE, FIND IT IN NEW ENGLAND

By Joseph Dobrian

Glorious waterfront properties abound in New England: along Massachusetts' North and South shores; on Cape Cod and nearby islands; on the coastlines of Maine, Connecticut, and Rhode Island; on the lakes and streams of New Hampshire and Vermont.

"RHODE ISLAND HAS EVERY CONCEIVABLE WATER EXPERIENCE."

The geographically smaller markets tend to benefit from easy accessibility to not just water, but farms, horses, forest preserves, and larger towns. Judy Chace, broker/owner at Mott & Chace Sotheby's International Realty, which has six offices in the state, remarks that in Rhode Island, "You can drive for 10 minutes and be somewhere completely different."



This Cape Cod house, on four acres of land, has private-beach access.

"All of Rhode Island's markets are small and well-defined, and all have their fans," she says. "This is the only state where you could have a year-round house in Providence and a beach house 30 minutes away."

"There's a financial pecking order when it comes to waterfront, with beachfront on the top of the list; then rugged coastline with recreational frontage, where you can have a dock; next on the list are our beautiful navigable salt ponds." She adds that Rhode Island is one of a handful of states that have barrier-beach coastline, which separates the ocean from these big salt ponds: six miles or so of white sandy beach that you reach by boat.

Rhode Island has every conceivable water experience, she comments. One of the properties on the Mott & Chace books is a very large property overlooking a salt pond, with an in-law unit and a bowling alley downstairs. It's in a market of about 12 houses and with its own golf course.

Cape Cod-based agent Joseph Markiewicz of Jack Conway says that Cape Cod has been

DAVID WELCH



Martha's Vineyard homes offer accessibility to ocean, harbor and ponds.

thoroughly explored and contains no surprise finds, but there's still plenty of waterfront property available on the Cape, given not only the extensive amount of coastline but the large number of lakes, ponds and marshes.

LOCATION, LOCATION

"The only factor that can affect waterfront property in a negative way is the cost of flood insurance, especially if it's a second home," he says. "As for pricing, it's hard to assign a particular premium to waterfront, but certainly the type and the town or neighborhood can impact the price significantly. It still comes down to location, location, location. If it's in the right spot, buyers will overlook issues such as outdated baths or smaller kitchens."

"I have an irresistible listing on more than four acres in a sought-after beach community.

It features more than 5,000 square feet of living space, multiple fireplaces, and cherry floors and cabinetry. It peaks at the bay, and it's a short stroll to a private beach: all for \$1,725,000."

Sellers in this market, says Mr. Markiewicz, will find that the low inventory is conducive to quick sales if the property is priced accurately. Getting the right starting price is important, he adds. If properties are overpriced, even when inventory is down, they will be subject to numerous price cuts, which inevitably result in a sale at less than they would have gone for if priced fairly from the start.

Owner Leslie Pearson of Tea Lane Associates, on Martha's Vineyard, likewise points to the island's variety of water experiences: the ocean, ponds, Vineyard Sound, the harbor. Oceanfront property is hard to

find, she says, but buyers often crave homes on the coves that feed into the ocean.

"The views there can be more active and interesting, with animal life and boating activity," she explains. "The entire south shore of the island has many inlets and coves that make each location unique in its experience."

CONSERVATION AREAS

Herring Creek Farm is a 215-acre enclave in Edgartown, with Atlantic and Great Pond frontage, formerly a working farm now held in conservation, with 15 private homes. Tea Lane has a rare listing there, with pond frontage, ocean views and private ocean beach."

Much of the property on the north shore up-island (West Tisbury, Chilmark and Aquinnah) is elevated, and overlooks the Vineyard Sound and the Elizabeth Islands—and captures the sunsets. The northern beaches can be rockier and the waves are milder.

"Tea Lane is currently offering a waterfront home high on Windy Way, for \$5,850,000. It has a commanding, panoramic view that's one of the best on the whole island. At 108 feet above sea level, you can see across the Vineyard Sound, the Elizabeth Islands, Woods Hole, and out the coastlines from Aquinnah to Edgartown. Amazing sunsets."

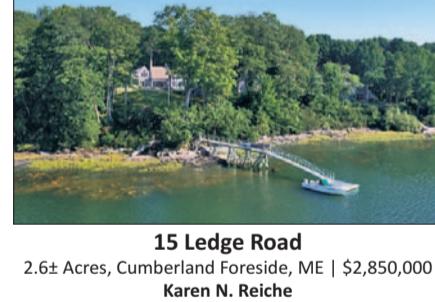
Joseph Dobrian is a freelance writer specializing in real estate.

