

# THE WALL STREET JOURNAL.

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DJIA 22381.20 ▲ 40.49 0.2% NASDAQ 6453.45 ▲ 0.003% STOXX 600 386.36 ▲ 0.2% 10-YR. TREAS. unch, yield 2.309% OIL \$51.56 ▼ \$0.58 GOLD \$1,285.50 ▲ \$1.40 EURO \$1.1788 YEN 112.35

## What's News

### Business & Finance

**C**hina will force auto makers to speed production of electric vehicles by 2019, a move that will ripple around the globe. A1

◆ **VW's former engine chief was arrested in connection with a German probe into emissions-rigging.** B1

◆ **U.S. GDP expanded** at a revised 3.1% annual rate in the second quarter, marking the best growth in two years. A2

◆ **Bankers expect** a profit boost from the tax-overhaul proposal, which calls for a cut in the corporate rate. B1

◆ **Amazon's expanding reach** is prompting investors to dump shares of retailers far from the U.S. B1

◆ **Roku shares surged** 68% to \$23.50 in their trading debut, a welcome sign for the stalled tech IPO market. B1

◆ **Toshiba sealed** a deal to sell its memory-chip unit to a Bain-led group, but the pact still faces hurdles. B3

◆ **Investor Whitney Tilson** is closing his hedge fund, the latest to shut amid disappointing returns. B10

◆ **Chevron named** Michael Wirth as its next CEO, choosing an engineer experienced at finding efficiencies. B2

◆ **The Dow rose** 40.49 points to 22381.20, led by McDonald's shares. B11

◆ **IKEA agreed** to acquire TaskRabbit, a startup that connects people with freelancers to do odd jobs. B4

◆ **Apple has expressed** interest in buying advanced liquid-crystal displays from Japan Display for some iPhones. B4

### World-Wide

◆ **Republicans debated** scaling back a proposal in their new tax plan to repeal individual deductions for state and local taxes. A1

◆ **Mnuchin said** the tax overhaul would generate more than enough economic growth to offset the cost. A4

◆ **The government sought** to accelerate efforts to send aid to Puerto Rico after criticism that the federal response has been sluggish. A1, A6

◆ **Twitter revealed** information about Russian use of its platform during the election, but lawmakers criticized the firm's limited disclosure. A4

◆ **The Supreme Court** said it would consider whether public employees can be required to pay union dues. A2

◆ **Islamic State said** it released the first speech in nearly a year from its leader, with remarks defying speculation that he was dead. A8

◆ **HHS Secretary Price** said he would stop traveling on private jets and reimburse the federal government more than \$50,000. A4

◆ **North Korea accused** Trump of using the death of a U.S. student detained in Pyongyang in a political campaign against the country. A9

◆ **China told** North Korea-linked firms to close to comply with U.N. sanctions. A9

◆ **Japan's Abe faced** a threat to his solid hold on power after the leading opposition force agreed to line up behind a new party. A9

◆ **A bid by Uganda's leader** to extend his rule has triggered unrest there. A10

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## 'You Have No Idea How Great This Feels to Be Back at Work'



**BACK IN ACTION:** House Majority Whip Steve Scalise (R., La.) returned to the Capitol Thursday for the first time since he was shot by a gunman at a baseball practice for Republican lawmakers in June. At his arrival, the House chamber erupted into prolonged applause. A3

## Puerto Rico Aid Trickles In

By Jennifer Smith,  
Paul Page  
and Arian Campo-  
Flores

More than a week after Hurricane Maria devastated Puerto Rico, truckloads of vital supplies are moving at a crawl, as widespread damage stymies efforts of companies, government agencies and relief groups to restore basic services.

Lawmakers and the Trump administration sought to accelerate efforts to get relief shipments to the island's 3.4 million residents in the wake of criticism that the federal response has been sluggish.

The Defense Department on Thursday deployed a three-star general to Puerto Rico to oversee relief efforts, and the Department of Homeland Security waived the Jones Act, allowing non-U.S. ships to

carry cargo from the U.S. mainland to Puerto Rico. In addition, the Transportation Department said it was making \$40 million immediately available to pay for road and bridge repairs.

"This is a national emergency," House Minority Leader Nancy Pelosi (D., Calif.) said. "We must move more quickly."

The strongest storm to hit Puerto Rico in nearly a century, Maria destroyed the island's electricity infrastructure and crippled its cellular grid. That is impeding the coordination of relief efforts, restocking of store shelves and replenishment of gas stations. A nightly curfew and the need for armed escorts for fuel deliveries are also slowing progress, people involved in the relief effort say.

With the supply chain stunted, businesses are struggling to get up and running. Deutsche Post AG's DHL is relying on generators while sharing fuel and water with employees.

Wal-Mart Stores Inc. flew in satellite phones to communicate with its store managers.

Rum producer Bacardi Ltd.'s distillery needs additional generators before its blending center can resume operations.

Crowley Maritime Corp., based in Jacksonville, Fla., but a major operator of cargo ships to Puerto Rico, had 4,100 containers with both relief supplies and commercial cargo waiting at San Juan's port on Thursday. Another carrier, TOTE Maritime, said earlier this week it had more than 3,000 shipping containers stacked up at the port awaiting transport.

"The problem we have is that there are more containers coming in to the port than are going out the gate,"

Please see RELIEF page A6

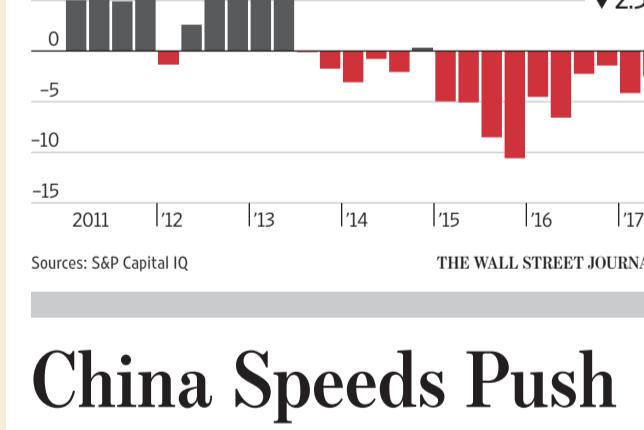
◆ **Administration sends general** to ramp up aid efforts..... A6

◆ **Storm isolates Vieques..... A6**

## Losing Its Snap, Crackle and Pop

Kellogg tapped Steven Cahillane, the CEO of health-and-wellness company Nature's Bounty Co., to succeed its chief John Bryant next week. Kellogg, like other big food makers, has been struggling. B3

Kellogg's revenue, change from a year earlier



## China Speeds Push For Electric Vehicles

China will force auto makers to accelerate production of electric vehicles by 2019, a move that will ripple around the globe as the industry bends to the will of the world's largest car market.

By Yoko Kubota in Beijing and Trevor Moss in Shanghai

The move is the latest signal that officials across the globe are determined to phase out traditional internal combustion engines that use gasoline and diesel fuels in favor of environmentally friendly vehicles powered by batteries, despite consumer reservations.

The U.K. and France are aiming to end sales of gasoline and diesel vehicles by 2040. India has a goal to sell only electric vehicles by 2030.

In the U.S., the head of California's Air Resources Board recently suggested the state could move to eventually replace vehicles running on combustion engines in the nation's largest auto market with electric cars or those running on other renewable energy. The state has long been a front-runner in setting ambitious future targets for

auto makers including sale of zero-emission vehicles.

China's long-awaited plan, announced Thursday, calls for gradually escalating quotas for pure-electric cars, plug-in hybrids and fuel-cell cars, as Beijing seeks to curb air pollution and nurture a domestic green-car industry.

Anticipating China's new rules, Ford Motor Co., the Renault-Nissan Alliance and Volkswagen AG have all set up new joint ventures with local car makers in recent months that will specialize in pure-electric cars.

In April, General Motors Co. said it would build 10 electric vehicle or plug-in hybrid models in China by 2020 with its joint-venture partner, SAIC Motor Corp., at existing factories in the country.

"China has triggered the world-wide electric-car festival," said Takaki Nakanishi, an automotive analyst who heads Nakanishi Research Institute in Tokyo. "The adoption of electrification regulations is speeding up globally."

In a partial victory for foreign-car manufacturers, China agreed to delay implementation until 2019, instead of next year

Please see CARS page A12

## OIL GIANT IGNORED WARNINGS BEFORE FIRE

Aramco housed expats in compound its own safety unit said was unfit

By JUSTIN SCHECK AND BRADLEY HOPE

As dawn broke on Aug. 30, 2015, Nighat Razi's neighbors were already screaming. Smoke was spreading through her building in an apartment complex for employees of Saudi Arabia's state oil company.

A smoldering electrical transformer had ignited car tires in the underground garage, and explosions rumbled through the complex.

"We were hearing 'Boom! Boom! Boom!'" said Senthilmarugan Balasubramanian, an Indian engineer.

Ms. Razi and her husband, Ahmed, a geologist, found themselves trapped in the apartment with their three daughters. The black smoke filling the hallway outside their apartment made escape impossible.

Outside, someone was frantically blowing a whistle. But no fire alarm sounded. There were no smoke detectors in the apartments, and no fire doors to prevent the spread of flames.

A year earlier, the safety division of Saudi Arabian Oil Co., or Aramco, had flagged these very shortcomings, warning in an internal document that the complex had "major life-safety concerns" and shouldn't be occupied. The company ignored the warning and moved employees into apartments anyway.

By the end of the ordeal, at least 10 people were dead, including a pregnant woman who perished trying to jump from her window into a swimming pool. That toll makes it one of the oil industry's deadliest accidents since BP PLC's 2010 Gulf of Mexico spill, which killed 11.

Unlike Western energy companies, Aramco enjoyed the legal upper hand in the disaster's aftermath. The world's biggest oil producer, and one of its largest companies by revenue, Aramco answers to only one individual, the Saudi king. In one of the world's last remaining absolute monarchies, courts are also ultimately responsible for banks... B1

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### INSIDE



### TWITTER FINDS ACCOUNTS WITH RUSSIA TIES

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### A GAME CRUISE IN 'AMERICAN MADE'

LIFE & ARTS, A12

## Tina and John Are in Love! Pixey and Razzle—Not So Much

\* \* \*

Couples that delay marriage say unifying pets can be a beast; living in the garage

By HILARY POTKEWITZ

Amanda Brazeau and Scott McLeish started dating in 2015 and often planned activities they could do with their canine companions, like walks to the park and pet sleepovers at their Ottawa homes.

Ms. Brazeau's bulldog-pug mix, Lola, tended to be aggressive with other dogs while her boyfriend's dog Cato, a German shorthaired pointer, always wanted to play. "He's like the fun, drunk guy at a party who doesn't know he's being annoying," she says.

Ms. Brazeau, 33 years old, and Lola, 7, moved in with Mr. McLeish, 34, and Cato, 9, last year. "And then the fights

started," she says. Lola was usually the aggressor but would often end up hurt.

Ms. Brazeau also brought two house cats. Cato had no experience with felines, but as a hunting dog, he had to chase. "Then Lola's pack instinct would kick in, and they'd both be chasing," she says. "We had to set up blockades around the house. It was a horrible time."

Many young urban professionals are getting married later, and pet ownership in that group is rising. So when animal-lovers couple up, it is often with someone who is already in a committed relationship—with their pet.

That makes moving in together a challenge.

Please see PETS page A11

# U.S. NEWS

# Court Revisits Public-Sector Union Dues

BY JESS BRAVIN

WASHINGTON—The Supreme Court said it would consider whether public employees can be required to pay union dues, revisiting an issue that deadlocked the court after Justice Antonin Scalia's death last year.

Under a 1977 Supreme Court precedent, states may authorize contracts between public agencies and their employee unions that require represented workers to pay dues, or an equivalent fee, for collective-bargaining costs.

Since the court took a conservative turn with Justice Samuel Alito's appointment in 2006, groups critical of unions have filed test cases seeking to overrule the precedent and block public agencies from agreeing to workplace contracts similar to private-sector "closed-shop" agreements.

Public employees, like their counterparts in private industry, cannot be compelled to support union political activities, and can request refunds of dues spent to promote candidates or causes. Recent challenges seek to expand the definition of political activity to include collective bargaining with government agencies, arguing that the resulting con-



Justice Neil Gorsuch's speech to a conservative group at a Trump hotel was criticized by Senate Minority Leader Chuck Schumer.

tracts can affect municipal budgets, classroom size and other public policies.

Unions, which are required to represent all employees in a bargaining unit, argue that making dues voluntary would encourage "free riders"—workers who reap the benefits of bargaining but whose costs they shift onto colleagues willing to contribute to the union.

Although framed as a question of labor law and constitutional doctrine, the case also has partisan implications. Pub-

lic-sector unions typically lean left, and a blow to their financial security would undermine a pillar of the Democratic political coalition.

The case accepted Thursday comes from Illinois, where conservative groups representing Mark Janus, a child-support specialist with the state, are challenging the agency fee he must pay to the American Federation of State, County and Municipal Employees, or Afcscme.

"We are now one step

## Gorsuch Faulted for Trump Hotel Event

WASHINGTON—Justice Neil Gorsuch waded into partisan controversy on the eve of his first full Supreme Court term, appearing Thursday at the Trump International Hotel to congratulate a conservative group on its 50th anniversary.

Justice Gorsuch's remarks, delivered ahead of the Monday arguments that open the court's 2017-18 term, raised few eyebrows. He spoke about the warm reception he had from colleagues and staff at the Supreme Court, revisited

closer to freeing over five million public-sector teachers, police officers, firefighters and other employees from the injustice of being forced to subsidize a union as a condition of working for their own government," said Mark Mix, president of the National Right to Work Legal Defense Foundation, one of the organizations that filed the case.

Afcscme's president, Lee Saunders, said: "This case is yet another example of corporate interests using their

familiar anecdotes about Benjamin Franklin and George Washington, and repeated a call for civility in public discourse.

Amid the presidency of Donald Trump, however, the venue where Justice Gorsuch spoke became another point of contention for the president's opponents.

"Justice Gorsuch speaking to a conservative group in the Trump Hotel, where the president continues to hold a financial stake, is everything that was wrong with his nomination," Senate Minority Leader Chuck Schumer (D, N.Y.) said just before the speech. "There's a reason we questioned his independence during his confir-

mation hearings."

Justice Gorsuch, whose votes and opinions since assuming his post in April place him solidly on the court's right, declined to comment, a Supreme Court spokeswoman said.

Republican luminaries, conservative organizations and foreign governments, have continued to book the hotel, either as a statement of support for the president or simply because they feel comfortable there.

The Fund for American Studies, the group that hosted Mr. Gorsuch, said that it intended no message by choosing the Trump hotel.

—Jess Bravin

clearest to hang on the appointment of Justice Scalia's successor. Many observers believed the challenges would have ended had President Barack Obama's nominee, U.S. Circuit Judge Merrick Garland, been seated. But Senate Republicans held the seat open. With President Donald Trump's appointee, Justice Neil Gorsuch, quickly staking out ground on the court's conservative wing, the labor movement has braced for a painful wound.

## Which Cylinders Are Firing and Which Aren't

The government estimates U.S. economic output by assessing the value of various aspects of economic activity. How much are households consuming; businesses investing; state, local and federal governments spending? It breaks these components down into finer detail, such as consumer spending on cars and furniture, business

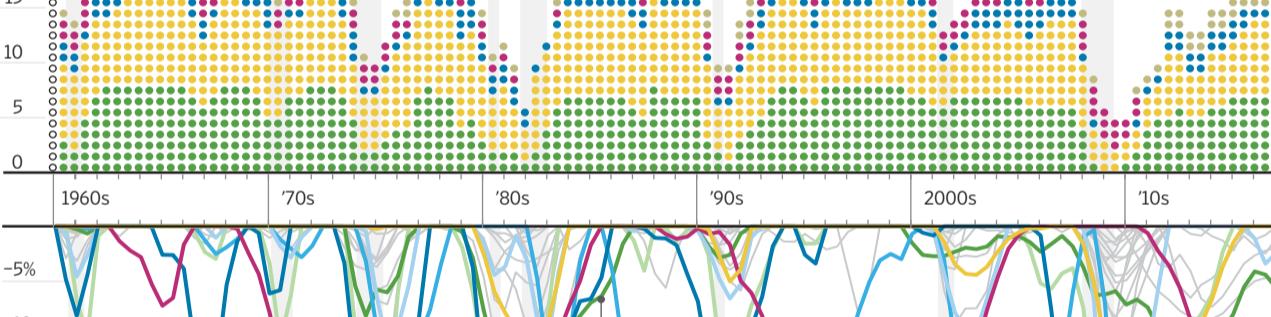
investment in buildings or software, federal spending on defense, etc. It adds these components up to figure out how much has to be produced to meet this demand, with adjustments for shifts in goods moving in and out of inventories.

For at least 50 years, broad-based expansions have been the norm, with most components of activity hitting

new peaks when adjusted for inflation. That's not the case this time. Many components of activity have lagged through much of the economic expansion, failing to hit new peaks, including government defense spending, consumer spending on gasoline and financial services, exports of services and investment in housing.

### Number of GDP components that were at their post-1960 inflation-adjusted peak in any given half-year period

● Trade ● Government spending ● Investment in structures, equipment and property ● Consumer spending on services ● Consumer spending on goods



### How far each GDP component has fallen from its previous all-time peak

To show trends among volatile sectors, all figures are based on a one-year average of semiannual data.

Source: Commerce Department

Note: Includes imports, which are here treated as a positive category, but excludes change in private inventories. All figures are seasonally adjusted.

Andrew Van Dam/ THE WALL STREET JOURNAL

## Revision to GDP Shows Economic Output at 3.1%

By JOSH MITCHELL

WASHINGTON—U.S. economic output grew at a 3.1% annual rate in the second quarter, slightly stronger than previously thought and marking the best growth in two years.

The estimate, based on revised data released by the Commerce Department on Thursday, replaces a previous estimate of 3% growth. Economists surveyed by The Wall Street Journal had expected the estimate to remain at 3%.

The agency said an upward revision to investment in business stockpiles, particularly farm inventories, led to the higher estimate of growth.

The report did little to alter the picture of an economy that rebounded in the spring after a lackluster winter and then lost momentum in recent months after hurricanes tore into Texas and Florida.

Many private-sector economists estimate economic output to grow at a rate of between 2% and 3% in the third quarter. They expect steady growth in the year's final months and early next year as hurricane-hit communities rebuild, consumers and businesses step up spending broadly, and the global economy gains traction.

"It will take more than one quarter of growth exceeding 3% to conclude that a stronger growth trajectory can be sustained, particularly in the absence of any meaningful fiscal

stimulus as the [Federal Reserve] continues to gradually withdraw monetary support," Jim Baird of Plante Moran Financial Advisors said in a note to clients. "There's nothing in today's report that moves the needle in terms of the big picture."

The economy at its core remains stable, as steady job growth and a booming stock market encourage households to spend. Consumers, accounting for more than two-thirds of economic demand, increased spending at a 3.3% rate in the second quarter.

Businesses also continued to step up investment. Nonresidential fixed investment—a measure of business spending on equipment, software and commercial space—grew at a 6.7% rate in the spring, slightly lower than previously thought but marking the second consecutive quarter of solid growth.

Exports grew at a 3.5% rate, a slightly downward revision and about half of the prior quarter's rate. But the increase reflected a healthy development as stronger growth around the globe boosts business at U.S. manufacturers.

Thursday's report also showed corporate profits were weaker than previously thought in the spring. After-tax profits, without inventory valuation and capital consumption adjustments, dropped 2% from the first quarter instead of the previously reported 1.4%. Profits were still 7.4% higher from a year earlier.

## U.S. WATCH

### HAWAII

#### U.S. to Curb Foreign Observational Flights

U.S. officials plan to limit foreign flights over Hawaii under the Treaty on Open Skies, in a move aimed at protesting what they see as Russian military secrecy.

The Open Skies treaty is part of a series of arms-control, transparency and confidence-building agreements that came about late in the Cold War. It allows the 34 ratified member states to conduct observation flights over one another's territory.

Reacting to Russia's imposition of limits on Open Skies flights over Kaliningrad, Russia's exclave along the Baltic Sea, U.S. officials now will limit flights over Hawaii to no more than 900 kilometers (559 miles) at a time.

In addition, planes flying under the Open Skies pact no longer will have access to Robins Air Force Base, in Georgia, or

Ellsworth Air Force Base, in South Dakota.

The U.S. delegation to the treaty revealed the new measures Tuesday at the Open Skies consultative commission in Vienna.

The U.S. move was criticized Wednesday by Russian Deputy Foreign Minister Sergei Ryabkov, who said it was "not a step toward partnership" by Washington.

—Brett Forrest and Nathan Hodge

### SENATE

#### FCC Chairman Moves Closer to New Term

The Senate advanced the nomination of Federal Communications Commission Chairman Ajit Pai for another term, making it more likely that the FCC will move forward with a number of regulatory moves, including a rollback of Obama-era net-neutrality rules.

The procedural vote on

Thursday to advance the nomination for a second five-year commission term was 55-41, generally along party lines, with a few Democrats supporting him. A final vote is expected next week.

Some observers believed Mr. Pai would choose to wait until his confirmation was complete before scheduling an FCC vote on rolling back the net-neutrality rules.

Mr. Pai announced his plan in April, and the FCC voted in May to move forward with a proposed rule-making. But if the Senate had waited much longer to confirm him, the FCC final vote on new rules could have slipped into next year, putting it at risk of becoming a political football in the 2018 campaign season.

President Donald Trump named Mr. Pai as chairman in January, but he needed to be confirmed to new term to continue serving on the commission past the end of the year.

—John D. McKinnon

### WEATHER

#### Storm Heads Away From the East Coast

Maria raced away from the U.S. East Coast on Thursday, giving the nation its first rest from the constant threat of tropical storms in more than a month.

No injuries have been reported on the U.S. mainland from Maria, which lashed North Carolina's fragile Outer Banks with high water and waves, washing over the only highway connecting Hatteras Island to the mainland.

Maria moved slowly Monday and Tuesday before accelerating out to sea late Wednesday and weakening to a tropical storm early Thursday. Its tropical storm-force winds extended for as much as 240 miles from the center, churning up the surf on both sides of the fragile islands.

On Thursday as Maria moved farther offshore, officials began reopening the islands of Hat-

teras and Ocracoke to visitors after more than 10,000 tourists were evacuated Monday. Full ferry service to Ocracoke, reachable only by boat or airplane, was resuming as Hatteras Island also planned to reopen the main road link to the mainland.

The Dare County Sheriff's Office said stretches of the highway were still covered in sand and water as crews worked to clear the road. Officials also warned swimmers to stay out of the ocean because of dangerous surf and strong rip currents that remained.

On Thursday afternoon, Maria was centered about 445 miles east-northeast of Cape Hatteras.

—Associated Press

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## U.S. NEWS

# At Capitol, Lawmaker Returns To Ovation

BY KRISTINA PETERSON  
AND SIOBHAN HUGHES

WASHINGTON—House Majority Whip Steve Scalise returned to the Capitol on Thursday for the first time since he was shot by a gunman at a baseball practice for Republican lawmakers in June.

Mr. Scalise (R., La.) walked with the aid of braces into the House chamber, which erupted into prolonged applause.

"You have no idea how great this feels to be back at work in the people's House," a beaming Mr. Scalise said after House Speaker Paul Ryan (R., Wis.), in a departure from normal House protocol, granted him permission to speak "for as much time as he desires."

Mr. Scalise thanked the Capitol Police officers in his security detail for helping bring down the gunman, even after they had been injured in the attack.

"David, you are my hero," Mr. Scalise said to Special Agent David Bailey, who watched from the House gallery Thursday. Mr. Bailey sat next to Mr. Scalise's wife, Jennifer, and the medical team who operated on him. Mr. Scalise also recognized Special Agent Crystal Griner, who was shot in the ankle.

Mr. Scalise credited Rep. Brad Wenstrup (R., Ohio), who served as a combat surgeon in Iraq, for applying a tourniquet to his wound shortly after he was shot on the baseball field.

"The tourniquet he applied saved my life so I could make it to the hospital in time," Mr. Scalise said before embracing his fellow baseball teammate.

Mr. Scalise's gratitude extended to Democrats as well. He noted that fellow Louisiana lawmaker, Rep. Cedric Richmond, a Democrat and his "sometime archrival" on the baseball field, was the first lawmaker to arrive at the hospital after the shooting—still in his baseball uniform.

"All I remember are the thousands of acts of kindness, warmth and love that came out of this," he said, noting that he had been surprised by hearing from world leaders he had never met.

"They saw this as an attack on all of us," said Mr. Scalise, referring to his colleagues in Congress.

Democrats, led by Rep. Nancy Pelosi of California, cheered Mr. Scalise's return. "We're both Italian Americans and I think that's the source of some of his strength," Mrs. Pelosi joked.

Mr. Scalise is resuming his work at the Capitol while continuing his outpatient rehabilitation over the coming months, his office said. In his absence, chief deputy whip Patrick McHenry (R., N.C.) had shouldered a larger-than-usual amount of the work corralling and keeping track of lawmakers' votes.

"We'll see how far he's progressed in rehab. He has just really fought through this thing, and we're happy to have him back," Mr. McHenry said.

Mr. Scalise has had to learn to walk again after being shot in the hip in the June 14 attack. He entered the hospital in critical condition, underwent multiple surgeries, and his doctors later said he almost died as a result of the extensive internal damage.

# States Grapple With Budget Woes

Both Connecticut and Pennsylvania have seen rating downgrades amid fiscal stalemates

BY JON KAMP  
AND JOSEPH DE AVILA

Connecticut and Pennsylvania lawmakers are still struggling to reach agreements to cover multibillion-dollar budget gaps, and the consequences from the stalemates are adding up.

Nearly three months into their new fiscal calendars, they are the last two states without completed budget plans. The delay has cost Pennsylvania a ratings downgrade and temporarily stalled payments to Medicaid providers and school districts. Cities in Connecticut are facing major cuts in state aid.

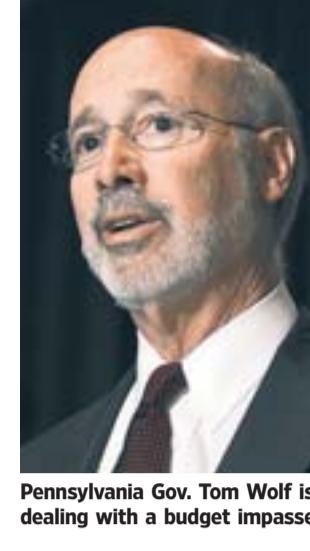
"Now the squeeze is happening," said John Hicks, executive director at the National Association of State Budget Officers.

If Connecticut doesn't pass a solution by Sunday, a wave of nearly \$1 billion in reductions to municipalities will move forward under the terms of an executive order signed by Gov. Dannel Malloy, a Democrat, to keep state operations running.

That could prove damaging for Hartford, the state capital, which had its credit rating downgraded this week. City officials have warned Hartford could file for bankruptcy by early November without more state assistance.

Connecticut and Pennsylvania are required by state laws to pass balanced budgets. Their stalemates follow a bruising year for budget fights around the U.S.