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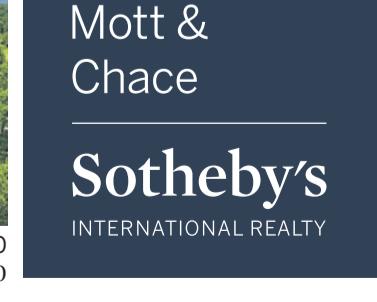
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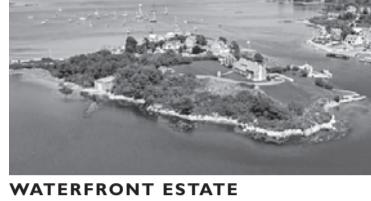
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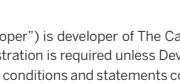
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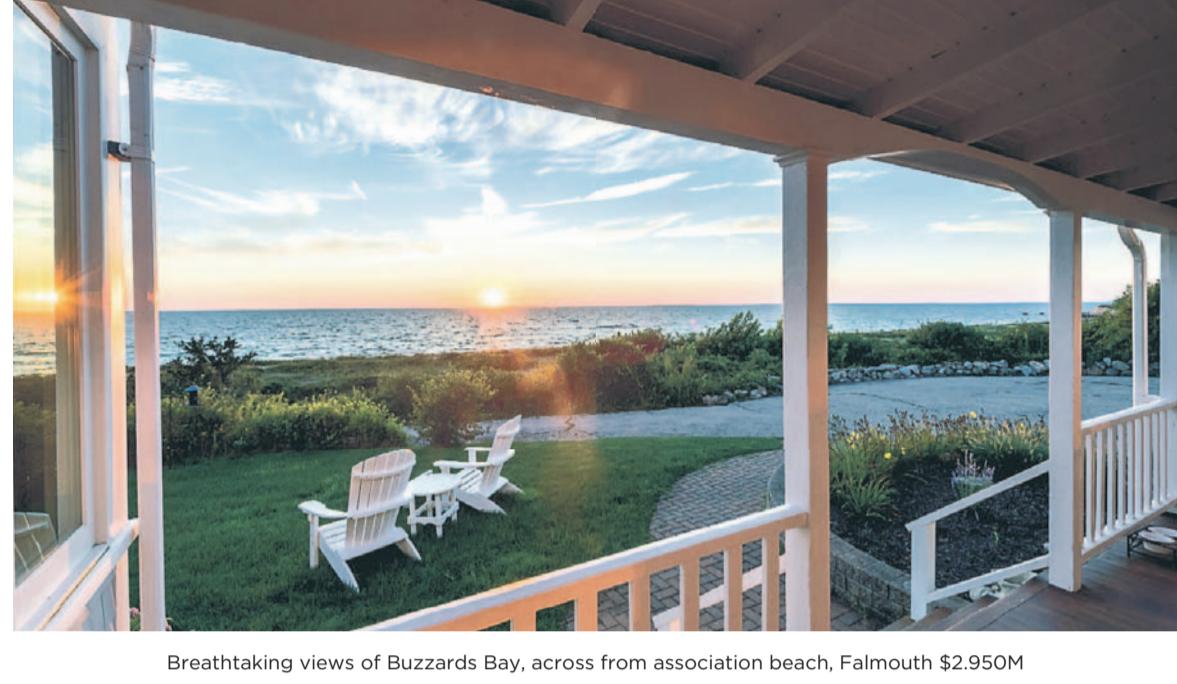
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HARVEY'S EFFECT ON HIGH-END HOMES

In Houston, closings on luxury homes fell sharply after the hurricane, but listing and sales prices dipped only slightly after the storm



Hurricane Harvey wreaked havoc on Houston and caused billions of dollars in property damage. One segment of the real-estate market, however, was less impacted: luxury homes.

While the number of sales that closed fell markedly after the hurricane, both listing prices and sales prices fell only slightly, according to Multiple Listing Service data from the Houston Association of Realtors.

The median list price was down 3.1% and the median sales price was down 2.2%.

For its analysis, the association looked at luxury-home listings, defined as \$1 million and up, between Jan. 1 and Aug. 24, and compared



data to listings between Aug. 25 and Sept. 11. In its analysis of home sales, the association compared sales between Aug. 7 and Aug. 24 to those between Aug. 25 and Sept. 11.

Only a slight price decrease for luxury homes is predicted in the coming months, says James Gaines, chief economist at the Real

Estate Center at Texas A&M University. "We're expecting it to bounce right back up," he says. "For the most part, these [homeowners] were able to absorb it."

Real-estate agent Tim Surratt says he is fielding dozens of calls from homeowners who are considering listing their flood-damaged homes. He is also hearing

from potential buyers looking to buy a fixer upper. "It's a juggling act," says Mr. Surratt, who is with Greenwood King Properties. Those looking to make a purchase are now more concerned about previous flooding, he adds.

Celebrity photographer Evin Thayer is keeping his \$1.2 million contemporary

Ebb and Flow

The change in inventory and sales prices of homes listed for over \$1 million in Houston two weeks before and two weeks after Hurricane Harvey struck.

	Before Harvey	After Harvey	% Change
Median list price	\$1,574,000	\$1,525,000	-3.11%
No. of listings	1,420	1,528	7.61%
Median sales price	\$1,385,000	\$1,354,000	-2.24%
No. of sales closed	103	50	-51.46%

Source: Houston Association of Realtors, MLS

vertically these days, says Robert Bland of Pelican Builders, developer of the Wilshire, a luxury condo building under construction in the River Oaks District. Ten days after the storm, Mr. Bland signed four contracts for units ranging from \$800,000 to \$3 million. "In a twisted kind of way, it's been a plus," he says.