Fiscal challenges differ from state to state, although persistently weak revenue has been a broad challenge in recent years. Pennsylvania faces near-term funding challenges because lawmakers passed a spending plan before shoring up how to pay for it. Lawmakers



CHRISTOPHER MILLETTE/ERIE TIMES-NEWS/ASSOCIATED PRESS

Pennsylvania Gov. Tom Wolf is dealing with a budget impasse.

ers are now fighting over how to plug the gap.

Connecticut, meanwhile, faces stark longer-term fiscal challenges, according to Moody's Investors Service. Income-tax increases in 2011 and 2015 haven't stabilized state finances. The state is burdened

with a heavy debt load, hefty unfunded pension liabilities and a shrinking population. These factors have contributed to a \$3.5 billion projected deficit in its two-year budget.

Schools in Groton, Conn., a community on the Thames River, could lose funding for about a quarter of the school budget, according to Democrat Keith Hedrick, the city's mayor.

S&P Global Ratings placed nine Connecticut municipalities on negative credit watch Thursday, including New Haven, Bridgeport and New London. The rating agency cited the state's budget impasse and the possibility of big cuts to municipal aid beginning Sunday.

Republican legislators won a surprising victory in early September when they netted enough Democratic votes to pass a GOP budget. That plan includes higher retirement contributions from teachers.

Mr. Malloy vetoed the plan Thursday, saying the GOP budget was unbalanced and unsound.

tainable. Democratic and Republican lawmakers said Thursday that a budget deal before Sunday was unlikely and now aimed to reach an agreement by mid-October. Absent an agreement, Republicans said they would seek to override the governor's veto on Oct. 10.

In Pennsylvania, lawmakers managed to pass a \$32 billion spending plan on June 30, but not a revenue plan that will fill a \$2.2 billion gap, much of which was caused by weak revenue in the last fiscal year. This caused "a virtually immediate liquidity shortfall that the state is already scrambling to cover," according to Moody's.

Gov. Tom Wolf, a Democrat, instructed the treasury this month to delay about \$1.7 billion in payments pegged mostly for Medicaid providers and school districts. The state soon caught up and made the payments, but weak liquidity and the chance for more delays contributed to an S&P downgrade last week.



Horse woman Jennifer Vidbel, above, and Statue Duo Design, below, entertained the crowd of circus-goers at the Big E fair in West Springfield, Mass., this month.

## The Circus Finds a New Home—at State Fairs

Events in Massachusetts, Utah and North Carolina put on their own shows, filling gap left by Ringling

BY CHARLES PASSY

WEST SPRINGFIELD, Mass.—When the Ringling Bros. and Barnum & Bailey circus shut down this year, ending a nearly century-and-a-half tradition, many wondered if it would mark the death of the circus industry itself.

But at the Big E fair, the show must go on.

Since adding its own circus almost 50 years ago, the New England fair that is officially called the Eastern States Exposition has seen attendance double to some 1.4 million visitors a year.

"The circus has universal appeal," said G. Wayne McCary, the fair's former chief executive who had the "vision," as he describes it, to bring the big top to the Big E, a 17-day event that runs here through Sunday this year.

Under the structure of a fair, circus entertainment is more manageable financially, said Mr. McCary, because there are no touring costs. "You don't have the expense of the train," he said. The Big E show, with just one ring, is also physically smaller and therefore less expensive to produce.



Other events, including state fairs in Utah and North Carolina, are picking up on the Big E's idea and presenting their own circuses—in certain cases partnering with Mr. McCary and the production company with which he is associated, Billy Martin Presents. Now that Ringling is no longer visiting cities throughout the country, some in the fair world expect the trend to grow.

"I think it's an open door,"

said Rick Vymaltil, chief executive of the South Florida Fair and first vice chairman of the International Association of Fairs & Expositions.

The circus, said Eugene Cassidy, the Big E's current CEO, is just "a great big piece of American history."

Mr. McCary, who retired from the Big E but keeps an eye on its big-top extravaganza, acknowledges he

wasn't the first to bring a circus to the fair world, noting the natural link between the two family-friendly attractions. But he took things to a new level by hand-picking acts and assembling his own show rather than booking a touring circus.

The show clocks in at about an hour and incorporates a host of novelty acts. This year, they run the gamut from the "Amazing Sadra,"

a contortionist who manages to worm his way into a small fish tank, to Tulga, the "Mongolian muscle man" who hoists a hefty wooden beam as if it were a matchstick.

To round things out, two clowns, Steve and Ryan, work in a bit that involves buckets of water. And a stentorian-voiced, sequin-jacketed ringmaster, John Kennedy Kane, formerly of New York's Big Apple Circus, calls for a moment of silence during the show's ultimate nailbiter, when circus artist Wesley Williams pedals his way precariously around the ring atop a 25-foot-high unicycle.

The crowds can be plentiful: At the Big E, the 1,650-seat circus venue is generally filled to capacity for the three daily shows. Admission to the circus is included in the \$15 daily regular adult admission to the fair.

Some Big E fair-goers arrive more than an hour in advance of a performance so they can secure a choice seat.

"This is the first place we come" at the fair, said Sue Alexander, a retired educational administrator who was waiting in line for the first show this past Saturday.

## Skull Session in a Michigan Town



BONING UP: Marshall has installed 28 five-foot skeletons—one of which is posing with a backpack and binoculars—as part of a festival to promote tourism that runs through Halloween.

## Opioid Industry Faces Two New Lawsuits

BY SARA RANDAZZO

Lawsuits seeking to hold the pharmaceutical industry accountable for widespread opioid addiction are mounting, with Washington state and Louisiana joining more than half a dozen other states that already have filed actions against drugmakers and distributors.

Washington state sued

Purdue Pharma LP on Thursday for allegedly misrepresenting the addiction risk of opioid painkillers including OxyContin.

In announcing the suit, Attorney General Bob Ferguson said that two Washingtonians

die each day on average from opioids, and that the drugs have killed nearly 10,000 in the state since 2000. The lawsuit, filed in state court in Seattle, seeks to recoup the profits Purdue made in Washington.

"Blinded by pursuit of profits...they ignored what was going on," Mr. Ferguson said. "That's not right."

Purdue said that it denied the allegations and that it is working with others "to solve this public-health challenge."

The filing comes a day after Louisiana's Department of Health sued opioid manufacturers over their alleged role in what the state calls its escalating opioid crisis.

That lawsuit, filed in state court in East Baton Rouge Parish, claims the companies—Purdue, Teva Pharmaceutical Industries Ltd., Johnson & Johnson, Endo International PLC, Allergan PLC and various related companies—played down the risks of the drugs in their marketing.

The lawsuit seeks the recovery of an unspecified amount of money Louisiana has already spent on allegedly excessive prescriptions and related treatment costs.

Nationwide, at least 85 cities, counties and states have filed lawsuits stemming from local opioid addiction.

The suits, most filed in the

past six months, target a mix of drug manufacturers and distributors, as well as some prescribing doctors.

The companies are pushing courts to toss the suits and, while denying the states' claims, have said they are committed to promoting responsible use of their drugs.

Endo, Purdue, Johnson & Johnson and Teva said they are working on ways to combat the opioid crisis, including through educational programs and abuse-deterring technology.

Allergan played down its share of the opioid market.

—Jeanne Whalen contributed to this article.

## U.S. NEWS

# Twitter Finds Accounts With Russia Ties

By GEORGIA WELLS, BYRON TAU  
AND ROBERT McMILLAN

Twitter Inc. on Thursday offered its first public information on Russian use of its platform during the U.S. presidential election, but its limited disclosure only fueled criticism from lawmakers who are pushing for greater transparency from internet companies over how their platforms are manipulated.

In presentations to congressional investigators and a post on its site, Twitter said it found 201 accounts on its service linked to Russian actors that Facebook Inc. recently identified as having run ads meant to sow political and social division. In addition, Twitter said the Russian-backed news site RT, which a U.S. in-

telligence report said aimed to meddle in the election, bought \$274,100 of ads on Twitter last year. That compared with \$152,000 that Facebook said Russian actors spent on its site.

But Twitter's comments left unclear the extent of the problem, including how many accounts attempted to spread misinformation or violated Twitter's rules, and how users interacted with those tweets.

Twitter in its statement identified only accounts that corresponded to the roughly 450 Russian-linked accounts that Facebook had identified as purchasing \$150,000 in ads to provoke political tension.

Twitter said it found 22 accounts with corresponding Facebook accounts that Facebook said had Russian links, and

another 179 with ties to those accounts. The company said it suspended some of those accounts for violating its rules. It also suspended bots that spread misleading information about

Russian-backed news site RT spent  
\$274,100 on ads on Twitter last year.

voting, such as ones that said Americans could "text-to-vote."

Mark Warner, a Virginia Democrat and the vice chairman of the Senate Intelligence Committee, said the meeting with Twitter was "deeply dis-

appointing" and added the company had not done enough to examine the extent of Russian activity on its platform.

A Twitter spokeswoman declined to comment directly on Mr. Warner's remarks.

Congressional leaders, probing how Russians sought to manipulate public opinion during the election on Twitter, Facebook and Alphabet Inc.'s Google, have called on the companies to disclose their findings in public and private meetings. Twitter met with the House and Senate Intelligence Committees Thursday for several hours for the first time on the topic of foreign interference. Both panels are conducting probes of Russian activity during the election. Russia has denied interfering in the election.

Twitter's announcement is likely to further heighten tensions between technology companies and regulators for how their platforms are used to spread misinformation and affect the democratic process.

"With hundreds of millions of Tweets globally every day, scaling these efforts continues to be a challenge," Twitter said in a statement Thursday.

Facebook said earlier this month that it identified 5,200 Russian-backed ads. In July, the company said it had no evidence that Russian entities bought ads targeted at Americans on the platform during the election season.

Congressional investigators said Twitter appeared to be having more difficulty in tracking activity on its plat-

form, given that it allows users anonymity—unlike Facebook, which has a policy requiring that users operate under their legal names. People close to Twitter say the company is months behind Facebook in determining the scope of nefarious bot activity on its social network.

"I think there are challenges for Twitter in its forensic investigation because Twitter users don't provide the same background information that Facebook users do," said Rep. Adam Schiff (D., Calif.), the top Democrat on the House Intelligence Committee. "And at the same time, I don't think we have more than scratched the surface in our understanding of how the Russians may have used that platform."

## HHS Chief to Stop Taking Private Jets, Reimburse the U.S.

By ELI STOKOLS

WASHINGTON—Health and Human Services Secretary Tom Price said he would stop traveling on private jets and reimburse the federal government more than \$50,000 for his flights, a day after President Donald Trump said he wasn't pleased with the practice and signaled it could endanger his job.

"I will take no more private charter flights as secretary of HHS," Dr. Price said on Thursday. "No exceptions."

Dr. Price, a former Republican congressman from Georgia, said he would fully cooperate with the previously disclosed inspector general's investigation into his travel. He added that he has launched another internal HHS review to look into the matter.

On Wednesday, Mr. Trump told reporters he was "not happy" with Dr. Price over his use of private jets. Asked whether he planned to fire Dr. Price over the flap, the president said, "We'll see."

Dr. Price said he would write a personal check to the U.S. Treasury to reimburse the government "for the expenses of my travel on private charter planes." He reiterated that all of this travel was approved by legal and HHS officials. "Despite this, I regret the concerns this has raised about the use of taxpayer dollars," he said.

An investigation by Politico found that Dr. Price had taken at least 26 charter flights since May, which also included other passengers such as staff and security officials. Politico

put the total cost to the government of the flights at more than \$400,000.

An HHS official said that Dr. Price was reimbursing the government \$51,887.31. The department didn't provide a figure for the overall cost of the flights.

HHS has defended Dr. Price's use of private jets as tied to the demands of his job, including his role in the department's response to the recent hurricanes that have hit parts of the U.S.

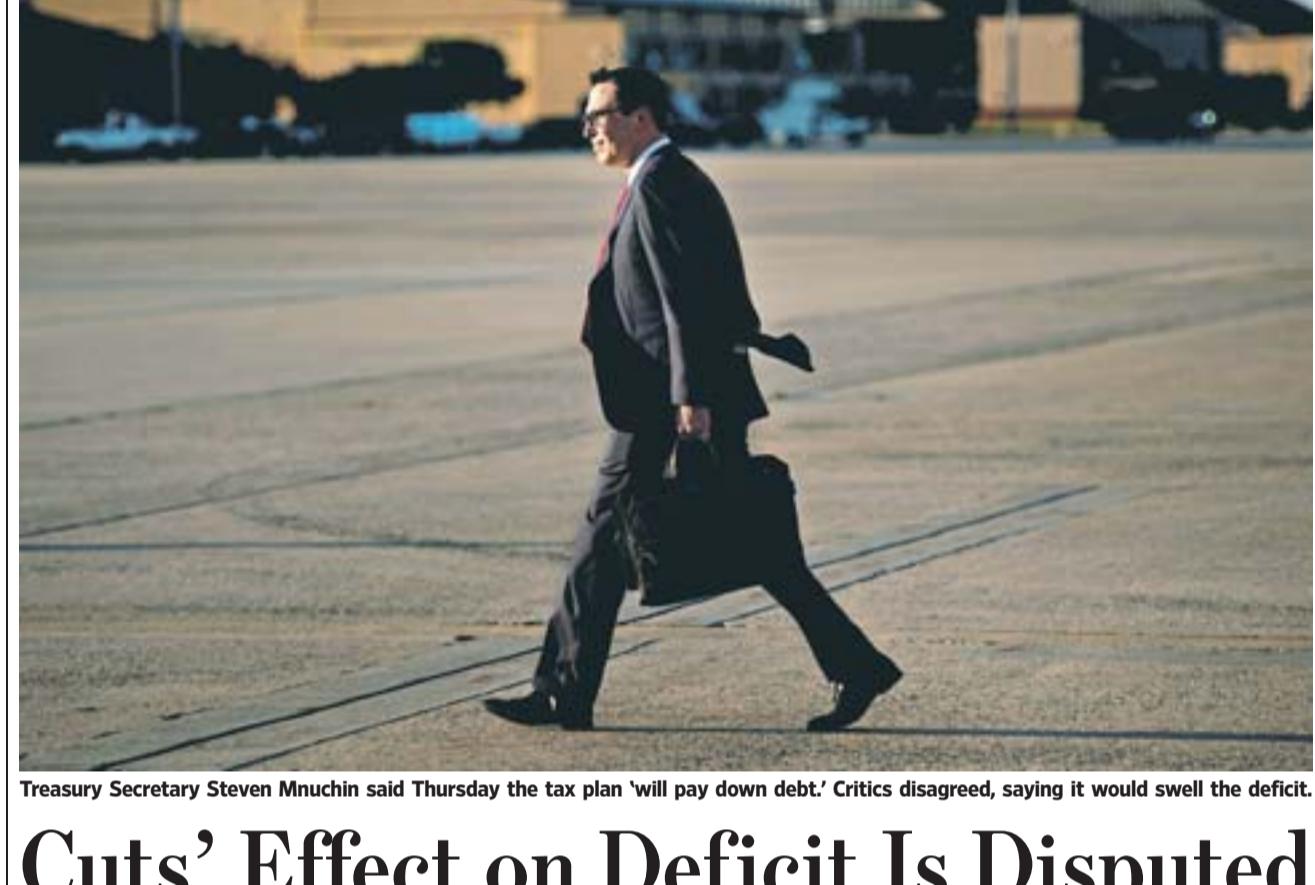
Dr. Price is one of several officials who have faced criticism for their use of government and private jets to fly to official events and meetings.

Separately, Treasury Secretary Steven Mnuchin said on Thursday he would use government aircraft to fly only when it was necessary for national security or when confronted with difficult travel logistics. But Mr. Mnuchin stopped short of committing to fly only on commercial aircraft during the rest of his tenure as Treasury secretary.

"I can promise the American taxpayer the only time that I will be using [military aircraft] is when there are issues either for national security, or where we have to get to various different things [and] there's no means," he said in an interview on "CBS This Morning."

Mr. Mnuchin said earlier this month that he has relied on guidance from previous Treasury officials about appropriate use of government aircraft.

—Kate Davidson contributed to this article.



Treasury Secretary Steven Mnuchin said Thursday the tax plan 'will pay down debt.' Critics disagreed, saying it would swell the deficit.

## Cuts' Effect on Deficit Is Disputed

By KATE DAVIDSON

WASHINGTON—Treasury Secretary Steven Mnuchin said Thursday a sweeping GOP tax overhaul would generate more than enough economic growth to offset the cost, pressing the administration's argument that the plan would pay for itself.

"Not only will this tax plan pay for itself, but it will pay down debt," he said at a conference in Washington, arguing the proposal would fuel stronger growth, causing tax payments to rise and offsetting the revenue lost from lower rates.

He also said lower rates would discourage corporate

tax avoidance, which would help boost revenue.

Analysts and economists on both sides of the aisle, however, have disagreed over how much growth tax cuts are likely to generate, and said there is no clear evidence that cuts generate enough growth to offset their costs.

Lily Batchelder, a professor of law and public policy at New York University, and former deputy director of the National Economic Council in the Obama administration, said it is "completely implausible" the plan released Wednesday will pay for itself.

"Obviously, we need a lot more details to precisely estimate the cost, both before and

after taking into account economic growth," she said, but added, "It is quite clear that this is a very costly plan."

The proposal unveiled Wednesday laid out a range of changes to the tax code, including lower taxes on corporations, incentives for business investment, the end of the estate tax and fewer individual income tax brackets.

Mr. Mnuchin said he expects the plan would boost gross domestic product growth to an annual rate of 2.9% in the next 10 years, generating an additional \$2 trillion of revenue.

The nonpartisan Committee for a Responsible Federal Budget estimated the framework

calls for about \$5.8 trillion in tax cuts over a decade, and includes about \$3.6 trillion in revenue-raising provisions, leaving a net cut of \$2.2 trillion.

The plan released Wednesday offers no concrete details about how officials expect the tax plan will produce higher growth rates. And key pieces of it remain unwritten.

"Without sufficient details on how or even if these tax cuts will be fully paid for, this outline is nothing more than a fiscal fantasy," CRFB President Maya MacGuineas said.

## TAXES

Continued from Page One  
specific concern, but it won't be the only one.

"The notion that you fix this and then it's smooth sailing?" Mr. Roskam said. "How naive."

If Republicans from high-tax states all oppose repeal and stick together, they have the clout to force a change. The top nine states for the deduction, measured as a percentage of income, are represented by 33 House Republicans. With one vacancy in the House, the party can lose no more than 22 GOP votes on legislation if all Democrats remain opposed.

The dispute over the state and local tax break echoes back to 1986, the last time Congress revamped the tax system. Then, too, House Republicans from New York fought against their own party's plan to repeal the tax break. Aided by Democrats, who controlled the House, they prevailed, and taxpayers can now deduct their property taxes, along with either their income or sales taxes.

More than 90% of filers with incomes over \$200,000 claim the deduction, according to the Tax Policy Center. Overall, 38% of the deduction's value goes to California, New York and New Jersey, which have 21% of U.S. households, the center said.

Rep. Kevin Brady (R., Texas), the chairman of the House Ways and Means Committee, said he is listening to lawmakers from high-tax states and is open to further discussions.

"It's crucial that we deliver tax relief for every American regardless of where they live, including in those states that have high state and local taxes," said Mr. Brady, whose suburban Houston district ranks 328th out of 435 in use of the deduction, according to the nonpartisan Tax Policy Center.

New York Republicans said Thursday that they were concerned that without that deduction, many of their voters might end up paying more in taxes under the GOP plans, and they were waiting for details about tax brackets and other breaks.

"I'm also worried that it would exacerbate New York's status as a donor state to Washington, where we send many more dollars to Washington than we receive back," said Rep. John Faso (R., N.Y.), whose district is largely in the Hudson River Valley.

Republicans don't intend to produce a detailed plan for weeks. A high-level framework released Wednesday was the product of six top negotiators from the House, Senate and Trump administration, and top policy makers said the state and local tax provision was one of the main deductions they were targeting for elimination.

Possible options under discussion include allowing the break for property taxes but not income taxes, or else converting the deduction into a smaller credit. The plan could also adopt a more general cap on itemized deductions.

Repealing the break would free over the next decade more

### Blue-State Break

States with largest and smallest deductions for state and local taxes, as a percentage of adjusted gross income

Top five:

New York	9.1%
New Jersey	8.7%
Connecticut	8.3%
California	7.9%
Maryland	7.7%

Bottom five:

Texas	2.5%
Nevada	2.4%
Tennessee	1.9%
North Dakota	1.6%
South Dakota	1.6%

Source: Internal Revenue Service

THE WALL STREET JOURNAL.

than \$1 trillion that the party plans to use to lower tax rates. Politically, it would be good for most Republicans, shifting more of the federal tax burden from states they represent onto states they don't and to Washington, D.C.

Repealing the state and local deduction while increasing the standard deduction would also limit the value of other deductions. Fewer people would get over the new, higher threshold to itemize deductions of \$12,000 for individuals and \$24,000 for married couples, meaning that fewer people would have an incentive to take deductions for home mortgage interest and charitable contributions.

Many higher-income households already have their state and local tax breaks curtailed under the alternative minimum tax. But about three-quarters of

taxpayers who owe AMT and deduct state and local taxes would see a net increase if both provisions were repealed, as is the case under the GOP plan, according to economist Frank Sammartino of the Tax Policy Center.

Republicans say the deduction lets states raise taxes with fewer consequences, because the federal deduction subsidizes part of the cost. If New York wants higher taxes, they say, New Yorkers should pay.

Democrats and blue-state Republicans say the change would punish their states.

"Republicans used to say that the best decisions are made locally, and now they want to tax local decisions," said Sen. Chris Van Hollen (D., Md.).

The deduction's fate in the Senate isn't clear, either, even though Republicans there don't represent any of the top nine states for the deduction.

The fight over the state and local deduction highlights the backlash every decision in the tax debate will bring—a reality glossed over in the new tax plan, said Sen. Bob Corker (R., Tenn.). He said he supports repealing the state and local deduction but was "almost aghast" at the lack of clarity about tax breaks that would have to go away.

"They're throwing sugar out on the table," he said. "You haven't even begun to deal with the spinach part. Not even a little leaf of spinach was thrown out on the table."

—Kristina Peterson and Laura Saunders contributed to this article.

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<b>Leader in displaying price improvement on trades</b>	<b>Yes</b>	No	No	No
<b>Barron's Best Online Broker in 2016 &amp; 2017<sup>‡</sup></b>	<b>Yes</b>	No	No	No

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<sup>‡</sup>Barron's, March 20, 2017 and March 19, 2016 Online Broker Surveys. 2017: Fidelity was evaluated against 15 others and earned the top overall score of 35.6 out of a possible 40. The firm was also named best online broker for Long-Term Investing (shared with 2 others), Best for Novices (shared with 1 other), and Best for Investor Education (shared with 2 others). Fidelity was also ranked 1st in the following categories: Trading Experience & Technology (shared with 2 others), Mobile (shared with 1 other), Research Amenities, and Portfolio Analysis and Reports (shared with 2 others). 2016: Fidelity was evaluated against 15 others and earned the top overall score of 34.9 out of a possible 40.0. Fidelity was also named Best Online Broker for Long-Term Investing (shared with one other), Best for Novices (shared with one other), and Best for In-Person Service (shared with four others), and was ranked first in the following categories: trading technology; range of offerings (tied with one other firm); and customer service, education, and security. Overall ranking for both years based on unweighted ratings in the following categories: trading experience & technology; usability; mobile; range of offerings; research amenities; portfolio analysis and reports; customer service, education, and security; and costs.

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## U.S. NEWS

# General Is Deployed To Aid Puerto Rico

WASHINGTON—The Trump administration, facing criticism for its response to the devastation in Puerto Rico, sent a three-star general to the island Thursday to ramp up relief efforts in the wake of Hurricane Maria.

By Natalie Andrews,  
Ben Kesling  
and Rebecca Ballhaus

Lt. Gen. Jeffrey Buchanan, a commander of U.S. Army North, had already been overseeing the effort from San Antonio, the White House said, but is being sent to the U.S. territory to "have his eyes on it and make sure he's comfortable with the interaction between his forces, and the governor and the municipal forces," said White House homeland security adviser Tom Bossert.

Asked why Gen. Buchanan wasn't deployed to Puerto Rico when the hurricane first hit, Mr. Bossert said: "It didn't require a three-star general eight days ago." He added that he didn't expect the general to "stay there long."

Gen. Buchanan will join a one-star Army general—Brig. Gen. Rich Kim, the operations officer for U.S. Northern Command—who arrived on the island Wednesday.

Also Thursday, President Donald Trump agreed to a 10-day waiver of the Jones Act, which had blocked foreign-flagged vessels from shipping relief supplies to Puerto Rico, in response to a request from Puerto Rico Gov. Ricardo Rosselló. The 1920 law requires ships carrying cargo between U.S. ports be owned and managed by U.S. citizens and have U.S. crews.

A day earlier, the president told reporters he was hesitant to waive the Jones Act because of opposition from the shipping industry.

More than a week after the Category 4 storm ravaged Puerto Rico, destroying roads

and its electrical grid, most residents remained without power and struggled to find food and clean water.

Mr. Bossert on Thursday pushed back on criticism of the administration's relief efforts, calling complaints that the president hadn't waived the Jones Act sooner "unfounded" and suggested news media coverage was incorrectly "giving the appearance that the government is not moving fast enough."

"There's nothing that can happen fast enough" due to the "understandable degree of devastation" in Puerto Rico, Mr. Bossert said.

Earlier in the day, Sen. Marco Rubio (R., Fla.) called on the Pentagon to take over logistics for relief operations and said the Federal Emergency Management Agency wasn't equipped to handle the disaster because the island isn't set up like a U.S. state with a well-established disaster-relief network.

Congress is waiting on the Trump administration to determine how much it will seek in additional disaster relief spending. FEMA's disaster-relief fund stands at \$4.6 billion. About \$900 million so far is obligated for Hurricane Maria relief, according to a congressional aide.

FEMA will get an additional \$7 billion Oct. 1 when the new fiscal year starts.

But some lawmakers worry that the administration doesn't have enough people on the island to rebuild the infrastructure and speed medical supplies, food and water to communities there. "Rather than 5,000, there should be 50,000" military personnel there, Sen. Richard Blumenthal (D., Conn.) said Thursday.

Also Thursday, Congress passed a bill to give taxpayers in areas hit by recent storms in Texas, Florida and Puerto Rico larger deductions for property losses and penalty-free access to retirement accounts.



For those in remote areas of Puerto Rico such as Vieques—an island with about 9,000 residents—the feeling of separation is intensified.

## Hurricane Isolates Vieques

BY ARIAN CAMPO-FLORES

After Hurricane Maria hit a week ago, residents on the small island of Vieques off the eastern coast of Puerto Rico were so cut off that the only way they could reliably contact the main island was through a ham radio a resident rigged up on his own.

The radio operator filled two notebooks with messages to, or from, Vieques residents, said Andy Ramos, a police officer on the island who is a childhood friend of the operator. People assured loved ones they were safe, municipal officials delivered damage assessments and utility workers received guidance. Mr. Ramos, who is undergoing cancer treatment, relied on the radio to secure help from a part-time resident who is based in the Washington area. "There was no other way of communicating," Mr. Ramos said.

Puerto Rico's location in the middle of the Caribbean Sea, 1,000 miles away from Miami, has left many residents feeling isolated as they await aid that can arrive only by air or sea.

For those in remote locations of the U.S. territory such as Vieques—an island with about 9,000 residents and renowned beaches that make it an alluring tourist destination—the feeling of separation is far greater.

Some relief supplies of food, water and fuel have reached Vieques, but after Hurricane Maria's Category 4 winds whipped through a week ago, the needs are immense. Houses, schools, municipal buildings and the local hospital suffered extensive damage. There is no power and sporadic running water. Food is in short supply.

"We are right now in a critical moment," said Mark Martin Bras, director of community

relations at the Vieques Conservation and Historical Trust, who is helping coordinate relief efforts. "There are different relief efforts, but very little has come from any of the agencies," he said.

A Coast Guard cutter arrived soon after the hurricane passed to provide food and water, Mr. Martin said. The Federal Emergency Management Agency also sent representatives but hasn't set up a relief center yet, he said.

Mr. Martin said officials aren't aware of any fatalities on the island, but some areas are isolated because of downed trees and power lines.

The local hospital "is in dire straits," with significant water and wind damage and only one functioning generator to power it, he said. Doctors and nurses are running the emergency department in a military tent that officials erected.

Municipal leaders estimate

that about 150 houses in Vieques were destroyed and an additional 300 or so were partially or substantially ruined.

Among those wrecked was Mr. Ramos's. The cement walls of the home, where he lives with his wife and two children, shook during the storm "like in an earthquake," but stood firm. The roof, however, was made of wood and blew off, letting in more than 8 inches of water that totaled the house. "I lost everything," Mr. Ramos said.

He said the windows of his daughter's school exploded because of wind pressure during the hurricane. Trees crashed down on his son's school and damaged classrooms. "When will school start?" Mr. Ramos said. "It's going to be months."

He said he had experienced numerous hurricanes over the years in Vieques, but Maria was by far the worst. "It messed the whole island up," he said.

## RELIEF

Continued from Page One

said John Hourihan Jr., Crowley's general manager of Puerto Rico services. He said Crowley normally moves 400 to 500 containers a day from its terminals, but handed off only 40 each day on Saturday and Sunday to the Federal Emergency Management Agency.

Puerto Rico Gov. Ricardo Rosselló said improved conditions at airports and seaports in recent days have allowed for an increased flow of fuel, supplies and personnel onto the island.

FEMA has established a distribution system to transport a steady supply of diesel fuel to hospitals for their generators, Mr. Rosselló said. The number of functioning hospitals increased to 33 on Thursday—roughly half the number that were operating before the hurricane—from 29 on Wednesday and 21 Tuesday, he said. Nearly 40 dialysis centers, which are on the diesel-distribution route, are also operating, he said.

FEMA and its partners are "rebuilding the entire distribution system," said John Rabin, the agency's acting regional administrator. "We have often had to re-create the system in order to deliver food, water and commodities."

Late Thursday, President Donald Trump weighed in on the situation on Twitter, saying, "Locals trying really hard to help but many have lost their homes."

The Puerto Rican government is trying to enlist additional truck drivers for the distribution effort and has set up a hotline for those interested in joining, Mr. Rosselló said.

Andrew Torres, a truck driver from Hendersonville, N.C., who has family in Ponce and San Juan, is trying to get to the island to help out.

"First there was a rush to get supplies down there and now they're there, they can't move because there are no drivers," said Mr. Torres, 55 years old. "It's sad that you've got tons and tons of supplies just sitting in the ports, and millions of people waiting for them."



A municipal government worker filled containers with drinking water for residents in Bayamon, Puerto Rico, on Thursday.

prescriptions for people without medical records or prescription bottles, the spokesman said.

Drug distributor AmerisourceBergen Corp. has made some deliveries from its warehouse in Guaynabo, outside San Juan, to local hospitals and medical facilities, though volume is light.

The company said it developed a plan to ship and safely store urgent temperature-sensitive drugs such as insulin to the region after much of the area's supplies were ruined by a loss of refrigeration during the storm, said Erin Horvath, the company's senior vice president of distribution services.

On the island of Vieques, off the eastern coast of Puerto Rico, residents said FEMA had yet to establish a presence, and no shipments of diesel have arrived for two days.

As a result, officials are concerned that the local hospital, which sustained significant damage and is operating an emergency room out of a military tent, could be forced to halt services if it doesn't receive fuel for its sole generator. Officials are also worried that medications that need to be cooled could be lost.

"There are some lifesaving issues here," said Robert Becker, a Vieques resident who is part of a group that is trying to coordinate relief efforts. "It's a crisis right now. If we don't get it solved in the next day or two, we're going to have problems."

Natalie Andrews, Jennifer Maloney and Sarah Nassauer contributed to this article.



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## WORLD NEWS

# Catalonia Vote Tests Police Force Loyalty

Asked to stop the referendum, some officers intend to let the vote go ahead

BY JON SINDREU  
AND JEANNETTE NEUMANN

MADRID—The Spanish government's efforts to stop Catalans from voting in a referendum on independence are testing the loyalties of one of the region's staunchest institutions: its police force.

Catalonia's 17,000-strong Mossos d'Esquadra will be on the front lines Sunday when pro-independence leaders plan to stage a referendum on whether the northeast region should secede from Spain.

The government of Prime Minister Mariano Rajoy has declared the ballot illegal, saying it violates the country's constitution, and Spanish authorities have launched aggressive efforts to stop Catalans from voting, including arresting separatist leaders.

National police on Thursday seized more than two million ballots, registered scores of voting boxes and doubled down on preparations to block pro-independence forces from using public places as polling stations. A day earlier, a Spanish prosecutor ordered local police to work with the national force to maintain order and to prevent the referendum from taking place.

But opposition to Madrid among Mossos leadership is raising the possibility that some officers will do little to stop the vote this weekend.

Since it was established in the 1980s, Mossos has been one



A woman stands next to Mossos officers as she protests efforts to stop a Catalan referendum on independence scheduled for Sunday.

of the most visible symbols of Catalonia's autonomy, answering directly to the Catalan Interior Ministry rather than to Madrid.

Mossos Chief Josep Lluís Trapero, who has personal ties with pro-independence leaders, has walked a fine line in response to authorities' orders. Mossos officers have cleared demonstrators who hindered Spanish military police from raiding buildings in search of voting material, but have avoided confiscating material themselves.

Some Mossos officials and

other people familiar with the matter say Mossos won't stop people from voting Sunday as long as there is a sizable number of voters inside polling stations, which those officials believe would give officers public-order grounds not to intervene.

"Some of the measures asked by prosecutors can't be followed without creating a bigger conflict than the one they say they want to prevent," said Joaquim Forn, Catalonia's regional interior minister.

On Wednesday, a post on the official Mossos Twitter ac-

count said prosecutors' instructions would be followed with "opportunity, proportionality and congruence." Some Mossos officers said they took that as a sign they could be told to look the other way, although it could be harder to do so in situations when they are ordered to band together with other Spanish police forces.

A Mossos spokesman said: "As always, we comply with court orders."

Spain's state prosecutors have responded by putting Mossos under the control of the

Spanish Interior Ministry for matters related to the referendum. Madrid has also sent in about 4,000 national police officers to help execute its orders.

After a security briefing Thursday with Mr. Forn and others, Spanish State Secretary for Security José Antonio Nieto said Madrid would "defend the law," but emphasized his "absolute commitment" to "guaranteeing peaceful coexistence" on Sunday.

A spokesman for Spain's Interior Ministry didn't reply to requests to comment.

## EU Official Says U.K. Trade Talks Could Be Months Away

BRUSSELS—The European Union's chief Brexit negotiator warned it could be months before enough progress is made in talks with the U.K. for the bloc to be ready to discuss a future trade relationship with Britain.

As the fourth round of Brexit talks wrapped up, both sides said progress had been made on citizens rights and EU demands that the U.K. uphold spending pledges it has made as a member of the bloc.

However, Michel Barnier said there hadn't yet been enough progress on major divorce issues for negotiations to start on future relations.

"It'll take weeks or possibly even months until we can say there has been sufficient progress," he said at a joint news conference with British Brexit secretary David Davis.

On Sept. 22, British Prime Minister Theresa May called for a transition period of about two years after Brexit, in which the U.K. would continue to pay into the EU budget in 2019 and 2020 in return for retaining access to EU markets.

Mr. Barnier said that for talks to progress, Britain must agree to stand by all its past spending commitments, which EU officials have put at upward of €60 billion (\$70.7 billion). Its 2019 and 2020 commitments are likely to total around €20 billion, roughly two years of budget payments.

—Laurence Norman

# ISIS Says It Released Audio Recording of Its Leader

BY MARIA ABI-HABIB  
AND NANCY A. YOUSSEF

Islamic State said it released the first speech in nearly a year from its leader Abu Bakr al-Baghdadi, with the remarks defying speculation that he was dead and lashing out against the U.S.

The audio recording, about 45 minutes long, sought to reassure Islamic State members that their losses across the Mideast—from Libya to Iraq—will lead to their enemies' eventual downfall.

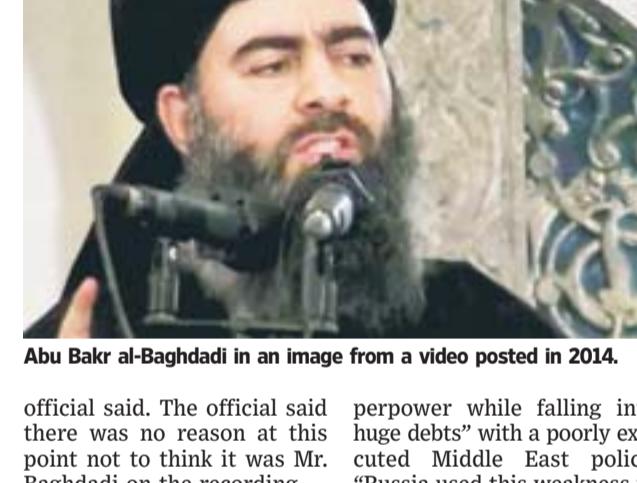
Although the speech gave no indication of when it was recorded, Mr. Baghdadi referred to the political negotiations in Astana, Kazakhstan, between the Syrian opposition and the government. Whether the voice on the recording was Mr. Baghdadi's couldn't be independently verified.

The Russian military said in

June that it was investigating whether Mr. Baghdadi was killed in a May airstrike against Islamic State leaders. Russia's foreign minister subsequently qualified that claim, saying reports of his death couldn't be corroborated with 100% certainty. Western and Iraqi officials were skeptical of the report.

The purported speech released Thursday would be the first by Mr. Baghdadi since Islamic State lost Mosul in Iraq this summer, once the largest city under its control, and while U.S.-backed forces are about to cement control over Raqqa in Syria. Both Raqqa and Mosul were the de facto capitals of Islamic State's caliphate, or religious empire.

In Washington, U.S. officials were scrutinizing the message but said they couldn't confirm it was Mr. Baghdadi. "We haven't been able to independently verify," a U.S. military



Abu Bakr al-Baghdadi in an image from a video posted in 2014.

official said. The official said there was no reason at this point not to think it was Mr. Baghdadi on the recording.

Mr. Baghdadi mocks the U.S. on the recording, claiming it "thought it was the greatest nation in the world and has lost its place as the only su-

perpower while falling into huge debts" with a poorly executed Middle East policy. "Russia used this weakness to take America's place as the superpower [in Syria]."

The purported message comes as Pentagon officials fret that Islamic State is planning to

become an insurgency in places like Iraq and Syria as its self-proclaimed state collapses.

In Syria, it is among the last remaining forces that could successfully mount a campaign against the regime of President Bashar al-Assad, which depends on help from Iran and Russia to regain territory.

Mr. Assad's tenuous grip, coupled with his dependency on Iran, could create room for ISIS to present itself as the vanguard of Syria's Sunni communities. "That is the fear. They are hanging low and integrating themselves into the population," a defense official explained.

Some military officials celebrated Mr. Baghdadi's message as a concession that the U.S.-led coalition campaign has worked in shrinking the organization's land holdings.

"He's admitting defeat," the first military official said. But he added: "A safe haven is the

lifeblood of the insurgency."

Mr. Baghdadi's fortunes have taken a sharp turn downward from his first recorded public appearance in July 2014, when he took the pulpit of Mosul's al-Nuri mosque, establishing his caliphate and declaring himself the leader of the world's Muslim population. He is now believed by U.S. officials to be hiding out in eastern Syria.

Islamic State militants continue to carry out attacks against government forces across the Mideast while a mixture of its supporters and its operatives conduct terror attacks against mostly civilians in the West, leaving Europe on edge.

In the recording Thursday, Mr. Baghdadi appeared to renew a call for fresh recruits while he rallied existing members weary after multiple defeats.

—Leena Saidi contributed to this article.

# For Iraqi Kurds, What Kind of Independence—if Any—After Vote?



MOHAMED MESSARA/AF/SHUTTERSTOCK

day's independence referendum, in which 93% of voters backed a breakup with Baghdad, even a Kosovo-like separation seems like a best-case scenario for Iraqi Kurds.

Kosovo, at least, had the full support of ethnic kin across the border in Albania. Its split from Serbia was made possible by a 1999 military campaign launched by the U.S. and its Western allies. Iraq's Kurdistan, landlocked and utterly dependent on its neighbors' good will, lacks all that—and enters its current predicament dangerously isolated.

Only three nations worldwide gained internationally recognized independence over the past two decades—East Timor, Montenegro and, in 2011, South Sudan. All of them did so with the assent of the countries to which they used to belong.

Kosovo's U.N. membership bid was blocked by Russia, and it remains unrecognized by nations concerned about potential separation at home.

Over the years, Iraqi Kurds—in part because of their determination to fight Islamic State—assembled many allies around the world. Many of those tacitly accepted that, one day, Iraq's Kurdistan—home to more than five million people—could also become a country in its own right.

However, Monday's referendum, called while the fight against Islamic State remains unfinished, has squandered much of that goodwill. It also alienated most of the friends that Iraqi Kurds will need to make it on their own in a world increasingly averse to the creation of new states.

Not only did the federal government in Baghdad react harshly to Monday's vote. The move was also condemned by all of Iraqi Kurdistan's neighbors, regional powers—and the U.S.

Opposition to Kurdish statehood in recent days even united bickering politicians in Baghdad—and aligned the Shiite-led Iraqi government there with Turkey's President Recep Tayyip Erdogan, until this week a major ally of the Iraqi Kurdistan regional government.

"Nobody—not even the most hard-line Arabs—is saying that the Kurds cannot dream of having their own state. But there are issues such as timing, borders and others that have to be re-

solved first. Trying to push it through like this is what has irked everyone," said Sajad Jiyad, managing director of the al Bayan think tank in Baghdad.

The U.S. State Department issued a stern warning before the referendum—and said after Monday's vote that Washington was "deeply disappointed" by the move, which "will increase instability and hardships for the Kurdistan region and its people."

The reaction was so severe in part because, in the eyes of

many Western officials, the referendum's timing was dictated by internal political calculations of Kurdistan's President Masoud Barzani, whose mandate expired in 2015 and whose party faced challenges from rival Iraqi Kurdish forces. By whipping up nationalist sentiment ahead of the vote, Mr. Barzani has spectacularly succeeded in rallying domestic support.

"The referendum has developed into something that truly united the Kurdish people. This was unexpected even for those who had called for it because of domestic political considerations," said Maria Fantappie, Iraq specialist at the International Crisis Group. "Kurdistan will suffer the consequences of the referendum, but the leaders who called for it will be able to leverage these challenges....They can use this to refresh their political legitimacy."

**S**o far, at least, Monday's referendum has reduced the degree of autonomy that Iraqi Kurds enjoy. The Kurdish regional authorities have for years managed their own border crossings and international airports in Erbil and Sulaymaniyah. That's set to change Friday, the deadline by which Iraqi Prime Minister Haider al-Abadi demanded the crossings and airports come under federal control.

## MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

Two years ago, when independence for Iraqi Kurds was a long-term strategy rather than an immediate pursuit, the head of the University of Kurdistan pondered what kind of new state they desire.

Kurdistan's model should be Montenegro, which amicably separated from Serbia in 2006, rather than Kosovo, whose violent secession remains unrec-

ognized by Belgrade or by the United Nations, said Khaled Salih, the university's vice chancellor at the time.

"It would be much safer for Kurdistan to have recognition of Iraq first, which would also make becoming part of the international community much easier," he explained. "Without that we have to fight first to separate, and then to fight again to get recognition. Just look at Kosovo."

Now, in the wake of Mon-

## WORLD NEWS

# Pyongyang Faults U.S. on Warmbier

North Korea accused President Donald Trump of using the death of an American citizen previously detained in

months to detail what it knows about the University of Virginia student's experience in North Korean custody and whether his treatment amounted to torture.

President Donald Trump, however, made that declaration in a Twitter message following the parents' comments. "Otto was tortured beyond belief by North Korea," Mr. Trump wrote Tuesday morning.

State Department spokeswoman Heather Nauert said she would neither confirm nor deny whether Mr. Trump's description was accurate.

"I think it is very clear that what happened to Otto Warmbier was horrific," Ms. Nauert said on Tuesday. "And that's why I continue to say our sympathies go out to his family."

The North Koreans sentenced Mr. Warmbier to 15 years of hard labor and imprisonment in 2016 for allegedly trying to steal a poster while visiting the secretive nation.

Pyongyang said it would limit "consideration on humanitarian grounds" with the U.S., a stance that will likely affect the fate of three other Americans currently detained in North Korea.

Mr. Warmbier's parents couldn't be reached to comment on Thursday.

notice, issued Thursday, China accounts for more than 80% of North Korea's trade.

The U.N. Security Council tightened the sanctions—meant to stymie Pyongyang's missile and nuclear-weapons programs—this month.

Separately, Malaysia on Thursday banned its citizens from traveling to North Korea, increasing the regime's economic and diplomatic isolation just two weeks after Prime Minister Najib Razak met with U.S. President Donald Trump at the White House.

—Josh Chin

### China to Shut Firms Tied to North Korea

BEIJING—North Korean-connected businesses in China must shut down to comply with new United Nations sanctions, China's government said.

Enterprises involving North Korean entities or individuals have 120 days to close, the website of China's Ministry of Commerce said. Chinese enterprises also must close businesses abroad that involve North Korean interests, according to the



Premier Shinzo Abe, center, and lawmakers from his Liberal Democratic Party on Thursday pledged to win next month's lower-house election.

TORU HANAI/REUTERS

# Rivals to Japan's Abe Unite

BY PETER LANDERS

TOKYO—Prime Minister Shinzo Abe faced one of the biggest threats to his solid hold on power after the leading opposition force agreed to line up behind a new party led by popular Tokyo Gov. Yuriko Koike.

Parliament's lower house was dissolved on Thursday, and the government formally set a general election for Oct. 22, affirming a plan Mr. Abe announced this week.

Analysts initially expected Mr. Abe's ruling Liberal Democratic Party and a smaller coalition ally to have little trouble retaining a solid majority in the election, which would clear the way for Mr. Abe to continue in the office he has held since December 2012.

They said Mr. Abe called the Oct. 22 election, more than a year ahead of the end of the lower house's term, in anticipation that opposition parties would split the sup-

port of anti-Abe voters.

But the prospects for a stiffer challenge increased on Thursday when the opposition group with the most parliamentary seats, the Democratic Party, said it would effectively disband itself and called for its candidates to run under the banner of Ms. Koike's new Party of Hope.

Ms. Koike, a former member of Mr. Abe's party who served in his cabinet during his 2006-07 stint as prime minister, hasn't proposed major shifts in Mr. Abe's pro-American, business-friendly policies.

Instead, she has presented herself as a fresh face for voters weary of LDP governments.

She called for an end to *shigarami*, or entanglements, in an implicit criticism of Mr. Abe after his government was accused of helping his friends, including one who got permission to open a veterinary school. Mr. Abe has denied

wrongdoing but said on Monday that it would be a rough election because of the criticism.

For Ms. Koike to be a candidate for prime minister, she would need to resign as Tokyo governor and run for parliament in the Oct. 22 election. Under Japan's system, the

*The leading opposition force will line up behind the Tokyo mayor's party.*

prime minister must be chosen from members of parliament. Ms. Koike said on Thursday that she planned to stay on as governor but didn't absolutely rule out a run for parliament.

There are signs Ms. Koike's forces could be a formidable foe to Mr. Abe. Allies of Ms.

Koike took a majority of the Tokyo assembly in July elections, and Mr. Abe's LDP was left with its fewest seats ever in the assembly.

A poll of 538 people by the Mainichi newspaper released on Thursday found that support for Mr. Abe has fallen since Ms. Koike started her Party of Hope. The new party gained support from 18% of respondents compared with 29% for the LDP, with many undecided, the newspaper said. It didn't give a margin of error.

Speaking to ruling-party lawmakers on Thursday, Mr. Abe depicted the new opposition alliance led by Ms. Koike as the latest in a series of political "booms" dating to the 1990s that he said fizzled out.

"What did these bring about? Disarray and economic stagnation," he said. "We must not entrust the future of our children and the security of Japan to any party that changes its face just for the sake of getting elected."

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- A An education I can afford
- B Small class sizes
- C Diverse peer group
- D A variety of courses
- E All of the above

## 2. for

- A A strong alumni network
- B A great job out of school
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- D Prestigious degree
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## WORLD NEWS

# In Russia, Spotlight Falls on an Oil Boss

Sechin has turned a state-run company into a global giant, firming ties to Kremlin

BY JAMES MARSON

MOSCOW—The corruption trial of a former Russian economy minister is casting a spotlight on a Kremlin power struggle and the clout of the country's top oil boss.

The trial revolves around a November meeting between Igor Sechin, who heads a state-controlled oil giant, and the then-minister, Alexey Ulyukayev, at the firm's Moscow headquarters. Mr. Sechin, who was sanctioned by the U.S. in 2014 after Russia annexed Crimea, has in recent years turned the firm into a global powerhouse.

At the meeting, Mr. Sechin gave Mr. Ulyukayev a basket of sausages—a typical gift from Mr. Sechin, often made from the meat of animals he has hunted, former employees have said—and a lockable bag, according to transcripts of covert recordings read out in court by prosecutors and published by Russian news outlets.

"You may consider the mission accomplished," Mr. Sechin said, according to the transcript.

"He is in theory only an oil

scripts. "There you go: Take it, put it away, and let's go and drink tea."

As Mr. Ulyukayev prepared to drive away, agents from Russia's Federal Security Service swooped in and found that the bag contained \$2 million in cash, prosecutors have said. Mr. Ulyukayev told investigators he thought the bag contained wine, according to court documents.

When the trial opened in mid-August, Mr. Ulyukayev pleaded not guilty and said Mr. Sechin had framed him. Mr. Sechin told state television Mr. Ulyukayev had "demanded an illegal payoff for his regular work," and added, "That's a crime."

Mr. Sechin didn't respond to requests to comment. A lawyer for Mr. Ulyukayev didn't respond to requests to comment.

Mr. Sechin, 57 years old, is a veteran of Russia's security services who has worked with President Vladimir Putin since the 1990s. Mr. Sechin has enhanced his power in recent years as PAO Rosneft, the company he runs, has taken over smaller oil companies. The Russian state owns half of Rosneft, which accounts for around 40% of Russia's total crude production.

He is in theory only an oil



Alexei Ulyukayev, Russia's former economy minister, is charged with taking a \$2 million bribe.

boss, but he stands out from most of the rest of the elite," said Andrei Kolesnikov, an analyst at Carnegie Moscow Center. "Putin allows him to rattle others. It's useful for Putin to keep a balance of power."

Rosneft's economic clout and large crude output give Mr. Sechin a prominent role in the Kremlin's foreign relations.

He has cemented Russia's links with China through oil-supply contracts and a deal this month that made a Chinese energy firm Rosneft's third-largest shareholder.

Rosneft has also helped shore up Venezuela's state oil company with billions in loans.

The U.S. Treasury Department noted Mr. Sechin's ties

with the Kremlin when it imposed sanctions on him in 2014.

In July, the Treasury Department imposed a \$2 million fine on Exxon Mobil Corp. because the company signed eight documents in May 2014 related to oil and gas projects in Russia that were also signed by Mr. Sechin. Exxon, which was headed in 2014 by Rex Tillerson, who is

SERGEI FEDOROV/TASS/ZUMA PRESS

now the U.S. secretary of state, is challenging the fine.

Economic liberals in the Russian government have advised Mr. Putin to open up Russia's state-dominated economy. The Bank of Russia forecasts Russia's gross domestic product will grow in a range from 1.7% to 2.2% this year following two years of recession.

Some ministers who favor a more free-market approach last year initially opposed Rosneft's proposed acquisition of a smaller state-owned oil firm.

Mr. Ulyukayev spoke out against the proposed deal in August 2016, saying privatization of one state company by another was inappropriate. The next month, though, he said Rosneft would be allowed to participate.

With the Russian budget under pressure and in need of extra revenue, the deal was approved in October and foreign investors later bought a 19.5% stake in Rosneft for about \$1 billion.

The next month, Mr. Sechin called Mr. Ulyukayev and invited him to Rosneft's headquarters, according to transcripts read in court.

After Mr. Ulyukayev's detention, Mr. Putin fired him as economy minister, citing a loss of confidence.

## WORLD WATCH

### CHINA

#### Study Describes How Zika Virus Mutated

A multidisciplinary team of researchers at several Chinese institutions identified a genetic mutation they say gave the Zika virus the ability to disrupt brain development, leading to a congenital condition called microcephaly in which a baby's brain and head are abnormally small, according to a study published in the journal *Science*.

The mutation—a change in an amino acid—likely occurred in May 2013, a few months before a large Zika outbreak in French Polynesia, the authors found.

The finding helps explain "how Zika virus evolved from an innocuous mosquito-borne virus into a congenital pathogen with global impact," the authors said.

—Betsy McKay

### MYANMAR

#### U.N. Council Meets On Rohingya Crisis

The United Nations Security Council held its first open meeting on Myanmar in eight years on Thursday, displaying unity on its concern over the violence and lack of humanitarian access but division on how to respond.

The U.N. and countries such as the U.S., U.K. and France demanded that Myanmar immediately halt its military operation against Rohingya Muslims, provide humanitarian access to the U.N. and relief agencies and secure a safe passage for refugees to return. They said the international community must take action against Myanmar if it failed to respond to these demands.

Nikki Haley, U.S. ambassador to the U.N., called on countries to suspend arms sales to Myanmar's military. China and Russia said the international community should be "objective" and not impose excessive pressure.

Myanmar's national security adviser, Thaung Tun, said his government had inherited a complex situation and denied allegations of ethnic cleansing.

—Farnaz Fassihi

### MEXICO

#### Central Bank Keeps Interest Rates Flat

The Bank of Mexico left interest rates unchanged Thursday, but warned of new short-term inflation risks following two deadly earthquakes that caused widespread damage.

The central bank's board of governors voted unanimously to keep the overnight interest-rate target at 7%, in line with expectations. The bank said it would continue to watch for risks to inflation from the peso-dollar rate and possible moves by the U.S. Federal Reserve, as well as for a temporary impact on prices after the devastation caused by the earthquakes.

—Anthony Harrup



Theodore Sekkuubo, a ruling-party lawmaker who opposes the extension of the presidential age limit, is ejected from Parliament.

# President's Power Play Roils Uganda

BY NICHOLAS BARIYO

KAMPALA, Uganda—Street protests, media bans and days of parliamentary brawls are roiling Uganda as President Yoweri Museveni seeks to abolish a constitutional age cap to extend his 31-year rule.