More buyers are thinking

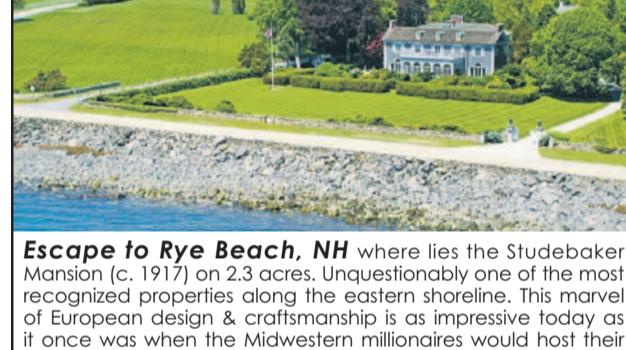
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HOUSE CALL | MICHAEL MCDONALD

No Record Player, but a Honky-Tonk Piano

The former Doobie Brothers lead singer recalls the battered upright in his family's Missouri basement

My life changed the day my father brought home a piano. It was a huge, ornate upright grand, and a lot of the ivories on the keys were missing. As my father and his friend struggled to get it down to the basement, he had to swat me away. I kept trying to play it.



Louis streetcar driver. When the city pulled up the tracks and replaced them with buses, it broke his heart. He drove a bus but soon worked his way up to the bus company's insurance division.

My mother, Mary Jane, ran an S&H Green Stamps redemption store. She worked tirelessly and didn't have much time left to raise my sisters, Kathy and Maureen, and me the way she probably would have liked.

My parents loved popular music. My dad knew who wrote all the songs, and he had great respect for songwriters. His passion rubbed off on me.

When I was 7, I was walking through the lobby of my aunt's apartment building in St. Louis. As I shuffled my feet on the marble surface, I made up a melody. I thought, "Yeah, I can do that, I can write songs."

My first collaboration was with my father when I was 10. He gave me a sheet of lyrics he had written at work. The title was "My Heart Just Won't Let You Go." I wrote the music in about 10 minutes.

After my parents divorced when I was 11, my mom sold the house and we moved to an apartment complex off West Florissant Avenue. The piano didn't make the trip. Their split was hard on me. My dad and I were close and I only got to see him on Saturdays. He soon started another family.

I know it's strange, but I never owned a record player and never

I was 9, and the piano went downstairs because my parents didn't want me banging on it upstairs in the main house. The piano was pretty beat up, so I eventually put metal thumbtacks in all the hammers that struck the strings. They gave the piano a tinny, honky-tonk sound.

I was born in St. Louis but grew up in the suburbs of Ferguson, Mo. Our three-bedroom house on Highmont Drive was in a postwar development with one bathroom, a kitchen and a dining room.

My attention span was awful. My parents had been trying to get me interested in something—anything. Before long, the piano was all that mattered. I wound up taking only six months of lessons and I never had a voice lesson. I had a pretty good ear.

I was always down there playing, often in my underwear. The basement was one of the few cool spots in the house. When my older sister, Kathy, came down with her friends, they'd see me and laugh. I'd play them their favorite songs.

My father, Robert, was a St.



THIS IS IT Michael McDonald, above, at the Ridgefield (Conn.) Playhouse where he performed in July, and left, on the far left, playing in one of his first bands, Mike and the Majestics, in 1965, at the Holiday Inn, Florissant, Mo.

had much of a record collection. After we moved, I had a Wurlitzer keyboard that I played all the time in bands.

Through much of high school, I was in a 12-piece soul dance band called Jay and the Sheratons. We were the house band at a club in Ferguson and backed everyone who came to town, including Chuck Berry.

In August 1970, after my junior year of high school, I dropped out and went on the road with Blue, my four-piece band. We played a lot of small college towns. At a club in Champaign-Urbana, Ill., I

ran into Rick Jarrard, a record producer from Los Angeles.

Rick hired me for his production company and sent me a plane ticket and some cash, and off I went. He gave me my start.

My wife, Amy, and I divide our time between Santa Barbara, Calif., and Nashville. I record a great deal in Nashville, so when we're there, we stay in our one-story brick ranch on 3 acres with my studio off the back.

Amy loves our Santa Barbara home. It's a one-story, three-bedroom clapboard ranch house, and an ocean breeze comes up the can-

yon. We just moved our master bedroom to the back. Now we have a view of the meadow preserve that runs to the ocean.

For years I'd run into my father's lyric sheet for "My Heart Just Won't Let You Go." When we renovated, I foolishly put the sheet in a book for safekeeping. Now I can't remember which one.

—As told to Marc Myers

Michael McDonald, 65, is a Grammy-winning singer-songwriter who was lead singer of the Doobie Brothers. His latest album is "Wide Open" (BMG Soundstage).

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