Parliament descended into pandemonium for the second consecutive day on Wednesday as opposition lawmakers threw chairs and microphones at security guards trying to eject them. The speaker suspended one ruling-party legislator for entering the chamber armed with a pistol.

The state media regulator banned live broadcasts of the protests, stalling coverage of proceedings and street skirmishes in downtown Kampala.

At issue is Mr. Museveni's bid to amend Uganda's constitution to extend his tenure beyond 2021. The 73-year-old

Mr. Museveni scrapped presidential term limits in 2005 but didn't overhaul a clause in the constitution that bars anyone above 75 from holding the top office.

The gambit will be watched closely by a series of other longtime African leaders look-

**Yoweri Museveni's bid to extend his term has triggered violent street protests.**

ing to extend their tenures. Cameroon's Paul Biya, Zimbabwe's Robert Mugabe and Rwanda's Paul Kagame have all abolished term limits to cling to power, offering a check against democratic advancement elsewhere across

the continent.

"Over the years, Museveni has fused his party with government—anyone trying to challenge him faces insurmountable hurdles," said Nicholas Sengoba, an independent analyst in Kampala. "He will stick to his plan to maintain power no matter the cost."

In the nearly three weeks since Mr. Museveni's ruling party proposed the plan to remove the age cap, the capital and several regions have been rocked by violent protests, leaving at least one person dead and dozens injured. More than 150 demonstrators have since been arrested, police said.

Opposition and international rights groups say Mr. Museveni is an autocrat determined to rule for life, who has increasingly curtailed freedom of speech and association.

Mr. Museveni's supporters

say a 75-year cap is "arbitrary" and has no justification in the constitution.

The standoff now threatens to unsettle the stability of this East African nation that is the continent's top coffee exporter. Growth has slowed in recent years, averaging 4.5% over the past five years compared with more than 7% in the 1990s and 2000s, because of slowing agricultural output and dwindling exports, according to the World Bank.

Protracted instability could also affect international oil giants like France's Total SA and the U.K.'s Tullow Oil PLC, both of which since discovered large reserves of crude along Uganda's western border.

The U.S. Embassy in Kampala has warned that the crackdown stifles people's rights to free expression and urged the government to protect basic freedoms.

Turkey's president raised the possibility of releasing a detained American pastor if the U.S. extradites a Turkish cleric sought by his government.

Ankara wants the U.S. to send back Fethullah Gulen, a cleric it blames for a 2016 coup attempt. Mr. Gulen denies involvement and U.S. officials have said the evidence provided by Turkey isn't strong enough to extradite him.

President Recep Tayyip Erdogan on Thursday held out the possibility of a swap deal for Andrew Brunson, a Presbyterian minister detained by Turkish authorities almost a year ago and later charged for terror-related activity and espionage.

The Trump administration cast doubt on Mr. Erdogan's offer. State Department spokeswoman Heather Nauert said the U.S. continues to evaluate Turkey's request to extradite Mr. Gulen and the U.S. believes Mr. Brunson was wrongfully imprisoned.

—Yeliz Candemir

# CARS

Continued from Page One as originally envisioned in draft proposals. The production quotas will be enforced through a credit-score system in which auto makers will gain points for production of pure-electric, plug-in hybrid and fuel-cell cars.

In the first year, most local and foreign auto makers must earn points equivalent to 10% of vehicles they produce in China and import into the country, the Ministry of Industry and Information Technology said. That rises to 12% in 2020. The plan applies to car makers that produce or import 30,000 cars or more annually.

Auto makers had said they would be hard-pressed to build the needed manufacturing infrastructure by next year.

In another concession, the Ministry of Industry and Information Technology, which

oversees the auto industry, said even if targets aren't met in the first year, auto makers won't be punished, which means that actual enforcement starts at the end of 2020.

However, even in its watered-down form, the quota system is a daunting prospect for car manufacturers who must now retool factories and rush electric vehicle concepts into production.

"Even though the 2018 quota has been scrapped, this is still not an easy hurdle for us," said Keitaro Nakamura, a China-based spokesman for Japan's Honda Motor Co. Honda, which sold 1.25 million vehicles in China in 2016—none of which were electric cars or plug-in hybrids—plans to start selling made-in-China pure-electric vehicles in 2018.

China is notorious for air pollution in its major cities, which the government says it is committed to reducing. The new quotas, the government said, are meant to further "alle-

viate energy and environmental pressures." China recently said it plans to eventually ban traditional gasoline and diesel vehicles, but hasn't set a timetable.

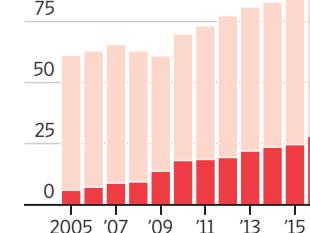
Foreign auto makers that build cars in China must do so through joint ventures with Chinese partners to avoid steep tariffs. Along with the deadline for implementation, foreign auto makers were concerned that the mandates would essentially force them to give away proprietary technology to their Chinese partners.

Chinese officials have denied claims that the plan was aimed at appropriating foreign technology, but the plan's introduction comes amid heightened scrutiny of China's trade practices. In August, U.S. Trade Representative Robert Lighthizer launched an investigation into Chinese policies on intellectual property and technology transfer. China's auto sector is one of those in Mr. Lighthizer's crosshairs.

While foreign auto makers

## Growing Market

China's share of global vehicle sales



\*Includes commercial vehicles

Source: WardsAuto

THE WALL STREET JOURNAL

can Chamber of Commerce in Shanghai.

"That has given them an unfair advantage in what should be a competitive market with a level playing field," he said.

The same rules apply to Chinese auto makers, but most of them, at the government's behest, already produce electric vehicles, and will easily likely meet the requirements, according to industry experts.

After the release of the draft rules, foreign car makers had started planning for China's move.

Volkswagen says its new venture with JAC Motors will be ready to produce 80,000 to 100,000 pure-electric cars next year—potentially enough to earn sufficient credits for the entire Volkswagen group.

General Motors expects to sell about 150,000 electric vehicles and plug-ins in China annually by 2020, which likely would clear the new requirements. "GM looks forward to working with the government

to increase acceptance of NEVs [new energy vehicles]," the company said in statement.

Ford in August said it was pursuing a joint venture with Chinese auto maker Anhui Zotye Automobile Co. to build and sell electric cars in China. The deal is subject to regulatory approval. The Dearborn, Mich., car maker plans to start building its first electric car in China, the Mondeo Energi plug-in hybrid, next year.

Auto makers will face a second challenge, said Jing Yang, an associate director at Fitch Ratings: selling these cars. "The major problem is finding a market for them," said Ms. Yang.

Some auto makers are also setting up ride-sharing services, or striking deals with fleet operators, to ensure the electric vehicles the government is forcing them to build will have a home.

—Yang Jie, Mike Colias and Christina Rogers contributed to this article.

## IN DEPTH

# FIRE

Continued from Page One

more accountable to the king, offering scant recourse to foreigners seeking damages.

No resident sued Aramco over the tragedy, which took place near its headquarters in the kingdom's Eastern Province. Most received little more than token compensation for their losses, say multiple victims.

The company has disclosed little publicly or to its own employees about the fire's causes or the response to the blaze.

Aramco's handling of the safety review of the building, the fire and its aftermath show how different it is from its publicly traded peers, which have long faced intense scrutiny from investors and courts. Those differences may soon come into sharp relief—the Saudi government is planning a 2018 initial public offering for Aramco that could be the biggest in history.

The Wall Street Journal assembled this account based on confidential Aramco documents and interviews with more than 30 Aramco employees, firefighters, emergency personnel and survivors of the fire.

Aramco said in a written statement that, despite there being no "ruling of liability or

### A Pakistani couple jumped from the building with a child in each of their arms.

financial responsibility" against the company, it provided "medical care, immediate housing relocation, cars, mobile phones, financial assistance and specialist counseling" to victims of the fire. "The company also chose to provide relief and compensation to cover damages incurred, as appropriate."

"The safety of our employees, their dependents, and our contractors is of paramount importance," spokesman Fahad Toryf wrote.

Aramco said Saudi authorities were primarily responsible for the fire rescue, and the subsequent investigation, since Aramco leased, rather than owned, the compound.

The inspection that found fire-safety problems before the 2015 fire at the Radium compound was itself sparked by an earlier incident: In 2009, a fire swept through a camp for contractors on an Aramco gas project, killing several people.

In August 2014, Saudi Aramco's housing division asked company housing inspec-

tors to evaluate the Radium compound in al Khobar. A company controlled by the Arifi family of Saudi Arabia was finishing construction on the complex, one of many projects spurred by the oil boom.

Saudi Aramco's safety unit sent in Thomas Meyers, an American who worked for years on building-code enforcement in Colorado before joining Aramco in 2012, according to internal documents.

Mr. Meyers has since left the company and declined to comment on the details of his inspection. According to an Aramco letter summarizing his findings and obtained by the Journal, he noted a long list of serious problems.

### Open stairwells

Each of Radium's eight six-story buildings had an open stairwell that amounted to "a chimney capable of conveying heat and combustion byproducts throughout the building," the inspection department's letter says. Mr. Meyers also found that buildings didn't have full sprinkler coverage, in violation of Aramco building codes.

Fawzy Al-Farhan, the acting superintendent in Mr. Meyers's division, recommended the building not be used.

Saudi Aramco badly needed housing. To handle engineering, accounting and other white-collar functions, the company was importing thousands of educated foreign workers.

Part of the Aramco recruitment pitch for prospective hires from such places as Canada, Pakistan, the U.K. and India was the promise of lush living situations at a low cost, recalls a finance professional hired in 2014.

Radium, which looked like it would be at home in Phoenix or Albuquerque, seemed to fit the bill. There was underground parking and a gym. A palm-tree-lined courtyard featured a pool. Basement-level apartments would house full-time front-desk staff and lifeguards.

The workers who started to arrive in the fall of 2014 came from all over, some from other jobs elsewhere in the Middle East and others for their first stint in the region. Many had families.

The Razis were from Karachi and spent much of their family life abroad. Working in the Middle East meant a much higher income than Mr. Razi could make in Pakistan, and the chance to raise his children in well-appointed homes and give them private educations.

After a stint in Qatar, the family moved to Saudi Arabia, where Mr. Razi got a job working on resource-exploration systems at Saudi Aramco. The company assigned the

in cleanup expenses, legal settlements and other payments, and spawned multiple investigations into what went wrong.

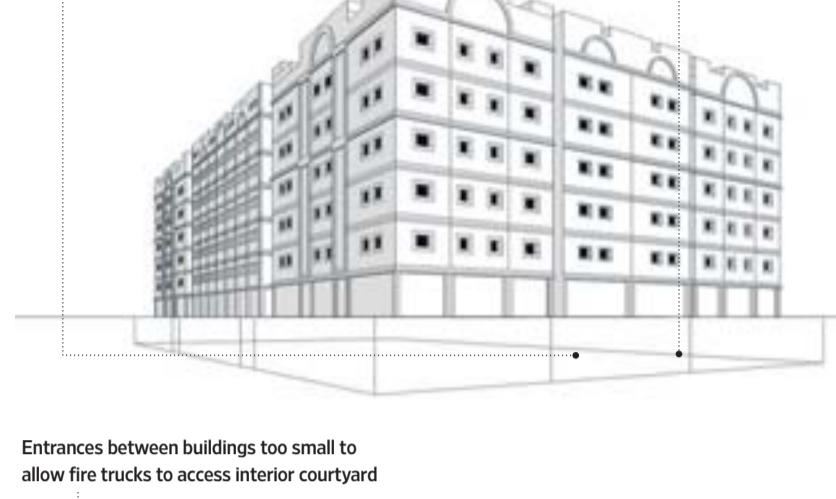
A publicly traded Aramco will have to disclose details about its oil reserves and its finances, as well as its safety record. Saudi officials working on the initial public offering say they worry the listing could expose the company to lawsuits in Western courts.

Aramco says its rate of lost-time injuries last year—incidents that result in injuries forcing an employee to miss work—was .05 per 200,000 hours worked. That compares to .029 for Exxon Mobil, and

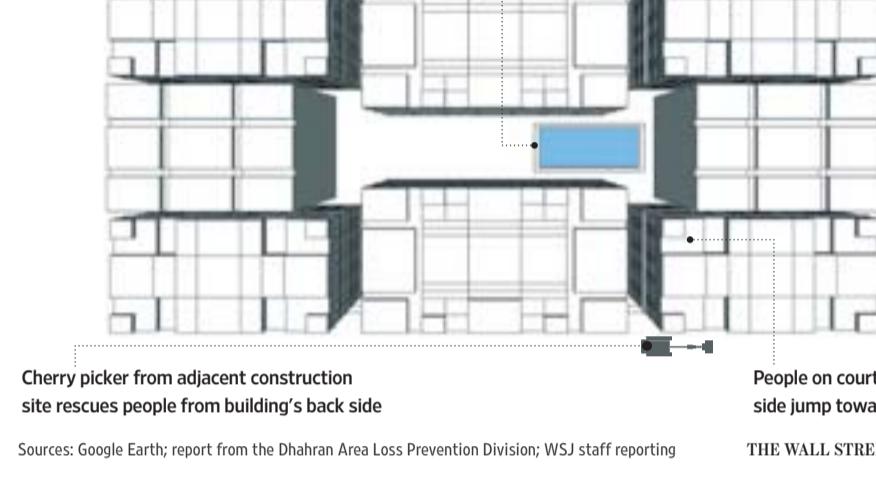
### Fire at the Compound

A large fire at a residential compound of Saudi Arabia's oil giant killed at least 10 people and injured more than 200.

APPROX 4:45 AM  
Fire starts in underground garage



Entrances between buildings too small to allow fire trucks to access interior courtyard



Sources: Google Earth; report from the Dhahran Area Loss Prevention Division; WSJ staff reporting

family to the Radium complex.

A few months after they moved in, some of Mr. Razi's engineer friends discussed the lack of basic fire-safety measures, say two former residents. Some complained to housing managers at Saudi Aramco.

One resident emailed to complain there were no emergency lights in the buildings' escape routes, and that fire alarms often went off mistakenly. When that happened, the resident wrote, "I never see any initiated activity, evacuation, or anyone coming to assist."

Aramco officials promised to fix the problems, according to a former resident. Some, like a smell of sewage, were addressed, but safety issues weren't, former residents say.

In summer, many workers sent their families home to escape the desert heat. That is why the Radium complex was relatively uncrowded on the early morning of Aug. 30, 2015, when a faulty electric transformer began sparking.

At about 4:45 that morning, a young Filipino lifeguard living

.05 for BP and for Royal Dutch Shell PLC.

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Aramco hasn't always reported as much detail as its peers, making an apples-to-apples comparison difficult.

Since 2011, Aramco has reported what it terms "operational-related deaths," a spokesman said, although it also included the Radium fatalities because the event was "traumatic."

The Deepwater Horizon disaster in the Gulf of Mexico cost BP more than \$60 billion



Some residents hung sheets out of their window to try to escape the burning Radium compound while others jumped in the pool.

in the ground-floor bunkhouse for Radium staff walked out of the shower and smelled smoke.

The faulty transformer by then had leaked burning oil, which made its way across the floor of the parking garage, says a person involved in investigating the incident.

The lifeguard blew his whistle for two long blasts, over and over again.

Few residents heard, though, and a busload full of Aramco engineers headed off for work. At about 5:10 a.m., two Pakistani workers exercising in the Radium gym upstairs from the parking lot also smelled smoke.

"We shouted 'Fire!' Then I messaged everyone in my group" on WhatsApp, the former resident says.

Workers had arrived early at a construction-equipment yard next door and when they saw the smoke they drove cherry picker-type lifts to the windows

and started rescuing people from the building's back side.

Those stuck on the courtyard side were less fortunate. As the wait for firetrucks dragged on, people on the upper floors started to fling their mattresses out the windows and use them as crash pads. Others tied sheets together and rappelled down the walls.

A Pakistani couple jumped from the building with a child in each of their arms, using their bodies to shield the children from the fall. The father broke an arm and both legs and suffered a traumatic brain injury. His wife was also hurt. The children survived without serious injuries.

The first firefighters, members of the Saudi civil defense, arrived at about 6 a.m.

About 25 minutes later, friends of Mr. Razi, the Pakistani engineer, did a head count of their neighbors and realized

that he and his family were still inside. One of the friends reached Mrs. Razi on the phone. She told them they were stuck in their fifth-floor apartment. The friend called again, and Ms. Razi said smoke was pouring into her apartment and Ahmed was unconscious.

Saudi Civil Defense firetrucks couldn't gain access to the disaster site. The entrance to Radium's courtyard wasn't big enough for trucks. A narrow road behind the buildings had locked gates.

Mohammed Gabreladar, a Sudanese petrophysicist, saw the chaos and realized he needed to get his three daughters out, says a person who was on the scene. Mr. Gabreladar grabbed his 2-year-old and ran downstairs through the smoke. He raced back, but by then the smoke was too thick to get to his apartment, where his two other daughters, his wife and her mother waited. Only his wife would survive.

Several Aramco firetrucks arrived at around 10 a.m., as did oil-rig-service helicopters that flew from an Aramco field about 30 miles away. The American former combat pilots flying the helicopters, who had no training in fire rescues, managed to pull people to safety.

Ambulances took more than 80 people with burns, broken bones and lung damage from smoke inhalation to local hospitals.

When they got to the Razis' apartment, rescuers found Ms. Razi and two of her daughters huddled in a corner. One of the girls, Aizah, could barely breathe. Another daughter, and Mr. Razi, were already dead.

A couple of days later, survivors gathered at the Thuqba Cemetery, near the causeway to Bahrain, to bury Mr. Gabreladar's daughters and mother-in-law. That was the last time that many of the survivors saw each other. For the next several months, they would end up negotiating separately for payouts from the company.

### Lost cars

Those talks dragged on, several employees recall. Aramco agreed to pay for some items, but told some employees they weren't allowed to file claims with the company for lost cars. Some employees quit. Some who financed their cars could not, because they were told they couldn't leave Saudi Arabia with any outstanding debt.

An Aramco spokesman said the company paid out all claims that were filed.

Survivors received small payments, in some cases about \$500, according to documents the Journal reviewed. Some who lost all of their families' belongings say they received around \$4,000.

Ms. Razi wrote a letter to Aramco's chief executive pleading for a job with the company so she and her surviving children could stay in Saudi Arabia and receive medical care. Instead she was sent back to Pakistan, where she has been working as a seamstress. She initially received about \$32,000 from Aramco, but the company recently agreed to pay her a considerably larger sum, according to a person familiar with Aramco's response.

Ms. Razi declined to discuss the fire in detail, saying, "It was God's will."

—Summer Said in Dubai and Saeed Shah and Qasim Nauman in Islamabad contributed to this article.

### How Aramco's Record Stacks Up

In recent decades, the global oil industry has become safer, largely as a result of pressure from liability lawsuits, shareholder litigation, government fines and other damages claims that come in the aftermath of disasters. Danger, companies such as BP and Exxon Mobil Corp. have learned, is expensive. Safety is cheap, especially away from the oil fields.

The Deepwater Horizon disaster in the Gulf of Mexico cost BP more than \$60 billion

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The first order of business, Ms. O'Neill says, is to replicate old routines. "If your dog is used to eating by himself in a room, you can't say, 'Here's your new brother. Here are your bowls. You two will eat side by side from now on.'

Other practices include giving cats their own litter boxes and allowing each animal 15 minutes alone several times a day. After a few months of daily drills, Ms. Brazeau says the dogs settled into a fragile truce. She and Mr. McLeish plan to get married in October.

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Ms. Brazeau says she and Mr. McLeish started arguing about dog trainers and discipline. Since giving up an animal wasn't an option, she says, they hired Jessica O'Neill, a local canine behaviorist. "When every foundation of a dog's life is disrupted, it's really difficult for them," Ms. O'Neill says. That in-

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# GREATER NEW YORK

## Three Former Presidents Swing by New Jersey



HEAVY HITTERS: Barack Obama, George W. Bush and Bill Clinton were in Jersey City on Thursday for the Presidents Cup at Liberty National Golf Club. The matches, which are held every two years, pit a U.S. team against an international team and end on Sunday.

## Watchdogs Seek Schneiderman's Help

By MIKE VILENSKY

When New York's former legislative leaders were both convicted on corruption counts in 2015, the state's ethics watchdogs predicted a watershed change of Albany's culture.

But two years later, with both those convictions vacated and the prosecutor behind them out of office, ethics groups and lawmakers are now concerned that efforts to root out wrongdoing in Albany might be fizzling.

"I described it as Albany's Watergate moment, but it turned out not to be," said Blair Horner, director of the ethics group New York Public Interest Research Group. He said he is concerned Albany won't change: "The absence of meaningful ethics oversight in New York contrib-

utes to corruption."

Some are hoping the state attorney general, Eric Schneiderman, might step up his role overseeing lawmakers. He has been beefing up his public-corruption staff in recent months and raising his profile after settling a fraud lawsuit with President Donald Trump shortly before Mr. Trump took office.

"I and others will be looking to [Mr. Schneiderman]," said Sen. Brad Hoylman, a Manhattan Democrat who has focused much of his legislative efforts on ethics bills.

A spokesman for Mr. Schneiderman said: "We'll continue to aggressively investigate and prosecute public corruption across the state."

Mr. Schneiderman, a Democrat expected to run for a third term next year, recently hired prosecutors who had previ-

ously worked for Preet Bharara, the former U.S. attorney for the Southern District of New York. Mr. Bharara had focused on corruption and secured the state legislators' convictions that were later overturned.

One of the recent hires prosecuted the case against former New York Assembly Speaker Sheldon Silver, a Manhattan Democrat whose conviction was overturned this summer. The conviction of former Senate Majority Leader Dean Skelos, a Long Island Republican, was overturned Tuesday. A recent Supreme Court ruling narrowed the parameters for an elected official's actions to be deemed illegal.

Messrs. Skelos and Silver were convicted prior to that ruling. Both cases are expected to be retried.

State prosecutors have more

limitations on their ability to prosecute fellow lawmakers than federal prosecutors, but Mr. Schneiderman has sought to focus time and resources on it. He is pushing a legislative package of ethics overhauls and has gone after local and state lawmakers, most recently securing the conviction of former New York City Councilman Ruben Wills, a fellow Democrat, in a corruption case.

The vacated convictions of Messrs. Skelos and Silver have also cast new scrutiny on the practices of Mr. Bharara, who was fired by the Trump administration earlier this year.

Mr. Bharara responded to the overturned convictions on his podcast Thursday, saying: "The people of New York state who care about clean government are unhappy about it."

—Melanie Grayce West contributed to this article.

million in city and federal funds, Ms. Goddard said. Under the plan, half of the proceeds would go to renovations at Cooper Park Houses.

The plan already has its critics. Rep. Carolyn Maloney (D, N.Y.), who represents the neighborhood and opposed a similar project on the Upper East Side, said the "affordable" units created under these plans were "not affordable enough."

"It creates a system where public-housing developments in affluent areas lose access to the few conveniences they currently have to generate income of which only a fraction is invested in the buildings bearing the burden," she said.

The development site is between DeBevoise and Morgan avenues, near the leafy 6-acre Cooper Park, and across the street from the site of the part-

*The apartments in the new development would be half market rate and half below.*

tially abandoned Greenpoint Hospital, which is scheduled for redevelopment.

The site also is down the street from Olive Park, a 2007 condominium development where two-bedroom apartments are listed for sale for up to about \$1 million. A two-bedroom rental is listed for \$3,550 a month.

Olive Park draws residents who have "Manhattan-centric" work lives, said Frans Preidel, a broker at the Corcoran Group, which has a listing in the building.

The Cooper Park Houses site is the fourth one to be designated for 50-50 market rate and affordable housing. None have started construction, but final lease terms are being worked out for a 47-story apartment on East 92nd Street near York Avenue on Manhattan's Upper East Side.

About 24% of lesbian, gay, bisexual and transgender high-school students said in 2015 surveys that they were bullied at school, according to the city's Department of Health and Mental Hygiene. So did 13% of other high-school students.

The Urban Assembly School had no metal detectors until police installed them Thursday. Currently 88 city school buildings have scanners. Some parents argue that adding them will keep their children safer. Opponents say they are degrading for students.

"I have instructed my team to conduct a thorough investigation on all issues" at the Urban Assembly School, Ms. Fariña said.

Kimberly Watkins, a parent and president of the Community Education Council for District 3 on the Upper West Side, said the stabbing is an opportunity for a discussion "about the way kids respect each other and respect their teachers."



BEBETO MATTHEWS/ASSOCIATED PRESS

School safety agents guard an entrance at Urban Assembly School where a student was fatally stabbed.

Fariña sent families citywide a letter Wednesday urging them to report concerns. Like districts nationwide, New York City has fostered campaigns to stop bullying through lessons in empathy, and training staff in conflict resolution.

When a problem among students intensifies, NYPD Asst.

tant Chief Brian Conroy said police work with the school to address it and file a complaint "if it reaches to the level of a crime."



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## GREATER NEW YORK

# Breaking Yom Kippur Fast Is a Boon for Business

Restaurants and food shops specializing in Jewish cuisine gear up for the strong demand that comes with the holiday

BY CHARLES PASSY

For Jews, Yom Kippur is the holiest of days, a period of fasting and somber reflection that ends with a hearty meal, simply referred to as "break fast."

But for a number of New York City restaurants and food stores, Yom Kippur, which begins Friday night and continues through Saturday, has become something else.

Namely, a booming business opportunity.

That is because the break fast meal, which typically focuses on Jewish favorites from smoked salmon—aka

FOOD & CULTURE fish salad, has

become a bigger social occasion in recent years,

according to people in the Jewish community and food world. It is a reflection, they say, of a growing interest in Jewish cuisine, with more establishments devoted to the fare making a go of it in the city.

It doesn't hurt that New York City's Jewish population is so large—with 1.54 million Jews in the city and some surrounding suburbs, according to the last survey, released in 2012, by the UJA-Federation of New York. That figure represents a 9% increase from the previous survey a decade earlier.

But no matter how you slice the bagel, so to speak, the post-Yom Kippur feasting can't happen without the purveyors.

"Break fast is our Super Bowl," says Jeff Zalaznick, a managing partner with Major Food Group, the New York restaurant company behind Sadelle's, a two-year-old SoHo dining spot that specializes in Jewish cuisine.

Mr. Zalaznick says Sadelle's is expecting about 350 diners for its break fast meal, a \$95-a-person spread. That is almost double the number from the previous year.

At Russ & Daughters, the smoked-fish specialist with a history going back more than 100 years, the line of shoppers at its Lower East Side store snakes around the block the morning before the holi-



Eli Zabar, above, in a part of Eli's Market where High Holiday foods are found, on the Upper East Side. Below, Silverio Jay Benitez sliced smoked salmon at Sadelle's in SoHo.

day begins, with some arriving as early as 5:30 a.m. "People literally come with beach chairs," says Niki Russ Federman, a fourth-generation proprietor of the business.

And at Barney Green-grass, an Upper West Side fixture also known for smoked fish, demand is so great that the store and restaurant brings back a number of former employees—in some cases, flying them in—to help with the preparations. Owner Gary Greengrass says the staff typically works through the night leading up to Yom Kippur. As a result, "I fall asleep standing up in synagogue," he adds.

Eli Zabar, the proprietor behind a number of markets and dining spots on the Upper East Side, notes another headache brought upon by the holiday crush. He says that his customers often come with their own serving

trays for the platters they order.

"Keeping track of people's dishes is a big problem," Mr. Zabar says. His big holiday sellers include the traditional favorites, with particular demand for one item: his herring in cream sauce. "We probably sell more of that than in the whole rest of the year combined," he notes.

Nationally, the High Holy Days period, which incorporates Rosh Hashana and Yom Kippur, translates into roughly \$480 million in sales of Jewish products with kosher certification, according to Menachem Lubinsky, president and CEO of Lubicom Marketing Consulting, a New York company that tracks the kosher market.

He couldn't say how much the break fast contributes to High Holy Day sales, but he suspects it is no small part. "This is a special meal," he notes.



## Abusive Landlords Face Crackdown

BY THOMAS MACMILLAN

A clash of apartment dwellers and landlords over harassment claims is heating up as public officials roll out a raft of new city laws and impose steep penalties on property owners.

State Attorney General Eric Schneiderman on Wednesday announced a \$500,000 penalty for a landlord accused of harassing tenants, while the New York City Council passed one of a dozen new laws intended to protect renters from landlord abuse.

Tenant advocates hailed the developments as progress in the battle against harassment by landlords. Advocates say landlords routinely use disruptive construction and other tactics to push tenants out of rent-regulated apartments so they can increase the rent.

The city's largest landlord

group, the Rent Stabilization Association, said the harassment issue is overblown and the new laws might discourage landlords from improving their properties.

"The tenant movement just will not acknowledge that what is occurring now, if at all, are isolated cases," said Mitchell Posilkin, general counsel for the association.

Wednesday's settlement with Icon Realty Management was the first by the multi-agency Tenant Harassment Prevention Task Force since it was established two years ago.

Mr. Schneiderman said Icon, which owns 1,900 apartments in 110 buildings in New York, forced tenants to live with excessive dust and construction debris and shut off heat, hot water, cooking gas, and elevator service during renovations that went beyond approvals granted by the city.

Ken Fisher said, a lawyer for Icon, called the attorney general's announcement "political hype" and denied the company used construction projects to harass tenants.

Tenant advocates said large property developers are buying up rent-regulated build-

*If there was truly a problem, you would see more cases in housing court.'*

ings, using intimidation and relentless buyout offers to pressure longtime tenants to leave. They then raise rents dramatically.

Yonatan Tadele, a housing organizer with the Cooper Square Committee, said Icon

buildings in the Lower East Side saw much tenant turnover after the company took over.

"Then they would just gut the entire building around whatever tenants were left," he said, adding that the remaining residents had to deal with cracked and collapsing ceilings, broken stairs and dust.

The recent legislation passed by the City Council is intended to prevent landlords from using construction to harass tenants. The new laws include increased penalties for building violations and better protections for tenants in buildings under renovation.

Mr. Posilkin, the attorney for the landlord group, said the new bills aren't necessary. "If there was truly a problem, you would see more cases in housing court," he said. "My two-word response would be: Prove it."

## GREATER NEW YORK WATCH

TRANSPORTATION

### New Bus Terminal Could Rise Atop Old

Years of wrangling over the location of a new Port Authority Bus Terminal may be nearing an end. Steven Plate, chief of major capital projects for the Port Authority of New York and New Jersey, told commissioners Thursday a new terminal could be built within the footprint of the existing one at 42nd Street and Eighth Avenue in Manhattan.

A coalition of New Jersey commissioners and state senators favored building a new terminal one block west of the existing facility. That was opposed by New York City officials.

Mr. Plate said a feasibility study showed the agency could add a fifth and sixth floor to the existing facility and then renovate the remaining floors, all while maintaining service.

—Paul Berger

LONG ISLAND

### Child in Hospital After Being Hit by a Truck

A small child remained hospitalized with serious injuries after police say he walked into a street and was hit by a truck.

Three-year-old Marco Hernandez-Pineda, of Brentwood, pulled away from his mother and walked into a street in Deer Park on Wednesday. He walked out just as a truck was passing and was struck.

Police said the driver stopped immediately and stayed on the scene.

A passerby drove the boy and his mother to a nearby medical office, from where he was transported to a hospital.

The toddler was later transferred to Stony Brook University Hospital, where he was listed in serious condition.

—Associated Press

PETER FOLEY FOR THE WALL STREET JOURNAL



Mayor de Blasio said the city's parks shouldn't be a haven for rats.

intensity of our city," not a breeding ground for rodents.

The additional funding comes after the mayor rolled out a \$32 million for a Neighborhood Rat Reduction plan earlier this year.

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"But then, we live in New York."

The bid to curb New York City's rat population is nothing new. MTA Chairman Joseph Lhota, for example, once launched a campaign to fight the population of rats in the subway with birth control during his first tenure as MTA chairman.

## Head of SEC's Office In New York Departs

BY DAVE MICHAELS

WASHINGTON—The chief of the Securities and Exchange Commission's New York office plans to leave the agency in October after 17 years, the regulator said Thursday.

Andrew Calamari, the SEC's New York regional director, oversaw enforcement cases against Citigroup Inc., Allergan Inc. and accounting firm Ernst & Young LLP, according to the SEC.

The New York office is the second-largest base of SEC employees after its Washington headquarters and the one with the most direct oversight of Wall Street institutions such as stock exchanges and investment banks. It also houses many of the SEC's top quantitative analysts.

The move adds to the turnover at the top of the SEC under new Chairman Jay Clayton, who took control in May. The director of the SEC division that regulates mutual funds and hedge funds, Dave Grim, stepped aside when Mr. Clayton took over. Mr. Grim's position has been filled, but Mr. Clayton has yet to name a permanent head of two other national offices.

The SEC didn't immediately announce Mr. Calamari's successor.

He took over the New York office in 2012 and joined the SEC in 2000. Before that, he spent nearly 15 years in private practice.

"It has been the honor of my life to serve as director of this incredible office," Mr. Calamari said in a statement.

## Mayor Bolsters Funds for War on Rats

BY MARA GAY

With just weeks to go before Election Day, Mayor Bill de Blasio journeyed to a Manhattan playground and doubled down on an issue many New Yorkers are firmly behind: The war on rats.

Mr. de Blasio said he would dedicate an additional \$750,000 to fight a scourge of rats on the Upper West Side, where residents say the rodents have all but taken over playgrounds and parks.

"Our goal is to beat back the rats," the mayor said from the Hippo Playground on the Upper West Side, where some parents said rats had attempted to jump into their children's strollers. "This is a tough enemy."

Mr. de Blasio said the parks should be a place where families can find a "quiet, stress-free moment away from all the



PETER FOLEY FOR THE WALL STREET JOURNAL

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# LIFE & ARTS

## FILM REVIEW

# The 'American Made' Drug Trade



BY JOHN ANDERSON

**AS THE PARENTS OF** any unruly child are well aware, boredom is a dangerous thing, and as per director Doug Liman's hyperactive "American Made," Barry Seal is an unruly child. And bored. One of the youngest pilots ever to work for TWA, he'll manufacture turbulence during an overnight flight just to terrify his passengers. He smuggles Cuban cigars across U.S. borders for the cheap thrills (and the money). When the '70s-era CIA comes calling with an even bigger prank—taking reconnaissance pictures of communist outposts in Central America—Barry strolls right on board, eventually becoming a frequent flier of money, drugs and, sadly for him, not enough lawyers.

The real-life Barry Seal—who will become the Medellín Cartel's chief U.S. con-

duit of Colombian cocaine—is played by a very game Tom Cruise as a smiling rascal who, deep down, really believes that his native charm is the only net he'll need while walking a high wire over a lion cage. As such, Seal is the Tom Cruise character incarnate—we know it, and the actor knows it: At one point, he dons his sunglasses with exactly the same roguish flair he used as Joel Goodson in "Risky Business," a quarter century ago. Joel Goodson aside, Barry Seal may be the most Tom Cruise role Tom Cruise has ever had.

But he also does a rather tricky thing, playing a likable criminal who's really a bad actor. Barry lies to everybody, badly, but especially his wife, Lucy (Sarah Wright), who is kind of, sort of, in the dark about her husband's exploits—though she comes to like the Airbus-size deposits of cash that



Tom Cruise as Barry Seal, who shuttled contraband for both the CIA and the Medellín Cartel, above; Mr. Cruise and Sarah Wright, left.

start filling her home (from which she has to move abruptly several times). Seal moves from taking pictures for his CIA handler, Schafer (a terrific Domhnall Gleeson), to moving drugs, to moving arms—Soviet-

made AK-47s intended for the PLO that were intercepted by the Israelis and sold to the CIA for distribution to the Contras, who are far less interested in fighting than they are in coke from the cartel, which in turn would really like to get those guns. Throughout it all, Barry is "the gringo who delivers."

"American Made" is one of the many children of "Goodfellas," a true-crime story turned first-person narrative told by a charismatic ne'er-do-well surrounded by dubious characters and tantalizing subplots. None of these offspring, including "American Made," have matched the chilling grandeur of Martin Scorsese's 1990 masterpiece, with its multifaceted characters and visual fluidity. Mr. Liman's film, shot by the Uruguayan cinematographer

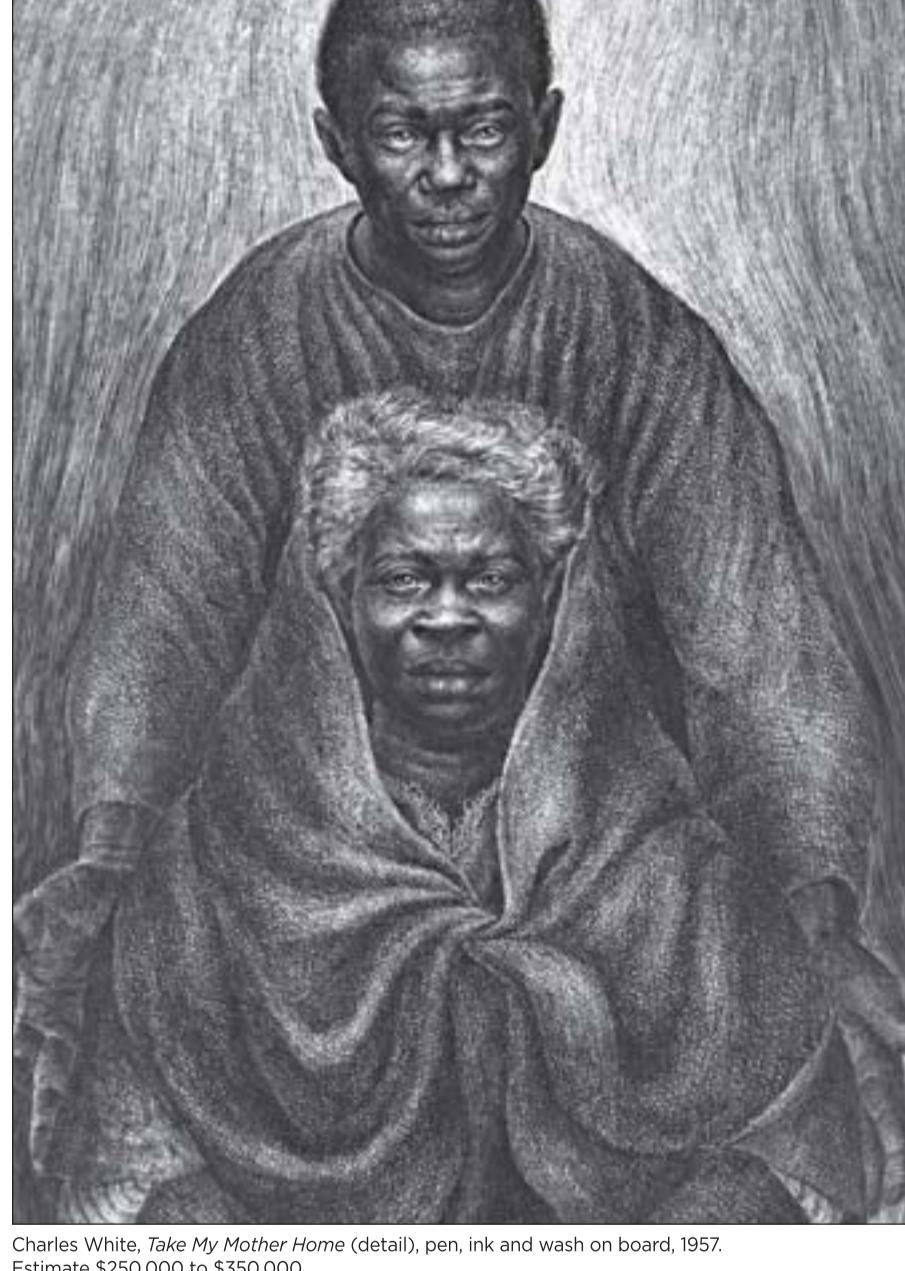
César Charlone ("The Constant Gardener") feels very constrained, too reliant on close-ups; when the picture opens up—when Barry makes his first wobbly take-off from the inept runway built by his Medellín overseers, Jorge Ochoa (Alejandro Edda), Carlos Ledher (Freddy Yate Escobar) and Pablo Escobar (Mauricio Mejía)—it's like a breath of fresh, coca-scented air.

The story is told mostly, but not entirely, by Seal himself, often addressing the camera directly—he keeps a video diary, for obvious reasons. If "American Made" were limited to what Seal knew personally, some of the dangling threads in Gary Spinelli's script could be written off. As it is, they hint at stories we'd like to know better. When Barry and Lucy get relocated by Schafer to a small town in Arkansas, into

which they start funneling their ill-gotten gains, the sheriff's wife (Lola Kirke, too briefly seen) gets suspicious. Does she feel her status threatened by the arriviste Seals? Is it just envy of the gorgeous Lucy? It's not pursued. Neither is Lucy, really, despite being a potential resource of sex-based political science: When she thinks Barry's being a dope, quitting TWA, disappearing for days at a time, she's ready to throw him out; when he arrives back home with a satchel full of cash, a kind of warm glow seems to envelope her. A smile breaks on her lovely face. No, she's not the most fully realized character. On the other hand, she certainly helps us understand Barry.

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

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Charles White, *Take My Mother Home* (detail), pen, ink and wash on board, 1957.

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OCTOBER 5

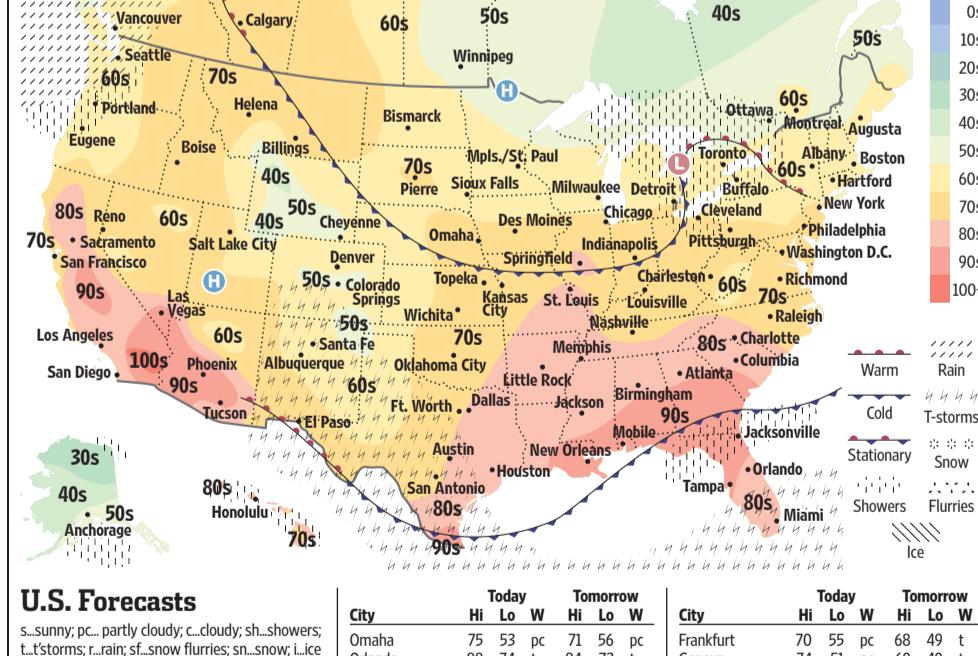
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## Weather



## U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; Lice...

Today Hi Lo W Hi Lo W

City Anchorage 50 35 r 48 37 pc

Atlanta 87 68 s 81 62 pc

Austin 80 63 c 85 60 pc

Baltimore 73 52 s 69 48 pc

Boise 79 52 pc 64 43 sh

Boston 65 51 s 57 47 pc

Burlington 61 43 c 61 41 pc

Charlotte 81 61 pc 78 53 s

Chicago 71 51 s 68 50 s

Cleveland 74 54 sh 69 47 s

Dallas 82 65 c 86 63 s

Denver 66 45 sh 72 46 pc

Detroit 69 50 sh 66 47 s

Honolulu 88 75 sh 88 74 pc

Houston 88 68 pc 88 66 pc

Indianapolis 77 49 s 71 49 s

Kansas City 76 53 s 72 57 pc

Las Vegas 90 68 s 93 68 s

Little Rock 81 59 s 79 57 s

Los Angeles 88 65 s 84 63 s

Miami 84 77 r 89 79 t

Milwaukee 67 50 pc 65 52 s

Minneapolis 65 46 pc 69 55 s

Nashville 79 56 s 75 54 s

New Orleans 90 73 s 88 74 s

New York City 71 55 s 66 50 sh

Oklahoma City 73 56 c 74 56 pc

## Today Hi Lo W Hi Lo W

City Frankfurt 70 55 pc 68 49 t

Geneva 74 51 pc 69 49 t

Havana 84 72 t 83 72 t

Hong Kong 89 81 t 90 83 sh

Istanbul 70 61 pc 69 62 sh

Jakarta 91 74 pc 92 76 pc

Jerusalem 76 62 s 75 60 s

Johannesburg 73 53 c 76 55 t

London 65 50 sh 63 57 pc

Madrid 83 56 s 82 58 pc

Manila 90 79 t 90 79 t

Melbourne 64 48 sh 60 47 pc

Mexico City 71 60 t 70 57 pc

Milan 73 55 pc 73 56 pc

Moscow 49 43 c 49 31 pc

Mumbai 90 80 t 90 79 pc

Paris 75 54 t 63 52 pc

Rio de Janeiro 80 69 c 82 72 t

Riyadh 102 72 s 102 70 s

Rome 74 55 pc 73 55 t

San Juan 86 80 sh 86 78 sh

Seoul 72 61 s 79 57 s

Shanghai 78 68 c 75 73 r

Singapore 86 78 c 86 77 c

Sydney 77 60 s 73 55 pc

Taipei 87 80 t 93 81 pc

Tokyo 77 67 pc 76 65 pc

Toronto 62 45 r 63 42 s

Vancouver 63 49 r 61 47 pc

Warsaw 60 41 pc 59 41 pc

Zurich 71 49 pc 71 49 t

## International

### Today Hi Lo W Hi Lo W

City Amsterdam 70 55 t 62 52 pc

Athens 72 62 t 71 62 t

Bahrain 102 76 s 106 75 s

Bangkok 91 77 t 90 77 t

Beijing 80 53 s 81 63 pc

Berlin 67 50 pc 67 53 pc

Brussels 73 55 t 61 50 pc

Buenos Aires 65 54 s 70 56 s

Dubai 99 81 s 100 84 s

Dublin 59 44 sh 58 53 pc

Edinburgh 60 43 r 58 46 pc



# SPORTS

NCAA | By Jason Gay

## College Basketball Is a Big Mess. Let's Pay Players.



Louisville basketball coach Rick Pitino was placed on unpaid administrative leave by the school on Wednesday.

Pac-12 and the Big Ten, for example—breaking off from the NCAA to create their own, compensated system. Intriguing! A real Rose Bowl, baby! But not happening tomorrow.

### 2. The NBA is going to step in.

Why do we let pro leagues stand on the sidelines of these disasters—they've been getting a free ride from college sports for decades; don't they bear some responsibility to reform the system? Donna Lopiano, a former University of Texas women's AD and a co-author of the recent book "Unwinding Madness: What Went Wrong with College Sports—And How to Fix It," is skeptical of schools going pay-for-play and even further commercializing sports. "The answer is a minor league system," she says, pointing to examples like Pacific Pro Football, a developmental league being planned by Tom Brady's agent Don Yee.

In basketball, it's possible the NBA will widen its role. The signs are there. League commissioner Adam Silver has publicly acknowledged that the one-and-done set-up (a byproduct of the league's 19 year old age minimum) is lousy for both schools and the pros, and has been pushing for reform. The NBA is broadening its own developmental league, the G League—it already exists as an option for an 18-year-old prospect (an 18-year-old can play a year of G and then declare for the draft), and "two-way" contracts for players 19 and up allow a player to move freely between a minor-league team and a pro parent. It doesn't have the glamour of March Madness, but look for the G to develop as a more popular alternative to college.

Down the road, an academy system could blossom. This latest scandal shows how toxic AAU basketball is—how did anyone think giving shoe companies control over national high school player development was a good idea? It's possible the NBA may want to extend its reach even further down, creating an academy-type system not unlike what's seen in high-level soccer. The league is already doing this overseas in Africa, as well as countries like China, Australia and India, identifying talent earlier and overseeing their progress.

This isn't an idea without eye-brow-raising implications—get ready for 15-year-olds paid to play basketball—but let's not act like that's not already happening. An academy system would push more of basketball's illegitimate economy into the sunlight. It's unclear what it would mean for big-time college basketball—whether it would hurt the sport by pushing away top-level talent, or if it would be fine, because we're just rooting for our alma mater's laundry anyway.

However the legal case shakes out, college basketball has lost the public's confidence to determine its own future. It's a failure pile, and new leadership needs to step up. I expect Steven Seagal will agree.

### SOCER

## CLAUDIO RANIERI: AFTER THE MIRACLE

BY JOSHUA ROBINSON

Nantes, France

**AS FAR AS** Claudio Ranieri was concerned, the strangest part of Leicester City's fairy tale was the epilogue.

In May 2016, he orchestrated the greatest upset in soccer history by leading a 5,000-to-1 underdog to the English Premier League title in his first season as the club's manager. The following February, the club fired him. All told, he had just a year and a half at Leicester City, before he was shovved back into the soccer wilderness.

It's true madness. We all know the system is broken. Let's get bold and fix it. Two discussion points:

1. Pay the players. Finally! This should be the come-to-our-senses moment, yes? How is this scandal not a clear byproduct of an economy in which every party (the conference, the school, the coach, the AD, the shoe company, and so on) is allowed to financially benefit except one (the athlete)? How is it not a symptom of what happens when you shut off a key valve in an otherwise open market?

"There's so much money on the table, it just invites black markets

and illegal activity," says Allen Sanderson, an economist at the University of Chicago.

Once more, a scandal shows the monetary value that young players have—a value that extends beyond the incentive of a college scholarship, which, in the case of a player who intends to only stay a season, is basically meaningless. It's time to get real. Opening the market and compensating athletes may not square with the romantic ideal of college amateurism, but it

would likely cut down on under-the-table nonsense. "The incentive goes down," Sanderson says.

I'm not holding my breath. Paying athletes in high-revenue sports like men's basketball and football is an idea that remains controversial, and would necessitate major changes—reclassifying college athletes as employees, for example, which would allow schools to circumvent Title IX requirements. Sanderson thinks a more likely scenario is a pair of conferences—the

Ranieri doesn't bring up Leicester City to his players and they don't ask about the past.

owner Dmitry Rybolovlev. (Together, they splashed more than \$200 million on players in the summer of 2013 alone.)

At Nantes, far from the glitz and bling of the Riviera, Ranieri's objectives are more modest.

"I don't know which is the maximum this season. Maybe improve for one point last season?" he said in Italian-accented English that sometimes spilled into French. "I want to make a first step this season."

Ranieri isn't a man to speak of outsize ambition, because he knows his players would never believe it. "Can I say to you, 'Oh, we go to the moon?' No!" he said. In fact, during Leicester's run to the title, he was the last man in England to admit that the Foxes were legitimate contenders. (They had a five-point lead in April before he said so publicly.)

FC NANTES

Claudio Ranieri is manager of the French club Nantes.



For a time at Leicester, Ranieri stopped thinking about where his soccer journey would take him next. If he'd had his way, there wouldn't have been a next stop.

Ranieri wanted to finish his career at Leicester. But he used up his luck on the miracle.

"I knew it would be difficult to repeat—miracles are very, very difficult. Then I thought, 'OK, we can stay in the middle and slowly, slowly we can do something good.'

The middle would have been fine for everyone. No one expected another title. But Ranieri's men were sluggish defending champions. Their momentum had deserted them sometime between lifting the trophy, collecting BMWs from the Leicester chairman, and reporting to preseason training.

By Christmas, the Foxes appeared in real danger of relegation

to England's second tier. By mid-February, Ranieri was gone.

The story of his exit is contentious. Reports out of the Leicester locker-room at the time suggested that a core group of players, frustrated by the direction of their season, had turned on Ranieri and lobbied the owners to replace him with his English assistant, Craig Shakespeare. The narrative gathered enough steam that, at Shakespeare's first game in charge, the Leicester fans unveiled a gigantic display urging their team to "Cry havoc and let slip the dogs of war." Their choice of a line from William (not Craig) Shakespeare's Julius Caesar, a play about a Roman leader betrayed by former allies, was no accident.

Ranieri still doesn't buy it. Shakespearean theater isn't his thing.

"I can't believe this," he said. His relentless positivity and his

love for that squad won't allow it.

"OK, I was sacked. OK!" he added. "This is my life. My life is football. I know one day you are at the top, one day you are down. It's the job."

At that point, Ranieri had no gig, but he had all the sympathy of the soccer world. Lucrative approaches came from all over—clubs and national teams that Ranieri would rather not mention. But in Nantes, he found a club that intrigued him, a city where he could live downtown "to smell the culture" and a beach less than an hour away.

He doesn't bring up Leicester City to his players here and they don't ask about the past. All of his keepsakes from soccer's greatest miracle, including his Premier League winners medal, are sitting somewhere in a box, he thinks.

"Maybe in Rome?" Ranieri said. "I don't know where they are."

# OPINION

## The Never-Trump Triumvirate



POTOMAC  
WATCH  
By Kimberley  
A. Strassel

The question is why they aren't chasing after the three people who actually hold all the power.

If the past eight months have proved anything, it is that all the 24/7 news coverage of Donald Trump's antics, all the millions of words devoted to Paul Ryan's and Mitch McConnell's plans, have been a complete waste of space and time. In the end, control of the entire policy agenda in Washington comes down to three senators. Three senators whom most Americans have never had a chance to vote for or against. Three senators who comprise 8% of their party conference. Arizona's John McCain, Maine's Susan Collins and Kentucky's Rand Paul. Forget Caesar, Crassus and Pompey. Meet the Never-Trump Triumvirate.

At least the House Freedom Caucus scuttles GOP legislation based on shared principles. Sens. Ted Cruz and Mike Lee have also led revolts against bills, again based on shared criticisms. But what do the Arizona maverick, the Maine moderate and the Kentucky libertarian have in common? Very little.

Well, very little save motivations that go beyond policy. And that is the crucial point that is missing from the endless analyses of the McCain-Collins-Paul defections on health care. The media has treated the trio's excuses for killing their party's top priority as legit, despite the obvious holes in their objections over policy and process. What in fact binds the three is their crafting of identities based primarily on opposition to their party or Mr. Trump. This matters, because it bodes very ill for tax reform in the Senate. Overcoming policy objections is one thing. Overcoming egos is another.

Mr. McCain, who is gravely ill with brain cancer, has decided his final legacy will be a return to the contrarian "straight talk" persona of old, which wins him liberal media plaudits. The Arizonan has never gotten over losing the presidency, and it clearly irks him that Mr. Trump succeeded where he failed. His personal disdain for the president is obvious, and his implausible excuses for opposing the Graham-Cassidy health-care reform are proof that this is personal.

Ms. Collins is reportedly days away from deciding whether she'll ditch the Senate gig and run for governor. That potential campaign has guided her every move for at least a year now—perhaps her entire career—and was clearly among her reasons last summer to abandon her party's

nominee and publicly excoriate Mr. Trump. It is a basic precept in Washington that Sen. Collins votes in whatever way best serves Sen. Collins. Right now that means being Never Trump.

Mr. Paul worked hard during his first Senate campaign to reassure Kentuckians that he was not his father, and it turns out that's very true. Because even Ron Paul was to be found with his party's

### What do Rand Paul, Susan Collins and John McCain have in common? Very little.

House majority on issues that truly mattered, and largely saved his defections for the lost causes that produced 434-1 votes. Sen. Paul's standards for "conservative" policy are as varying as the wind, and lately they blow toward whatever position can earn him the title of purest man in Washington.

The press was fixated this week on Mr. McConnell's bad week, which is an easy piece to write. But it ignores the obvious reality that the Triumvirate seems to have never had any intention of letting its party succeed. After all, a senator who intended to stand firm on "regular order," as Mr. McCain said, would have informed his colleagues of that demand at

the beginning, rather than allow his colleagues to set up for another vote and then dramatically tank it (again) at the last minute. A senator who voted for "skinny" ObamaCare repeal in the summer on the grounds that anything was "better than no repeal," in the words of Mr. Paul, would not suddenly engineer an unreachable set of demands for his vote on an even better repeal.

The Senate has no lack of lime-lighters. Nor is it low on Trump critics. Think Nebraska's Ben Sasse and Arizona's Jeff Flake. The difference is that the clear majority of the critics aren't allowing ambition or disdain get in the way of votes for better policy.

But this raises the question of whether the White House understands that the Triumvirate is also the prize on tax reform. Mr. Trump took a shot at Mr. McConnell this week, but the president needs to shift his focus to those who hold the actual power. Those dinner invites to Chuck and Nancy would be better reserved for Ms. Collins. Its internal conversations need to focus on what forms of flattery or policy or misery might appeal to the political motivations of Messrs. McCain and Paul, and get them on side.

Because the Triumvirate made very clear during the health-care debate how it operates. Pretending it won't do it again is to ignore reality.

Write to [kim@wsj.com](mailto:kim@wsj.com).

## How to Discuss Religion Without Arguing

### HOUSES OF WORSHIP

By David Gregory

During the High Holy Days—which this year stretch from Rosh Ha-Shana on Sept. 21 to Yom Kippur on Sept. 30—Jews seek forgiveness and renewal for a new year. I reflect on where in my life I'm falling short and what steps I can take to do better. I will study this spiritual inventory next fall to see how I did. It's a humbling but necessary attempt to return home to my best self, where I believe God wants me to be.

I'm digging deep into myself—but I'm not doing it by myself. I pray in a community with other Jews around the world. We sit, stand, sing and cry together, with the same goal in mind. If only pulling together were always this easy. Jewish identity is messy and the disagreements loud. We fiercely debate each other over Israel, denominational disputes, the role of women and what God has to do with being Jewish.

Jews aren't the only ones with profound disagreements within their community. Faith in the public square has become as polarized as politics. That's really a shame for civic life, says John Dilulio Jr. of the University of Pennsylvania, once an adviser to President George W. Bush on faith-based initiatives. "Religion can be a tremendously

and uniquely powerful civic tonic—and a tremendously and uniquely destructive civic toxin," he noted during a talk at the Brookings Institution earlier this month.

At the same event Russell Moore, president of the Ethics and Religious Liberty Commission of the Southern Baptist Convention, blamed heightened polarization on a loss of transcendent purpose and meaning in public life. He observed that people are "finding tribal identities in political movements or cultural arguments in a way that often really isn't about coming to a solution to those arguments, but about identifying 'I am the sort of person who stands here as opposed to the sort of people who stands there.'

Tribalism, sectarianism, polarization, mistrust. Sounds like Twitter.

How about a real conversation? Recently I took part in one in rural Maryland at the invitation of the Jewish Week of New York, which has been convening such gatherings for more than a decade. There were more than 50 of us, all Jewish, but with different backgrounds, beliefs and experiences. The idea was that we were the ones who would set the agenda. From the start, we went around and talked less about what we do than what we care about and what we hope to do.

Using an open space format, we set out what we should talk about by asking questions. What are the costs and benefits associated with Jewish peoplehood? How can the Orthodox community better reach out to

they "subjugate women." Yet the session ended with more conversation, not a standoff. We learn in the Bible of the importance of a *panim el panim*—face-to-face—encounter. During our conversation, that offered the potential of big-tent Judaism, not one characterized by walls within itself.

We were willing to come forward to each other and share our vulnerabilities, confusion and frustration. Where and when did you last feel comfortable doing that? What mattered was pulling each other out of our corners and pushing toward the center. By dinner on the second and final night, there was laughter and obvious signs of bonding, like when dozens joined hands and danced in a circle to a Jewish melody.

Gary Rosenblatt, editor of the Jewish Week, considers the event a model for discussion about faith or politics beyond the Jewish community. The bonds created that weekend remind all of us that everyone we meet, regardless of religion or politics, has something to say and we should listen. Argue less, talk more, and see each other. We are a community after all.

Mr. Gregory, a CNN political analyst, is the author of "How's Your Faith?: An Unlikely Spiritual Journey" (Simon & Schuster, 2016).

the Jewish LGBT community? How can Israel's relationship with the Jewish diaspora improve? Should spirituality be the core of Jewish identity? What should we be talking about that's hard for us as a community?

The challenge was to have the conversation and the debate in a respectful way and to give space to everyone's point of view—really listening, not just waiting until someone else was done. Most of us had never met, yet the name of the gathering, "The Conversation," demanded humility: low voices and restraint. It was also off the record, which made people feel more at ease.

It didn't always work. During a discussion of Jewish peoplehood, one activist asserted that Orthodox Jews should be separated from the community because, he alleged,

through the glass bookshelves behind him and then laughed with sudden relief.

My favorite meetings involved the entire staff. Chief liked constructive argument, and he wanted to know who disagreed with him and why. He was always willing to change his mind, but steadfast when the time came. In one contentious case he told a staffer working on an opinion to "dissent like hell."

As the December general election approaches, I expect the caricatures of Chief to grow even more grotesque. Mr. Moore has made his share of brash remarks and taken controversial stands. But his critics don't know the man who would buy his staff attorneys dinner if he noticed they were working late. That's the shame of politics: It prevents you from truly understanding people—especially those you oppose.

Mr. Mendenhall is an associate law dean at Faulkner University in Montgomery, Ala., and executive director of the Blackstone and Burke Center for Law and Liberty.

## The Roy Moore I Know

By Allen Mendenhall

Roy Moore, who won Alabama's Republican Senate runoff Tuesday, has been portrayed as a showman, firebrand, zealot, bigot, redneck and extremist. That isn't the man I know.

I was Mr. Moore's staff attorney from 2013-16 when he was chief justice of the Alabama Supreme Court. The man I know, away from the camera and among friends and family who call him "Chief," is warmhearted, humorous, compassionate and studious.

He ordered his staff to learn not just the facts and issues in every case, but also the history that gave coherence to the controlling law. He expected us to read Blackstone, Coke, Story and Kent. That history found its way into his opinions. In a case about contractual jury waivers, Chief traced civiljuries to their Dutch and Frankish origins.

He empathized with poor black defendants, believing they faced systemic disadvantages in the justice system. Whenever a nonviolent habitual offense drew a sentence of

life imprisonment without parole, Chief boiled.

In 2014 he dissented vehemently when the court declined to hear an appeal from Willie Conner, a black man who had been convicted of possessing a "gun" while committing a theft. Mr. Conner had stolen a nail gun from Lowe's.

Friends remember how 'Chief' stood up for black defendants.

Another black man, Cornelius Newman, was sentenced to 35 years for first-degree robbery. This bothered Chief because the "robbery" was an unpaid \$8 bill from Waffle House. Mr. Newman retrieved a shotgun to effectuate his dine-and-dash but never used it. In a 2013 dissent, Chief argued he should have been prosecuted for "theft of services," a lesser offense.

Micah 6:8 was engraved on the back of Chief's nameplate, reminding him to "do justice" and "love mercy" while walking humbly with God.

He does have quirks. He'd eat expired food and use what he called "Indian mud" (a.k.a. "Black salve") to heal ailments. He once put it on his leg, which he bared every morning so I could monitor its progress. Sure enough, the wound balled up into a dark scab that soon fell off.

A few weeks into the job, I was meeting with Chief to discuss a tort case regarding one party's disputed "duty" toward another. Reasoning out loud, he passionately repeated the word "duty"—which of course sounds like "doody." I succumbed to sophomore snickering, the kind of laughter that only gets worse when you try to suppress it. A sterner judge would've reprimanded me. Chief simply shook his head, let me get my giggles out, and then proceeded as though nothing had happened.

Another time Chief was in my office, pushing his foot off my desk to lean back in his chair—a little too far. His cool face turned to panic as he grasped for something to break his fall. He managed to bend sideways to avoid crashing

through the glass bookshelves behind him and then laughed with sudden relief.

My favorite meetings involved the entire staff. Chief liked constructive argument, and he wanted to know who disagreed with him and why. He was always willing to change his mind, but steadfast when the time came. In one contentious case he told a staffer working on an opinion to "dissent like hell."

As the December general election approaches, I expect the caricatures of Chief to grow even more grotesque. Mr. Moore has made his share of brash remarks and taken controversial stands. But his critics don't know the man who would buy his staff attorneys dinner if he noticed they were working late. That's the shame of politics: It prevents you from truly understanding people—especially those you oppose.

Mr. Mendenhall is an associate law dean at Faulkner University in Montgomery, Ala., and executive director of the Blackstone and Burke Center for Law and Liberty.

### BOOKSHELF | By Edward Kosner

## The Salt Of the Diamond

### Electric October

By Kevin Cook  
(Holt, 289 pages, \$30)

Of all sports, baseball lives the most in its past. Those meticulous statistics help, of course. And the fact that, over the years, the game has attracted more gifted writers than any other, from Ring Lardner to John Updike, Robert Coover and Philip Roth. Random baseball moments—not just epic coups like Bobby Thomson's 1951 "miracle" home run—persist in memory long after they should have evanesced.

Kevin Cook's heartfelt and entertaining "Electric October" is ostensibly about the 1947 World Series between Joe DiMaggio's Yankees and the Dodgers of Jackie Robinson, Pee Wee Reese and Dixie Walker. The book is really about the lost drama and culture of mid-20th-century baseball still embedded in the minds of old-timers.

A one-time editor at Sports Illustrated, Mr. Cook doesn't focus on the stars DiMaggio and Robinson. Instead he tells the stories of two baseball lifers—the Yankee manager Bucky Harris and the Dodger skipper Burt Shotton—and four bit players: Yankee journeyman pitcher Bill Bevens and Dodgers pinch hitter Cookie Lavagetto, who broke up Bevens's no-hitter in game four; Al Gionfriddo, a diminutive scrub who kept Brooklyn in the series with a sensational catch in game six; and George (Snuffy) Stirnweiss, a Yankee infielder who was labeled a "cheese champ" for having won the 1945 American League batting title in the depleted wartime majors.

As a boy in the Northwest, Bevens was so poor that his Christmas present one year was the chance to fire one shot from a neighbor kid's BB rifle. He grew big, becoming a star high-school athlete but a hard-luck major leaguer. Lavagetto came from Oakland. Talented enough to hang on for 10 years in the big leagues as a player, he was savvy enough to last 17 more as a coach and manager. Bevens had a good year for the Yankees in 1946, winning 16 games, and a mediocre '47, but Harris started him in game four at Ebbets Field with the Yankees leading the series, 2-1.

By 1947, Lavagetto was 34 and stuck on the Dodgers' bench. But with two out in the bottom of the ninth inning, Shotton sent him in to pinch-hit against Bevens, who was one out away from the first no-hitter in Series history. He'd walked 10 Dodgers, though, and two of them were on first and second.

Mr. Cook is especially good at describing what happened next: Ahead of Lavagetto 0-1, Bevens threw a fastball high and outside—and Cookie hit it off the right-field wall. Two runners scurried home as Bevens trudged off the field. Red Barber, the Dodgers' announcer, writes Mr. Cook, "called the sound that followed 'the biggest explosion of noise in the history of Brooklyn.' The Dodgers mobbed Lavagetto. . . . In the broadcast booth, Barber reverted to his Mississippi roots: 'Well, I'll be a suck-egg mule.' Bevens and his wife drowned their sorrow in a Manhattan gin mill.

### A look back at the 1947 World Series—in which Joe DiMaggio and Jackie Robinson played—focusing on six of its unsung heroes.

Neither Bevens nor Lavagetto ever played another big-league game after the Series, but they were bound together forever—mugging for photographers on the anniversary of the game and at old-timers days. Lavagetto, Mr. Cook writes, had become "a human highlight." Bevens hated every minute of it.

Gionfriddo mostly rode the Dodger bench until Shotton sent him in as a defensive replacement in the sixth game with Brooklyn leading, 8-5. Gionfriddo, 25, a coal miner's son from Pennsylvania, was barely 5-foot-6. He was a classic "4-A" player, a star in the high minors, marginal in the bigs. The Yankees had two on with two out when DiMaggio sent a towering drive toward the low fence in left-center field. Gionfriddo scampered back, seemed to stumble, lost his cap—and caught the ball inches from the bullpen. DiMaggio kicked the dirt as he passed second, and the Dodgers survived to play game seven. Gionfriddo went back to the minors and lived to be 81, autographing pictures of his miracle catch until the end.

Stirnweiss is remembered, if at all, not for his 1947 World Series play but for his death at just 39. With the major leagues back at full strength after the war, he reverted to form: a slick-fielding banjo hitter. The Yankees traded him away in 1950, and he was out of baseball two years later. One September morning in 1958, Stirnweiss was commuting on the Jersey Central railroad to his job with a shipping company when the train plunged off a trestle into Newark Bay, killing him and 46 others. The headline on one obit read: "STIRNWEISS, BATTING CHAMP."

The 1947 rival managers fared better. The Yankees won the '47 Series but fired Harris after he failed to win the pennant in 1948. He had started his career as the "boy wonder" player-manager of the 1924 World Champion Washington Senators and ended up now, a generation later, as the general manager of the Boston Red Sox. Seeing his hands shake, Sox great Ted Williams complained that Bucky was a drunk. In fact, he was secretly suffering from Parkinson's disease. The talk kept Harris out of the Hall of Fame until his son, a federal judge in Washington, lobbied him in two years before his death in 1977.

Shotton took over the Dodgers in 1947 when bad-boy manager Leo Durocher was suspended for various transgressions. Durocher came back in '48—and promptly defected to the rival Giants, so Shotton came back to Brooklyn for three more seasons, including another pennant.

Mr. Cook's narrative is splendid, but the subtext of his book is even better. As the stories of his six subjects show, baseball careers are a remarkable succession of triumphs and failures, opportunities grabbed and missed, connections and unpredictable reconnections—a proxy for life itself. Perhaps that's why baseball's memory is so long and so richly rewarding.

Mr. Kosner is the former editor of *Newsweek*, *New York Esquire* and the *New York Daily News*.

### Coming in BOOKS this weekend

FALL READING: Larry McMurtry's *Texas* • Jennifer Egan's *Manhattan Beach* • Reading the Russian Revolution • Debunking Freud • Opposing Mussolini • Building Biltmore • Joy at Wrigley • The delights of cheese • & much more

## OPINION

### REVIEW & OUTLOOK

#### Hazing Justice Gorsuch

The Supreme Court begins its new term next week, with Neil Gorsuch seated for his first full term. He must have made an impression last year because the political left is already attacking him for . . . making speeches outside the Court. Seriously. As for the law, the Justices agreed Thursday to hear *Janus v. Afcme*, which could become a landmark case on coerced political speech and the First Amendment.

The case gives the Court another chance to atone for its mistaken 1977 ruling in *Abood v. Detroit Board of Education* that government can force employees to pay dues that unions spend on causes the employees might not support. *Abood* justified this on grounds that union "agency fees" financed collective bargaining, not political activities. This ignored that collective bargaining by public unions is inherently political since it involves issues like pensions, public services and the level of taxation. Advocacy about these issues is core protected speech under the First Amendment.

Agency-fee money is fungible, and it's clear by now that unions also fund any political activity you can imagine—from Clinton for President, to advocating for a higher minimum wage, immigration reform, legal marijuana and even Supreme Court nominations. This violates what the Court said in 2014 (*Harris v. Quinn*) is a "bedrock principle" that "no person in this country may be compelled to subsidize speech by a third party that he or she does not wish to support."

The High Court has been gradually rolling back *Abood* in recent years, and it looked poised to go all the way in 2016 in *Friedrichs v. California Teachers Association*, a case brought by 10 public school teachers. But Justice Antonin Scalia's death led to a one-sentence 4-4 decision "by an equally divided Court." *Janus* offers a second chance, and Justice Gorsuch is likely to tip the majority in favor of free speech if his First Amendment jurisprudence on lower courts is any guide.

#### Jeremy Corbyn on the March

British Labour Party leader Jeremy Corbyn delivered his annual address to the party faithful on Wednesday, and Britain's political class is kidding itself if it thinks there's no chance the radical leftist could ever become Prime Minister.

Mr. Corbyn's tone was energetic, authoritative and surprisingly human. And why not? He and his party's rank-and-file have been energized by their better-than-expected finish in June's general election, as well as by the chaos engulfing Conservative Prime Minister Theresa May as her cabinet feuds over Britain's departure from the European Union.

Sane people will notice that the fighting spirit in this week's Labour conference is in service of an economic plan that's a recipe for decline. Mr. Corbyn renewed his calls for utility and transport renationalization and higher personal- and corporate-tax rates, and he added a new promise of rent control. These policies haven't worked anywhere they've been tried—including in Britain in the 1960s and '70s.

## OPINION

# The Iran Deal Isn't Worth Saving

By John Bolton

**C**ut, and cut cleanly," Sen. Paul Laxalt advised Ferdinand Marcos in 1986, urging the Philippine president to resign and flee Manila because of widespread civil unrest. The Nevada Republican, Ronald Reagan's best friend in Congress, knew what his president wanted, and he made the point with customary Western directness.

President Trump could profitably follow Mr. Laxalt's advice today regarding Barack Obama's 2015 deal with Iran. The ayatollahs are using Mr. Obama's handiwork to legitimize their

instead on a statutory requirement that every 90 days the president must certify, among other things, that adhering to the agreement is in America's national-security interest. They argue the president should stay in the deal but not make the next certification, due in October.

This morganatic strategy is a poorly concealed ploy to block withdrawal, limp through Mr. Trump's presidency, and resurrect the deal later. Paradoxically, supporters are not now asserting that the deal is beneficial. Instead, they concede its innumerable faults but argue that it can be made tougher, more verifiable and more strictly enforced. Or, if you want more, it can be extended, kicked to Congress, or deferred during the North Korea crisis. Whatever.

As Richard Nixon said during Watergate: "I want you to stonewall it, let them plead the Fifth Amendment, cover up, or anything else if it'll save it—save the plan."

Mr. Trump should not be deceived. The issue is not certification. The issue is whether we will protect U.S. interests and shatter the illusion that Mr. Obama's deal is achieving its stated goals, or instead timidly hope for the best while trading with the enemy, as the Europeans are doing. It is too cute by half to employ pettiness to evade this reality.

U.N. Security Council Resolution 2231 embodies the deal and includes two annexes: the Joint Comprehensive Plan of Action itself, and a statement by the other negotiating parties on "transparency . . . creating an atmosphere conducive" to full JCPOA implementation. Resolution 2231, the JCPOA and the statement were all crafted word-for-word with Iran (with Russia and China acting as



FATEMEH BAHRAMI/ANADOLU AGENCY/GETTY IMAGES

A missile on display during Iran's Sacred Defense Week, Sept. 22.

Tehran's scriveners on the statement), as was the cash-for-hostages swap Mr. Obama sought desperately to conceal. This packaging is more than a diplomatic nicety. It means Iran's ballistic-missile program is integral to the deal—fittingly, since Iran's missiles would deliver its nuclear warheads.

The ayatollahs have neither the desire nor the incentive to renegotiate even a comma of the agreement. Why should they, when it is entirely to their advantage? Both Resolution 2231 and the statement, for example, "call upon" Iran to forgo activity regarding "ballistic missiles designed to be capable of delivering nuclear weapons." The U.N. secretary-general recently reported that Iran is violating this provision and implicitly lying about it. But the deal's language allows Iran to claim solemnly that its missiles are not "designed" to carry nuclear warheads, an assertion whose verification would require polygraphs and psychologists, not

weapons inspectors. This is one of many textual loopholes.

If the deal is vitiated, Tehran would not be freer than it is now to pursue nuclear weapons and ballistic missiles. Not only is the international compliance regime a far cry from Mr. Obama's promised "anytime, anywhere" inspections, crucial language is vague and ambiguous. Mr. Obama's negotiators crippled real international verification by pre-emptively surrendering on what were delicately termed "possible military dimensions" of Iran's nuclear program.

Moreover, simple economic logic suggests that Tehran's scientists are probably enjoying Pyongyang's hospitality, well beyond the International Atomic Energy Agency's limited capability to detect. Even U.S. intelligence could be in the dark if Iran is renting a uranium enrichment facility under a North Korean mountain. It is specious to assert that the North Korean nuclear crisis should lead to deferring action on the Iran

deal. The conclusion should be precisely the opposite: Failure to act decisively on Iran now worsens the global proliferation threat.

The IAEA has interpreted Mr. Obama's possible-military-dimension concession as requiring new evidence before it attempts to visit Tehran's military bases, where the real work on weaponization and missiles is taking place—if not under mountains in North Korea. Mr. Obama acquiesced in this emasculation of the IAEA's will to inspect, making the agency today like the drunk looking for his car keys under a street lamp because the light is better there. This is a sorry caricature of a robust, Reaganesque "trust but verify" regime.

Perhaps the most inane argument is that Congress should decide the deal's fate and whether to reimpose U.S. sanctions. If a president is unwilling to solve this kind of problem, he shouldn't have applied for the job. Watching what has happened on failed legislative efforts to repeal and replace ObamaCare, can anyone doubt that Senate Democrats (joined by Rand Paul) would filibuster any legislative effort to renew sanctions? The only sure way to resume economic pressure on Iran is for President Trump to stop waiving the sanctions, as he did a few weeks ago. The power to act is in executive hands, as it should be.

Mr. Trump knows his mind on Iran. And as Mr. Laxalt said to Marcos, "the time has come" to act decisively.

*Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).*

**The idea of 'decertifying' the agreement but staying in it is too cute by half. Trump should cut cleanly.**

terrorist state, facilitate (and conceal) their continuing nuclear-weapons and ballistic-missile programs, and acquire valuable resources from gullible negotiating partners.

Mr. Trump's real decision is whether to fulfill his campaign promise to extricate America from this strategic debacle. Last week at the United Nations General Assembly, he lacerated the deal as an "embarrassment," "one of the worst and most one-sided transactions the United States has ever entered into."

Fearing the worst, however, the deal's acolytes are actively obscuring this central issue, arguing that it is too arduous and too complex to withdraw cleanly. They have seized

## Autism Research Should Be Financed Like Venture Capital

By John Rodakis

**W**e still don't know what autism is, despite decades of research and billions of dollars spent. We don't know what causes it or how to treat it. This lack of progress is partly the result of structural deficiencies in how autism research is funded. Fortunately, lessons from financial markets and the venture-capital industry can help solve these problems and accelerate the pace of discovery—for autism and perhaps other medical conditions.

Consider recent research by Robert Naviaux, a professor at the University of California, San Diego. Earlier this year he announced results from a clinical trial involving 10 boys with autism. Half were given the drug suramin and showed significantly improved language and social behavior. The study lends further support to Dr. Naviaux's theory that a treatable metabolic condition may underlie autism. This promising lead is welcome news, but it reinforces my view that the scientific understanding of autism is years, possibly decades, behind where it would be if the handful of groups that control virtually all funding for autism research had taken a more-diversified approach.

In finance, markets that are deep—made up of many investors with varying opinions—are more efficient and better at price discovery. Similarly in science, many "investors" funding multiple approaches in parallel should lead to more-rapid advances. Therein lies the problem. In the U.S. just three organizations control 99% of all funding for biomedical research on autism: the federal government (primarily the National Institutes of Health); Autism Speaks (which does commendable work raising awareness); and a large foundation funded by a family. Everyone else collectively makes up less than 1% of funding.

These three organizations almost exclusively support research that aligns with the conventional view of autism as primarily a genetic disorder of brain wiring. The problem is that this "genetics-first" paradigm does not fit the emerging research, including Dr. Naviaux's, and has failed to produce answers. Research that does not fit neatly within this view—or that dares to contradict it—has little chance of being funded.

Case in point: None of the three organizations have supported Dr. Naviaux's recent research or the clinical trial, even after he successfully reversed autism-like behaviors in multiple mouse models. Thankfully, a grass-

roots effort by parents and small nonprofits, including the one I run, was able to supply most of the funding. For the rest, Dr. Naviaux went into debt.

A similar story is what led me to start a nonprofit in 2014. While trying to understand my son's unexpected improvement in autism symptoms while taking a common antibiotic, I was surprised to discover results from

### Three groups control 99% of the money, and novel studies have a hard time getting funding.

a clinical trial published 15 years before. In that study, 8 of 10 boys with severe autism showed significant improvements while taking the antibiotic vancomycin. I met with the researchers years later to find out why they had not followed up on this novel, intriguing finding. They all said the same thing: They could not get funding because their results did not fit the established paradigm.

Portfolio theory teaches that diversification reduces risk, but there is little diversification in autism research funding. In finance, the risk is

of capital loss or increased volatility; in autism the risk is a continued epidemic robbing children of their childhood and the prospect of an independent life. Beyond the personal toll, the economic costs of autism in the U.S. have been estimated at between \$300 billion and \$500 billion a year. Our lack of answers has a high price tag.

As Dr. Naviaux's recent success shows, radical ideas have great value in science, but to be proven, they need to get funded. At the NIH, grant proposals are scored by small committees of *prior grant recipients*, a system that virtually enshrines the status quo. Incrementalism, at best, is the result. Playing it safe almost never produces breakthroughs. I'm sure the people on those committees would like to see progress as much as I would. The problem is not intent, but structure.

What we need is for the "market" that allocates capital to medical research to more closely resemble the risk-taking financial and venture-capital markets. Researchers should be rewarded for stretching beyond conventional views in search of breakthroughs. The obvious need is for more funders with adequate capital and diverse views. This could be fostered by formally combining the power of the venture-capital model

with the passion of the medical nonprofit, but that will take time.

Meanwhile, some stopgaps may help. To ensure that the NIH and other government agencies diversify their autism research efforts, I propose a hard cap—say, no more than 25%—on how much of their grants can go to genetics-related studies, thus mandating diversification.

Another approach would be to start something akin to what Israel's Directorate of Military Intelligence created to counter groupthink: an office of "devil's advocate," staffed by analysts whose job is to identify and challenge conventional points of view. At the NIH this group could fund studies that run counter to the prevailing paradigm.

This is the approach that the nonprofit I founded, N of One: Autism Research Foundation, takes by committing its limited funds to small studies that buck the conventional view in the hopes of seeding a breakthrough. In finance, we call it seed venture capital. It's time we apply the lessons and approaches of a system that works to one that has not.

*Mr. Rodakis is founder and president of the nonprofit N of One: Autism Research Foundation, which supported Dr. Naviaux's suramin study.*

## France May Finally Be Getting Serious About Anti-Semitic Violence

By Eliora Katz

**S**eventy-eight-year-old Roger Pinto was sitting in his suburban Paris home the night of Sept. 7 when three young men broke in and cut off the electricity. They knocked Mr. Pinto unconscious, according to his account, and when he came to, one of them said: "The Jews have lots of money, and you will give us what you have."

They tied up and beat Mr. Pinto, his 72-year-old wife and their son, held them for several hours, and eventually ran off with jewelry, cash and credit cards. The Pintos were treated for minor injuries. Authorities are investigating the attack as a hate crime: "The motivation for this cowardly act seems directly related

to the religion of the victims," said Interior Minister Gérard Collomb.

Such an acknowledgment is unusual in France. Parliament enacted a hate-crime law in 2003, in response to attacks on Jews during the height of the second *intifada* in Israel. But the idea of crimes motivated by bias sits uncomfortably with the French Republican model, based on the notion of integration into a uniform national identity. France officially does not classify its citizens according to race, religion or ethnicity.

Thus officials have often equivocated about designating anti-Semitic attacks as hate crimes. In 2014 four armed burglars allegedly broke into a young Jewish couple's residence and raped the 19-year-old woman while pinning down her partner. As in the

Pinto case, the suspects demanded money, asserting: "Jews, you have money at home, you do not put it in the bank." Prosecutors charged the suspects with group rape, robbery and abduction but dropped hate-crime charges this past February.

French authorities initially denied anti-Semitic motives in the brutal 2006 kidnapping, torture and murder of 23-year-old Ilan Halimi by a band of Muslim thugs styling themselves the Gang of Barbarians, only to acknowledge them at trial three years later. The clues weren't hard to find: When the working-class Halimis couldn't pay the ransom his captors initially demanded, the gang replied: "Go and get it from your synagogue." They also contacted a rabbi and told him: "We have a Jew."

This past April Sarah Halimi, a 66-year-old Orthodox Jew (who had no

direct relation to Ilan Halimi), was killed when a neighbor allegedly broke into her third-story Paris apartment, beat her and pushed her out the window. The suspect was

### A hate-crime law has been in effect since 2003, but until recently prosecutors hesitated to employ it.

captured in another neighbor's apartment, where he was holed up chanting verses from the Quran. (The suspect has claimed insanity.) Only last week, after months of pressure from the Jewish community, did French prosecutors classify Sarah Halimi's killing as a hate crime.

Jews have also been prominent public targets. A man pledging allegiance to Islamic State killed four at a Parisian kosher supermarket just after the Charlie Hebdo massacre in 2015, and Mohammed Merah's 2012 shooting rampage at a Jewish school in Toulouse also took four lives. Pro-Palestinian protesters chanted "Death to the Jews" and "Hitler was right" in 2014, as they marched through Paris setting Jewish shops ablaze and besieging synagogues. Street assaults, graffiti and taunts are common.

The violence and hostility are taking a toll on the community. Whereas 30 years ago most French Jews enrolled their children in public schools, only about one-third do today. Some 40,000 French Jews have emigrated since 2006, more than 20,000 of them between 2014 and 2016. After the 2015 supermarket murder, 12,000 soldiers were deployed to protect

Jewish institutions. But there are half a million Jews in France, and the army isn't big enough to guard all of their homes.

I interviewed two French Jewish philosophers, who offered contrasting views of the crisis. Tunisian-born Georges-Elia Safrati praised President Emmanuel Macron for his willingness to "call a cat a cat"—not only by classifying recent attacks as hate crimes but also noting in July that anti-Zionism is a "reinvented form of anti-Semitism."

Mr. Safrati is nonetheless pessimistic: "The 'new anti-Semitism' is closely connected to the massive Muslim immigration in France, and it is not politically correct to criticize the Muslim anti-Semitism, since Muslims were victims of colonialism," he says. "No government will be courageous enough to deal with Judeophobia. It is not a national priority. . . . These attacks illustrate that Jews are clearly not safe, and part of French society considers us to be dangerous strangers, or second-class citizens."

Bernard Henri-Lévy observes that "French society is animated by a fierce, nearly suicidal, will to ignore and to deny: We say 'terrorism,' and not 'Islamic terrorism,' and 'case of violence' instead of 'anti-Semitic attack' . . . France is afraid of words." Yet he also says "French Jews, nowadays, are proud, and free, and strong"—as evidenced by their demands for action against anti-Semitic hate crimes as well as their successes in French society.

Who's right? The French love a paradox, and perhaps the truth lies somewhere in between.

*Ms. Katz is a Robert L. Bartley Fellow at the Journal.*

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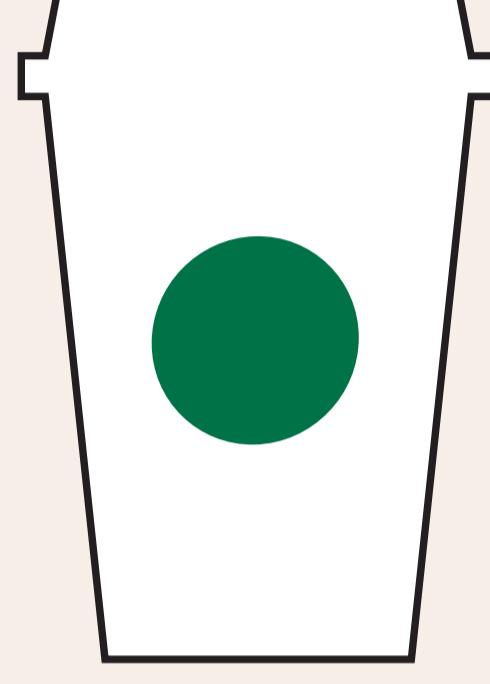
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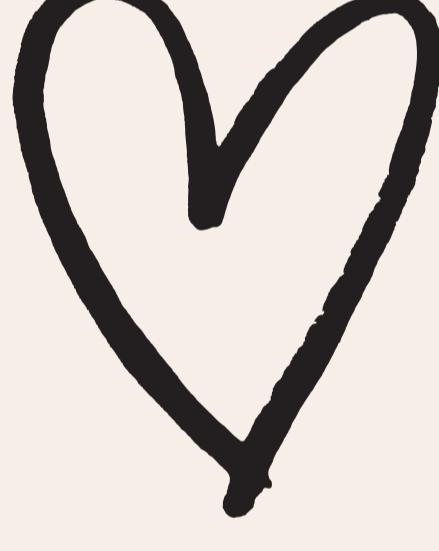
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## Arrest Made in German VW Probe

Former engine chief charged in connection with plot to rig emission tests

By WILLIAM BOSTON

BERLIN—The investigation into Volkswagen AG's emissions-cheating scandal took a dramatic turn Thursday, when the former engine chief of the auto maker was arrested in connection with its rigging of diesel-powered cars to dupe regulators, a person familiar with the situation said.

Wolfgang Hatz was arrested on Wednesday and arraigned before a judge in Munich on Thursday, after which he was held in pretrial detention, the person said. It wasn't immedi-

ately clear whether Mr. Hatz would be released on bail.

The arrest is significant because Mr. Hatz oversaw engine development at the time Volkswagen engineers devised a plan to install illegal software on some diesel engines to make them appear as though they could meet strict restrictions on tailpipe emissions in the U.S.

Mr. Hatz, the most senior executive to be arrested in the investigation, was also a confidant of Martin Winterkorn, the former chief executive of Volkswagen who resigned days after the scandal was made public. Mr. Winterkorn has denied any knowledge of the use of illegal engine software to game emissions tests. He hasn't been accused of wrongdoing in connection with the

investigation.

A motor-racing enthusiast, Mr. Hatz joined Volkswagen in 2001 and spent much of his career in engine development, with earlier stints at BMW, Opel and Fiat. He ran Audi's engine-development program from 2001 to 2007, when he also served as Volkswagen's engine chief.

In 2011, he was made a board member at Porsche AG, Volkswagen's sports-car maker, in charge of research and development. At Porsche, he was instrumental in developing the engine with which Porsche won the 24-hour Le Mans race in 2015. He also played a key role in developing Porsche's first electric sports car, the "Mission E," meant to rival Tesla cars when it is launched in 2019.

German authorities wouldn't identify Mr. Hatz by name, citing the country's privacy laws. They would only confirm that a person had been arrested on Wednesday in connection with an investigation into the role of Audi, Volkswagen's luxury-car unit, in the emissions-cheating scandal.

That person, they said, appeared in court on Thursday where a judge read out the charges of fraud and illegal advertising.

U.S. environmental regulators disclosed in September 2015 that Volkswagen had installed illegal software on some diesel engines used in cars that were sold to American consumers. Volkswagen then admitted to installing the software on millions of vehicles world-wide.

By the end of 2016, Volkswagen had pleaded guilty to conspiracy to defraud the U.S. government and had settled a number of civil lawsuits and agreed to pay nearly \$25 billion in fines, penalties and compensation for consumers.

The Justice Department has indicted several Volkswagen employees and former employees in connection with the scandal. Two Volkswagen employees pleaded guilty in the U.S. One has been sentenced to serve 40 months in prison. Another is in prison awaiting sentencing.

Engineers at Volkswagen rigged 2-liter diesel engines for compact cars that were used by Volkswagen and some of its other brands to turn on

Please see VW page B5

**STREETWISE**  
By James Mackintosh

## Take Fed's Forecasts With Grain Of Salt

The most important message for economists from the Federal Reserve last week was the lowering of rate-setters' long-run forecast for interest rates.

Fed policy makers dropped their average prediction for long-run interest rates from 3% to 2.8%, implying that if the economy were working perfectly, rates wouldn't need to be so high to stop inflation from taking off.

That should be great news for Treasurys, right? Lower yields mean higher prices, after all. Yet investors seem to have ignored the change. Traders focused instead on the prediction of another rate increase this year. The minireflation trade that was already under way has accelerated, helped by rising hopes of tax cuts. Bond yields have risen, which shareholders took as a cue to rotate out of the soaring technology stocks into weaker sectors more likely to benefit from a stronger economy.

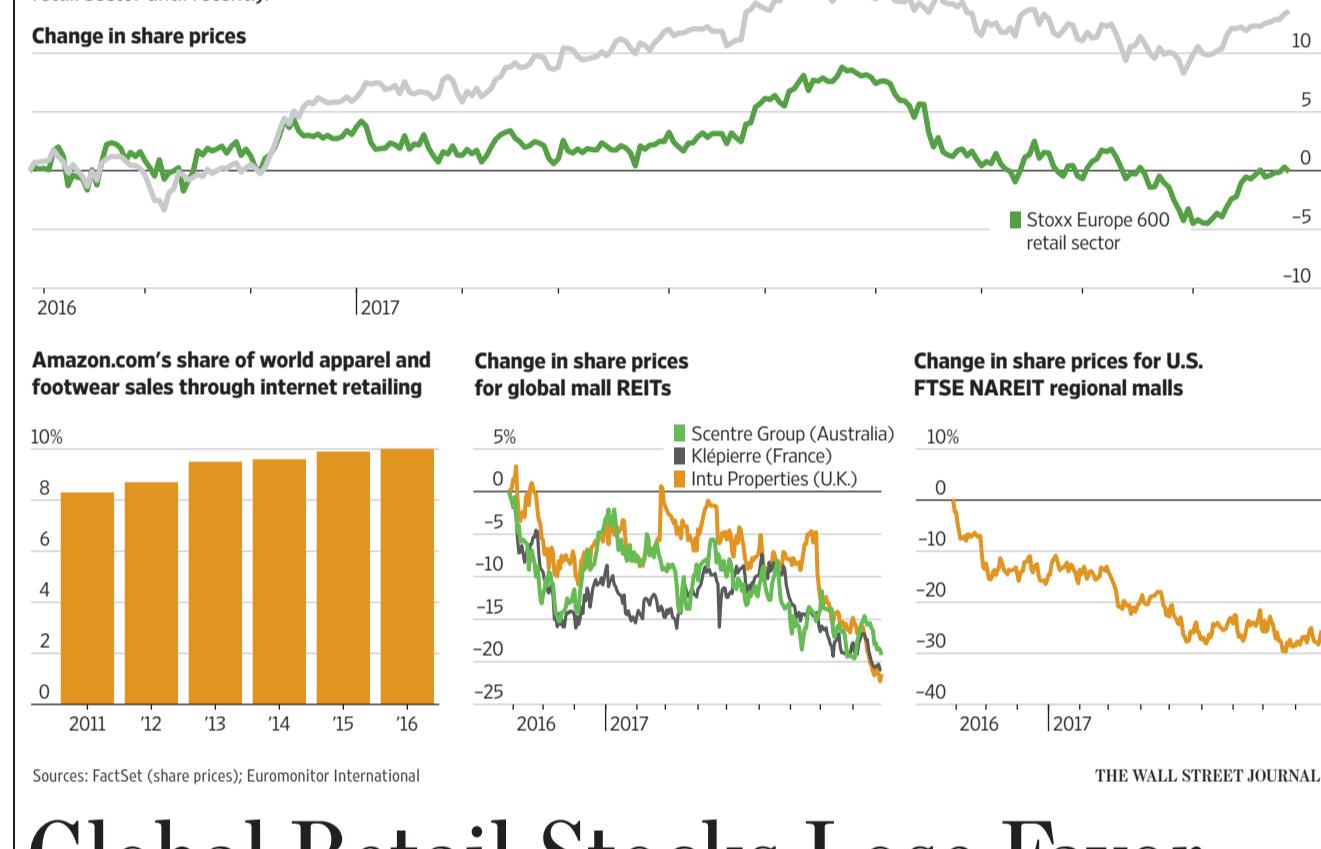
What is known as the long-run neutral rate of interest, the natural rate, or "r\*," has a big influence on how policy makers set rates. It is the rate that should keep inflation steady when

Please see STREET page B2

### Amazon Effect Sours Investors on Global Retail

The Seattle-based giant has had little impact on Europe's retail sector until recently.

Change in share prices

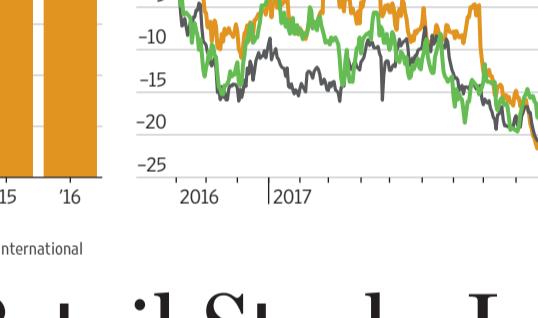


### Amazon.com's share of world apparel and footwear sales through internet retailing

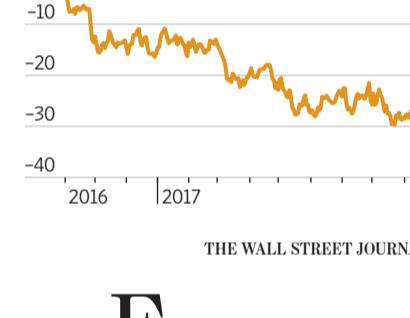


Sources: FactSet (share prices); Euromonitor International

### Change in share prices for global mall REITs



### Change in share prices for U.S. FTSE NAREIT regional malls



THE WALL STREET JOURNAL.

## Global Retail Stocks Lose Favor

By RIVA GOLD  
AND SAABIRA CHAUDHURI

Amazon.com Inc.'s expanding reach is prompting investors to dump shares of retailers far from the U.S.

The Seattle-based company is hastening a global move to online shopping that is plunging many overextended retailers into crisis, forcing some to eliminate physical stores, cut prices or even file for bankruptcy.

While the "Amazon effect" has been most pronounced in the U.S., investor concern overseas has been rising.

"Virtually every retailer needs to assume Amazon is

coming for them," said Eddie Perkin, chief equity investment officer at Eaton Vance Investment Managers. "What companies and investors thought were immune categories have turned out not to be immune."

Mr. Perkin has been avoiding shares of many brick-and-mortar retailers even as their prices have fallen.

The Stoxx Europe 600 retail sector has shed 3.7% so far in 2017, even as the wider European benchmark has gained 6.9%. Retail was Europe's least popular sector among fund managers surveyed by Bank of America Merrill Lynch in September. Europe had been partly sheltered from Ama-

zon's impact until recently. In 2015, the Stoxx Europe 600 retail sector had gained 8%, even as the U.S. SPDR S&P Retail ETF fell 9.9%.

U.S. retailers expanded aggressively for years and have recently been forced to reverse course, closing stores at a record pace, whereas European and Australian retailers don't have the same space glut. American brands are also more dependent on selling products through department stores than European ones, meaning they have been harder hit by struggles at big chains such as Macy's Inc.

Shoppers globally are increasingly accustomed to buy-

ing online, meaning retailers the world over are feeling pressure over their prices, delivery and range of products.

Amazon's international sales increased 16% in the first half of 2017 from a year earlier. The online giant—which has been opening fulfillment centers and launching its own fashion brands in Europe—made up one-third of all retail sales growth in the U.K. and Germany last year, according to Morgan Stanley.

"Looking at capital expenditures and distribution centers Amazon is putting down—that's a real signal of intent," said Jeroen Huysinga, portfolio

Please see RETAIL page B2

## Tax Proposal Is Winner for Wall Street

By TELIS DEMOS  
AND LIZ HOFFMAN

Wall Street has hungered for a tax overhaul, and with good reason. If it spurs stronger economic growth, corporate borrowing and finance firms' profits could jump.

A lower corporate tax rate as called for in the tax framework unveiled by the Trump administration Wednesday should immediately boost banks' own profits. Bankers expect some pain points but are confident the benefits will outweigh them.

Morgan Stanley Chief Executive James Gorman said at an industry conference in June that a 25% corporate tax rate would lift his bank's earnings by 15%, assuming no changes to the business mix. The Trump framework calls for a 20% rate, so the benefit could be even greater.

Citigroup Inc. has said that a cut to a 25% rate plus a tax holiday on foreign earnings would have boosted its annual net income by \$800 million, or by about 5%. It also would improve the bank's return on eq-

uity by more than 1 percentage point, estimated John McDonald, an analyst at Sanford Bernstein.

Any fillip in economic growth could potentially help reverse a decline in business-loan growth experienced since late last year. Some bank executives have attributed this slowdown to clients waiting for a tax overhaul to be finalized before ramping up borrowing and investing in their businesses. A lack of clarity also has been cited as a slowing factor for deal making on companies' part.

Smaller banks could also reap bigger gains since they

have relatively high effective tax rates and businesses that are almost purely domestic, Evercore ISI analysts said in a note. A potential tax cut to 28% from 35% could boost 2018 earnings for regional banks by a median of 9%, they said.

The Trump proposals also

Please see LENDERS page B2

## INSIDE



### RAP SHOW IS ONLINE SMASH IN CHINA

CHINA CIRCUIT, B4



### A STARTUP GETS THEM TRADING YOUNG

FINANCE, B10

## Rising Roku

Roku's 68% jump on the first day of trading was the biggest of any U.S.-listed IPO this year.\*

Roku	68%
Zai Lab	55
Floor & Decor	53
PetIQ	46
MuleSoft	46
Redfin	45
Snap	44
RYB Education	40
Okta	38
Bright Scholar Education	28
Canada Goose	27

\*Among companies that raised at least \$100 million. Source: Dealogic

THE WALL STREET JOURNAL.

## Roku Soars in Upbeat IPO Sign

BY CORRIE DRIEBUSCH AND MAUREEN FARRELL

Roku Inc. shares surged in their trading debut, a welcome sign for the stalled technology IPO market.

Shares of the company, which makes streaming-media devices and software, rose \$9.50, or 68%, to \$23.50, closing at their session high and bringing Roku's valuation to \$2.2 billion. The stock opened at \$15.78 and traded only as low as \$15.75.

Roku's first-day jump is the biggest this year among all U.S.-listed IPOs that raised more than \$100 million, according to Dealogic. The initial public offering was priced late Wednesday at \$14 a share, the top end of the expected range, raising about \$219 million.

The tech IPO market has been quiet and suffered a pair of big stumbles in the shares of Snap Inc. and Blue Apron Holdings Inc. That recent poor performance has led some bankers to price deals more conservatively, said a banker who has worked on recent IPOs but not on Roku's.

Both Snap and Blue Apron shares are down in the double digits on a percentage basis

# \$2.2B

Valuation of Roku based on Thursday's closing stock price

from their IPO prices earlier in the year. Of course, a company's first-day bump doesn't always mean its early days as a public firm are considered a success; Snap's shares jumped 44% on their first day of trading.

Snap's and Blue Apron's declines have cast doubt on the valuations of some Silicon Valley startups even as publicly traded tech companies have outperformed the broader stock market this year. Should Roku continue to trade well in coming weeks, it could induce some of the dozens of tech companies waiting on the sidelines to brave the IPO market.

Some of the rise in Roku's shares comes from an investor base hungry for growth companies to bet on. While the amount of money raised by tech companies listing on U.S. exchanges has more than doubled year over year to \$7.1 billion, the number of companies is up only somewhat—20 have made their debuts this year, compared with 17 at the same time in 2016, according to Dealogic.

Some traders say investing in Roku is a way to place a bet on video-streaming offerings as more households cut the cord on cable. Buying shares of Netflix Inc. had been one of the few ways to bet on a company mostly focused on streaming.

In 2016, Roku generated nearly \$400 million in revenue, according to the company. At June 30, Roku said it had 15 million monthly active accounts, up 61% from the same time a year earlier.

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Beach Energy	.....B3	
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## BUSINESS NEWS

# Toshiba Sale Of Chip Unit Faces Hurdles

By TAKASHI MOCHIZUKI  
AND KOSAKU NARIOKA

TOKYO—A nearly \$18 billion deal for Toshiba Corp.'s memory-chip unit could strengthen the No. 2 competitor in a rapidly growing industry—if the deal survives regulatory and legal hurdles.

Eight months after Toshiba said it wanted to sell part of the unit, it finally signed a contract with a buyer Thursday. The buyer group is led by Bain Capital LLC and will get financing from Apple Inc., South Korean chip maker SK Hynix Inc. and other major technology companies.

If the deal closes by March 31, Toshiba's target date, it is set to bring the industrial conglomerate's balance sheet back into the black.

Several of the companies involved in the buyer group are big customers for the unit's NAND flash-memory chips and are hoping to bolster Toshiba, a distant No. 2 to industry leader Samsung Electronics Co. The chips are used in a broad range of electronics from smartphones to computer servers.

Seagate Technology PLC,

**Western Digital**  
contends it has the  
right to veto the sale  
of the chip unit.

a maker of computer storage products that joined the Bain-led consortium, said need for the chips was growing.

"We must be able to support these demands," said Chief Executive Steve Luczo.

The deal, if completed, will also create a loose alliance between Toshiba and SK Hynix, which is No. 5 in NAND flash memory, according to IHS Markit. The South Korean company is providing about \$3.5 billion in financing for the Bain alliance and is taking bonds convertible into a stake of as much as 15% in the Toshiba chip unit.

"The sale was a great opportunity for SK Hynix to catch up in the NAND market and increase its presence in the broader computer chip market," said Satoru Oyama, chief executive of Tokyo-based consulting firm Grossberg. SK Hynix is already second to Samsung in DRAM, another kind of memory chip.

But Mr. Oyama said he saw a high risk of the Bain deal failing to go through because

of objections by Western Digital Corp., Toshiba's partner in operating the flash-memory business. He said SK Hynix would want to look for a Plan B, such as talking with others in the market about partnerships.

Western Digital contends it has the right to veto the sale of the chip unit and has brought a case at the International Court of Arbitration. Toshiba says Western Digital doesn't have any veto right.

If the arbitration panel orders Toshiba not to sell part of its memory-chip unit, the Bain-led group would subtract that part's value from the sale price, Toshiba said. Even so, a Toshiba spokesman said the company expected it would get enough cash to put its balance sheet back in the black by March 31.

Another hurdle is antitrust clearance, especially because of the involvement of SK Hynix. To ease antitrust concerns, Toshiba pledged that SK Hynix wouldn't be able to access the unit's chip technology or raise its stake beyond 15% for the next 10 years.

Toshiba created NAND flash memory and has long been a leader in the technology. But it fell behind Samsung in part because the memory-chip plants require frequent multibillion-dollar investments to keep pace.

Those investments became more difficult in recent years as Toshiba focused on its nuclear-plant business—another heavy user of capital.

When Toshiba's U.S. nuclear unit, Westinghouse Electric Co., filed for bankruptcy protection in March, it was clear that the chip unit could stay abreast of rivals only with a large infusion of money from the outside.

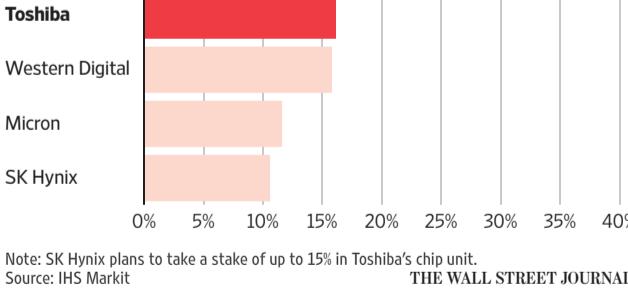
The unit lost precious months as Toshiba executives, bankers and government officials debated who was the worthiest buyer. People familiar with the business said it has lost some engineers with expertise and fell behind Samsung in buying equipment needed to make the latest chips, which is itself in short supply.

A Toshiba spokesman said the company believes it has secured the equipment it needs.

Last month, Toshiba said it would spend about \$1.6 billion to beef up capacity at its main factory in Yokkaichi, central Japan, and this month it said it would open a new location in northern Japan by the end of next year to meet rising demand.

## Chasing Samsung

Toshiba is a distant second in the market for NAND flash-memory chips. Top five companies by 2Q 2017 market share:



Note: SK Hynix plans to take a stake of up to 15% in Toshiba's chip unit.

Source: IHS Markit

THE WALL STREET JOURNAL.

a common architecture for fully electric powertrains. Denso and Mazda will each take 5% stakes.

—Adrienne Roberts

## ORIGIN ENERGY

### Oil and Gas Unit Sold for \$1.24 Billion

Origin Energy Ltd. is selling its conventional oil and gas production business for US\$1.24 billion to slash debt and focus more on exports of chilled coal seam gas to Asia that lawmakers have blamed for worsening eastern Australia's energy shortages.

Origin said it would sell its Lattice Energy unit to Beach Energy Ltd. after ditching earlier plans for an initial public offer-



The company is trying to catch up with a consumer shift toward fresher fare, a preference that has hurt sales of breakfast cereal.

# Kellogg's CEO Ends 7-Year Tenure

John Bryant hands over job of reviving growth amid slump in U.S. cereal sales

By ANNIE GASPARRO  
AND JOANN S. LUBLIN

Kellogg Co. chose an outsider as its new chief executive, becoming the fifth major food-and-beverage company to name a new leader in a tumultuous year for the industry.

Steven Cahillane, the 52-year-old CEO of health-and-wellness company Nature's Bounty Co. and a former Coca-Cola Co. executive, will succeed Kellogg CEO John Bryant next week.

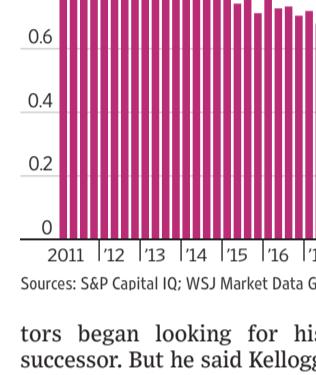
Mr. Bryant said Mr. Cahillane's experience running a company that sells natural and organic supplements will help Kellogg expand its own health-conscious product offerings. "Steve can hit the ground running on Monday," Mr. Bryant, 51, said in an interview. Kellogg wouldn't make Mr. Cahillane available for an interview.

Mr. Cahillane emerged as a strong contender early in Kellogg's monthslong search for a new CEO, said a person familiar with the company. Mr. Bryant wouldn't say when direc-

## Stale Sales

Kellogg's sales have suffered amid a broad turn away from cereal and older packaged food brands.

### 'Morning Foods' segment sales



Sources: S&P Capital IQ; WSJ Market Data Group

### Share price



THE WALL STREET JOURNAL.

shift toward fresher, more-niche brands has also confounded executives at other big food and beverage makers whose products filled U.S. grocery carts for more than a century. Coke, Mondelez International Inc., Hershey Co. and General Mills Inc. have all also named new chief executives in the past year.

Mr. Cahillane, who joined Nature's Bounty as CEO in 2014, produced "good returns for the investor" partly by bringing in a new management team, one of his longtime acquaintances said. In July, private-equity firm KKR said it was acquiring a majority stake Nature's Bounty.

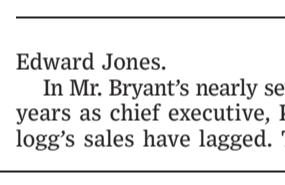
But Mr. Cahillane had a mixed record at Coke, where he worked for seven years, including as head of the company's America's division, this person said. He "got blamed" for poor performance in North America, the acquaintance said.

Coke declined to comment beyond a 2013 statement praising his leadership of the North America unit under tough economic conditions.

Mr. Bryant will remain chairman of Kellogg's board until March, when Mr. Cahillane will add that role.

Mr. Bryant, who has worked for Kellogg since 1998, said he is leaving to spend more time with his family.

but we believe Mr. Cahillane's fresh perspective will be good," said Brittany Weissman, a consumer analyst at



Edward Jones.

In Mr. Bryant's nearly seven years as chief executive, Kellogg's sales have lagged. The

# AbbVie, Amgen Settle Humira Patent Fight

By PETER LOFTUS

Drugmakers AbbVie Inc. and Amgen Inc. reached a patent-dispute settlement requiring Amgen to wait until 2023 to start selling a lower-price copy of the world's top-selling drug, AbbVie's arthritis treatment Humira, in the U.S.

The deal could give AbbVie an unusually long 20-year U.S. monopoly on sales of the expensive biotech drug that went on sale in early 2003, assuming no other rivals manage to bring copies to market before 2023. Humira costs more than \$57,000 annually a patient and had U.S. and global sales last year of \$10.4 billion and \$16 billion, respectively.

The deal suggests that the industry's longstanding strategy of using patents to ward off cheaper competition for brand-name drugs is extending into the era of "biosimilars," the industry name for copies of biotech drugs, which are proteins secreted by genetically modified cells.

Such drugs are newer to the market and harder to copy than traditional chemical pills.

Companies have long acquired additional patents that expire years after a drug's original patent to extend market exclusivity for traditional pills or solutions, such as Pfizer Inc.'s erectile-dysfunction drug Viagra and Eli Lilly & Co.'s cancer drug Alimta.

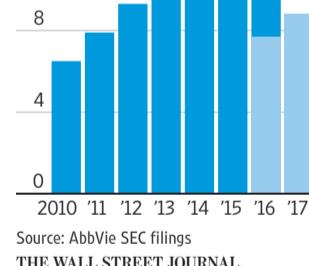
Because they are a newer phenomenon, biotech drugs haven't faced copycat competition in the U.S. until recent years. A 2010 law cleared a path for regulators to start approving biosimilars; the first one was approved in the U.S. in 2015.

AbbVie secured more than 100 patents to protect its sales of Humira, a biotech drug originally approved for U.S. sale in 2002. It treats a range of conditions including rheumatoid arthritis and gut disorders. The initial U.S. patent for Humira expired in December 2016, but the additional patents, which cover things such as manufacturing methods and the drug's formulation, expire in the 2020s.

Drug companies often challenge the validity of patents held by rivals, and the disputes end up in court. Sometimes the court cases result in settlements that allow a

## Big Medicine

Global sales of AbbVie's Humira treatment for rheumatoid arthritis and other diseases.



\$16 billion

First half

pay royalties under the agreement; the companies declined to disclose additional financial terms. AbbVie shares rose 5% to \$88.96 Thursday.

The companies' dispute began when Amgen received Food and Drug Administration approval to start selling a copy of Humira in the U.S. in September 2016. AbbVie sued Amgen in federal court in Delaware, seeking to block the copy and alleging it violated many AbbVie patents. Amgen didn't start selling the copy because of the patent litigation. Amgen previously tried to invalidate some Humira patents in a challenge filed with an arm of the U.S. Patent and Trademark Office, but failed.

Under the new settlement, Amgen said AbbVie will grant patent licenses for the sale of its biosimilar, and the companies have agreed to dismiss all pending litigation. Amgen expects to launch the drug in Europe in Oct. 16, 2018, and in the U.S. on Jan. 31, 2023.

The deal could also raise the ire of politicians, health insurers and patients who are counting on biosimilars to help reduce the hefty cost of many biotechnology drugs.

## BUSINESS WATCH

TOYOTA MOTOR

### Venture to Develop EV Technology

Toyota Motor Corp. said Thursday it is setting up a venture with Mazda Motor Corp. and automotive supplier Denso Corp. to develop electric-vehicle technology, part of a shift by the car maker into fully electrified engine-powered cars and trucks.

The new company, EV Common Architecture Spirit Co., is the latest tie-up between Toyota and Mazda, which formed an alliance in 2015 and last month unveiled plans to jointly build a \$1.6 billion plant in the U.S.

Toyota is leading the charge, taking a 90% stake in the EV venture, which will help it create

a common architecture for fully electric powertrains. Denso and Mazda will each take 5% stakes.

—Adrienne Roberts

## ORIGIN ENERGY

### Oil and Gas Unit Sold for \$1.24 Billion

Origin Energy Ltd. is selling its conventional oil and gas production business for US\$1.24 billion to slash debt and focus more on exports of chilled coal seam gas to Asia that lawmakers have blamed for worsening eastern Australia's energy shortages.

Origin said it would sell its Lattice Energy unit to Beach Energy Ltd. after ditching earlier plans for an initial public offer-

ing, which would have been one of the biggest new listings on the Australian Securities Exchange this year.

"While Lattice Energy was ready to be a successful independent listed entity, the sale to Beach represented the most attractive option to deliver value to Origin shareholders," Origin Chief Executive Frank Calabria said.

—Mike Cherney  
and David Winning

## ETIHAD AVIATION GROUP

### Airline Names

#### A New Chief

Abu Dhabi's Etihad Aviation Group on Thursday named a new chief executive to navigate

a strategic shift following hefty financial losses from investments in other airlines.

Tony Douglas is joining Etihad from the U.K.'s Ministry of Defense, where he was responsible for buying and supporting equipment for the country's armed forces. He has held several roles in the aviation industry, including as chief executive of Heathrow Airport, and spent part of his career in Abu Dhabi, notably as the head of the emirate's airports operator.

He succeeds longtime chief executive James Hogan, who left the company earlier this year. Over the past decade, Mr. Hogan spearheaded Etihad's transformation from a fledgling carrier into a global airline.

—Nicolas Parasie

MARK RALSTON/AGENCE FRANCE PRESSE/GETTY IMAGES



An Etihad Airlines plane landing at the Los Angeles airport

## TECHNOLOGY

WSJ.com/Tech

# IKEA to Acquire ‘Gig Economy’ Startup

TaskRabbit, a service for odd jobs, could help customers in assembling furniture

BY SAABIRA CHAUDHURI  
AND ELIOT BROWN

IKEA agreed to acquire Silicon Valley startup TaskRabbit—the online marketplace that connects people with freelancers willing to run errands and do odd jobs—combining the pioneer of the flat pack with a trailblazer of the so-called gig economy.

IKEA said it would use TaskRabbit to make it easier for its existing customers to assemble its shelves, sofas and beds. It didn't detail precisely how or when it would integrate the online and app-based service.

TaskRabbit earlier this year hired bankers to look for a buyer. Terms of Thursday's deal, expected to close in October, weren't disclosed. Documents related to a financing round from 2015 suggest TaskRabbit then had a valuation of about \$50 million.

That is pocket money for a giant like Sweden-based IKEA, but the deal represents a bigger strategic tack at the furniture company. It also underscores a broader shift at many large companies grappling with big changes brought on by digitization. Many established corporations are increasingly turning to Silicon Valley to help their business grow, or slow their declines—sometimes spending heavily on small venture capital-backed startups that have



TROY HARVEY/BLOOMBERG NEWS

A California IKEA. The retailer's purchase of TaskRabbit underscores a broad shift among companies grappling with digitization.

strong traction with young consumers.

Especially where older industries are shifting rapidly, deals have piled up. Auto makers have become prolific investors and buyers of self-driving startups. Wal-Mart Stores Inc. has become one of the more active buyers of startups as it grapples with a shift to e-commerce, including a June deal to buy men's online clothier Bonobos.

Several large firms have launched small Silicon Valley outposts and venture capital arms of their own. Often, though, they say it makes more sense to buy these startups than build a new brand or

operation themselves.

The TaskRabbit deal is IKEA's first foray anywhere near Silicon Valley. The privately held company—when it has bought anything at all—has tended to focus on purchases in forestry and manufacturing.

A number of services already offer IKEA furniture assembly for a fee, including IKEA itself, which charges \$89 to assemble furniture costing up to \$299. It charges more for more expensive furniture. TaskRabbit's services are cheaper, with freelancers in Houston, for instance, offering to deliver and assemble IKEA furniture for as little as \$30

an hour.

Founded in 2008, TaskRabbit was an early mover in the world of on-demand marketplaces, predating Uber Technologies Inc., which was founded a year later.

While TaskRabbit has grown recently, with revenue doubling every year in the past three years, it has struggled over the past decade to gain the kind of giant following its backers once imagined. The company must also constantly replenish its freelance workforce with people who are reliably available for jobs, and encourage repeat business from customers who may only rarely need a handyman.

TaskRabbit in April confirmed it was up for sale, saying the company could benefit from being on a larger platform.

On Thursday, TaskRabbit Chief Executive Stacy Brown-Philpot—a former Google executive—said IKEA could increase the earning potential of Taskers—those who offer their services on the app—and connect more consumers to a wide range of affordable services.

TaskRabbit, which is based in San Francisco, is available in 40 U.S. cities as well as London. IKEA said the service could be rolled out to more countries at a later date.

## Instacart Nears Partnership With Canada’s Loblaw

Grocery-delivery startup Instacart Inc. has refrained from rushing expansion beyond the U.S., unlike many other startups valued at more than \$1 billion. But Amazon.com Inc.'s surprising acquisition of Whole Foods has changed those plans.

Instacart is near a deal to partner with Canada's largest grocer, Loblaw Cos., to launch its service there in the coming months, according to people familiar with the matter.

The deal will allow Instacart to begin delivering groceries from Loblaw stores in Toronto and then expand nationally throughout the grocery chain over the next year, one of the people said. Instacart already has delivery deals with well-known U.S. retail chains, including Whole Foods, Costco Wholesale Corp. and Target Corp., where the startup relies on contract employees to pick and bag groceries and deliver them to customers' doorsteps.

Instacart, which operates in 38 U.S. states, had considered expanding into Canada for the past three years. Then Amazon's Whole Foods deal in June jolted the food retail industry and accelerated Instacart's talks with three national grocers, including Loblaw, according to another person familiar with the matter.

—David George-Cosh  
and Greg Bensinger

## GoPro Launches New Devices as It Battles Smartphone

BY YOREE KOH

GoPro Inc. is betting on two new devices to differentiate itself from the rapidly advancing camera technology found in smartphones, and to help it reclaim profitability.

At a product unveiling Thursday, the action-camera company announced the Hero 6 Black, a refreshed version of its flagship camera aimed at adventure seekers.

The Hero 6 Black is packed for the first time with a custom processor created specifically for GoPro. The company said the camera includes digital zoom, improved voice control, simpler editing software and the ability to transport footage at three times the speed than its predecessor. It sells for \$499, about \$100 more than its previous version.

The camera, though, also highlights the challenges GoPro faces as it competes for consumers who increasingly shoot their lives on the smartphones readily available in their pockets. For instance, the Hero 6 Black will be able to shoot in 4K at 60 frames a second, the same capabilities in Apple Inc.'s new iPhone 8. The camera also carries a price tag just shy of the entry price for some premium smartphones.

To differentiate itself, GoPro also announced Fusion, a long-awaited 360-degree spherical camera it has been teasing since last year.

While other 360-degree cameras have hit the market in recent years, GoPro is banking on features such as Over-

Capture, which will allow consumers to capture every angle at once and choose later which perspective they want to share via the GoPro app.

The Fusion is available for preorder for \$699, with shipments starting in November. However, some of its distinct software tricks, such as Over-Capture and filters that can manipulate footage's perspective, won't be available until next year.

The product launches come as GoPro is trying to rediscover its footing after a rough year that included supply-chain snafus, an embarrassing recall and layoffs. Sales had dropped by half.

GoPro is showing some signs it is headed in the right direction.

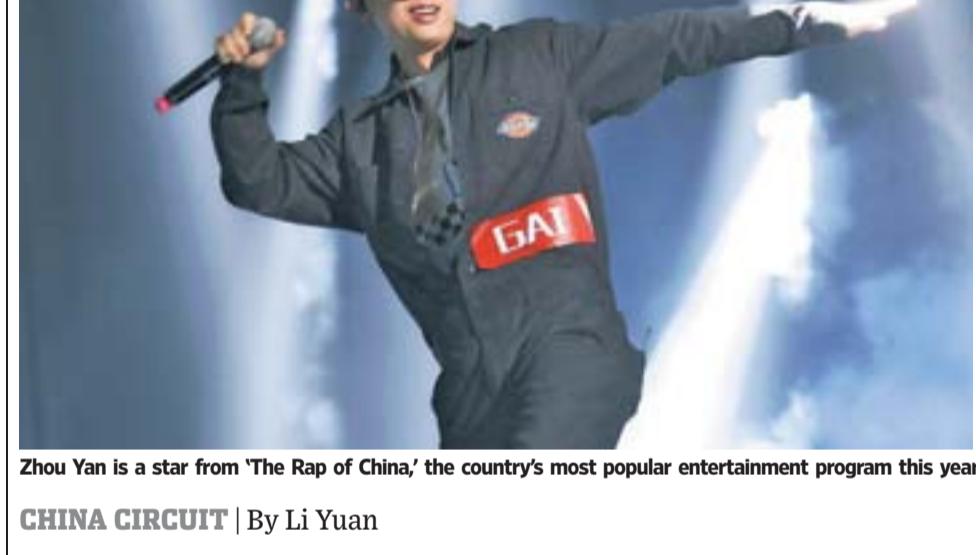
It logged a loss of \$12.9 million in the second quarter, narrowing from \$72.6 million a year earlier.

Earlier this month, the company said it expects third-quarter revenue to come in at the upper end of its prior guidance of between \$290 million and \$310 million.

Stanley Kovler, an analyst at Citigroup, estimates the new guidance implies roughly 35,000 to 40,000 in additional camera-unit sales.

GoPro Chief Executive Nick Woodman said Thursday's launch has been its smoothest yet. "We know that we had challenges with that in the past," he told analysts on a conference call, "and this year we got it right."

Heard on the Street: GoPro needs to tame the thrills... B12

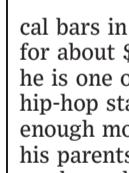


IQYI

Zhou Yan is a star from 'The Rap of China,' the country's most popular entertainment program this year.

CHINA CIRCUIT | By Li Yuan

## Young Online Viewers Make Hip-Hop Show a Sensation



Until a few months ago, Zhou Yan, a 30-year-old rapper, performed at local bars in Chongqing city for about \$75 a night. Now he is one of China's biggest hip-hop stars and makes enough money that he says his parents don't need to work any longer.

Mr. Zhou, who goes by the stage name GAI, is a phenom from China's most popular entertainment program in 2017: "The Rap of China," a 12-episode hip-hop reality series that shows the power of online entertainment and its younger audience.

The show, created and shown by online video site iQiyi, attracted 2.7 billion views during its run from late June to early September. Short videos pulled from the content were watched eight billion times on social-media platform Weibo, according to iQiyi. Mr.

Zhou and a clutch of other audience favorites now rap in advertisements for big brands that include McDonald's, e-commerce giant JD.com and mobile-payment app Alipay.

The breakout success of "The Rap of China" demonstrates how internet companies are starting to dictate entertainment and pop-culture trends once defined by television. In doing so, the online upstarts are learning to thread the needle between an authoritarian government that wants to control what its people read, watch and think, and a huge young online population eager to express their identity,

### Online Growth

Ad spending on television is forecast to remain flat in China, while spending on online video is set to catch up quickly.

\$20 billion ■ TV ■ Online video

Note: Data from 2017 are forecasts.

Source: eMarketer

THE WALL STREET JOURNAL.

often through consumerism.

Traditional TV still dominates in China. But as in the U.S., that is changing. The number of registered cable-TV users fell by 2.5 million in the first half of 2017 to 250 million, the first drop in decades, according to the broadcasting regulator. Meanwhile, the internet regulator says online video services added 20 million users for a total of 565 million.

Those who stopped paying for TV services and instead watch online tend to be younger, making them a natural target for consumer brands. Annual ad spending on TV is projected to remain flat at roughly \$17 billion between 2016 and 2021, while spending on online video is forecast to triple to catch up and eventually surpass TV, according

to research firm eMarketer.

Internet research firm iResearch calls this huge young group that grew up with the internet and with more financial means than their parents the "nouveau middle class."

An iResearch report says, "This is a group full of desires and hormones. They've got only one goal: live a better, higher-quality life."

It is that demographic that "The Rap of China"—and its sponsors—are after.

The show is centered on rap contests and to viewers appears more authentic than many of the TV talent shows of recent years. Mr. Zhou, for example, rapped in the local Chongqing dialect, instead of the standard Mandarin used by government *diktat* on TV.

The success of "The Rap of China" is all the more unusual because hip-hop remains largely outside the mainstream in China. Known for its social activism, political awareness and explicit lyrics in many other societies, hip-hop is hardly an ideal pop phenomenon in China in 2017, a politically tense year as the Communist Party prepares to announce a new leadership in October.

iQiyi—which is owned by China's dominant search engine, Baidu Inc.—and competitors Tencent Holdings Ltd.'s Tencent Video and Alibaba Group Holding Ltd.'s Youku Tudou are learning to navigate those risks.

Japan Display argued its improved LCD screens can match or exceed some of OLED's current advantages at lower cost.

Asked at a Tuesday news conference about customers for the Full Active displays, Kazutaka Nagao, chief of Japan Display's mobile unit, said clients so far were mostly Chinese handset makers including Xiaomi Inc. He declined to discuss potential clients from other regions.

People at companies that work with Japan Display said interest about Full Active LCDs has also come from Apple. That is why the display maker is predicting rapid uptake for Full Active, they said. Apple declined to comment.

Japan Display said it plans to start mass-producing OLED screens in the year beginning April 2019.

—Tripp Mickle

contributed to this article.



GOPRO

The Hero 6 Black sells for \$499 and has a custom processor.

## BUSINESS NEWS

# H&M's Profit Falls as Retailer Discounts

Markdowns, less store traffic take a toll, while company plays catch-up in online sales

**Hennes & Mauritz AB** said its third-quarter profit declined 20% as the fast-fashion retailer discounted prices and fewer shoppers visited the company's stores.

By Dominic Chopping  
in Stockholm  
and Saabira  
Chaudhuri in London

The company said Thursday it initiated "aggressive markdowns" over the summer after entering its fiscal third quarter with too much stock. H&M said the move helped clear the way for its autumn offerings, though sales have slowed toward the end of this month.

In Stockholm, H&M's shares fell 5.1%.

The downbeat results for the quarter, which ended Aug. 31, underscore the diverging fortunes of H&M and its main rival, Zara owner Inditex SA—which reported upbeat earnings this month—and the Swedish company's slow em-



An H&M outlet in Osaka, Japan. The fast-fashion retailer hasn't done as well as Zara owner Inditex in navigating a tough market.

brace of online shopping.

H&M is now gaining momentum in online sales, but recent gains aren't making up for reduced traffic at its stores in several markets.

"The competitive landscape is being redrawn, new players are coming in and customers' behavior and expectations are changing, with an ever greater

share of sales taking place online," Chief Executive Karl-Johan Persson said Thursday.

For the third quarter, H&M said net profit fell to 3.84 billion Swedish kronor (\$471.2 million). Sales, excluding value-added tax, rose 4.5%, to 51.23 billion kronor. Gross margin dropped to 51.4% from 54%. Profit missed analyst es-

timates.

Fast-fashion retailers are under pressure from the move to online sales, which has forced them to invest in delivery and logistics at the same time that price competition is fierce.

H&M, Zara and Associated British Foods PLC-owned Primark are battling each other

and a number of small online-only brands that pay little to advertise on Facebook and Instagram and sell directly to consumers. Amazon.com Inc. has also been investing in its own fashion offering, putting further pressure on the industry's profit margins.

In response, H&M is diversifying away from the com-

pany's core mass-market H&M brand into higher-price apparel. Last month, it opened the first store for its new Arket brand on London's bustling Regent Street. Other such brands include Cos, Monki and Weekday, although together they make up only an estimated 5% of company sales, according to RBC.

Still, H&M says its online sales are increasing at a rapid pace as it opens in new markets and invests in "click and collect"—buying online and picking up at a store—next-day delivery and returns-to-store services. It has also worked to improve its supply chain and shorten lead times.

Online transactions now account for as much as 30% of sales in some markets, and the company estimates online sales will increase by at least 25% a year.

The company's growth plans also involve opening more physical stores, although the expansion has been scaled back. The company had 4,553 stores as of Aug. 31, a 10% increase from the same time last year. It plans to add a net 385 stores this year, compared with the 400 stores it forecast in its second-quarter earnings report.

## Journal to End Overseas Print Editions

By LUKAS I. ALPERT

The Wall Street Journal will cease publishing the European and Asian print editions of the newspaper over the next week, as part of a shift to digital in an increasingly challenged print-advertising market.

The final print edition in Europe is set for Friday, with Asia's print publication ceasing after a week, company officials said.

After that, the printed

newspaper will no longer be sold in some markets, with the U.S. edition becoming available in others—such as Tokyo—at a later date, the company said. WSJ. Magazine will continue to be available through partner publications in many international markets.

The Journal, a unit of News Corp., began printing a separate edition in cities around Asia in 1976 and in European markets in 1983. But in recent years, a steep drop in overseas

sales and print advertising revenue, coupled with steady growth in digital subscriptions, meant foreign editions were no longer cost-effective, people familiar with the matter said.

In Europe, the print edition had a daily circulation of 49,000 copies, including 9,000

subscribers, as well as 83,000

digital subscribers, at the start of July, the company reported.

In Asia, daily circulation averaged 45,000, with 8,000 print

subscribers; digital subscrib-

ers totaled 122,000.

Staffers who put together the overseas print editions have been reassigned, the company said. Editors and reporters in foreign bureaus will continue producing content for the Journal's various platforms.

The reduction of the paper's print presence comes amid a broad reorganization of the Journal's editorial structure to transform the 128-year-old newspaper into a mobile-first news operation.

## Philip Morris Shifts Regions, Executives

By EZEQUIEL MINAYA

**Philip Morris International** Inc. is reorganizing its geographic regions and executive ranks—including naming a new finance chief—as it works to shift away from cigarettes.

The tobacco company has announced plans to focus on what it calls "smoke-free" products, amid a decline in cigarette volume.

Philip Morris and other major tobacco companies are looking to electronic tobacco-heating devices that they say are healthier alternatives to traditional smoking. They also differ from e-cigarettes, whose popularity has cooled.

Philip Morris said Thursday that finance chief Jacek Olczak will be appointed chief operat-

ing officer, responsible for global strategy and "the delivery of results for combustible and reduced-risk products." He was president of the company's European Union region from 2009 to 2012. Martin King, president of Philip Morris's Asia region, will become chief financial officer.

The company, whose markets are outside the U.S., said it is increasing its geographic regions to six from four, including a separate Eastern Europe market and an additional Asia segment.

"The changes we are announcing today reflect our desire to best equip, empower and support our organization as we transform within a rapidly evolving environment," said Chief Executive Andre Calantzopoulos.

Law-enforcement officials raided Audi's offices in March, arriving shortly before the company was preparing to hold an unrelated news conference, as dozens of journalists and stock-market analysts looked on.

In July, police arrested Zaccio Giovanni Pamio, a former Audi employee who was head of thermodynamics in the car maker's engine-development department.

Mr. Pamio was the first person arrested in Germany in connection with the Volkswagen scandal. Mr. Pamio hasn't commented on the charges, but his lawyer in Germany has said that Mr. Pamio is cooperating with investigators. He is currently in jail in Germany.

## VW

Continued from page B1  
emissions controls when the car was being tested and to turn controls off when the car was back on the road.

At Audi, engineers installed the software on larger 3-liter diesel engines that were used by Audi, Porsche, and Volkswagen in larger sedans and sport-utility vehicles.

Although German investigations have been under way for two years, authorities have charged only two people. Prosecutors in Braunschweig have said they are investigating nearly 50 people in connection with the scandal, including Mr. Winterkorn.

### ADVERTISEMENT

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### BIDS & PROPOSALS

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The Port Authority of New York and New Jersey is seeking to identify firms interested in responding to a Request for Proposals (RFP) for the Performance of Expert Professional Financial Advisory Services on an "As-Needed" Basis.

RFP #50807 may be obtained online at <http://www.panynj.gov/business-opportunities/bid-proposal-advertisements.html?tabnum=6>. Addenda to the RFP, if any, will be posted at this site. Monitor the advertisement on the web site to ensure your awareness of any changes.

If you have any technical problems accessing the documents online, email us at [askforbids@panynj.gov](mailto:askforbids@panynj.gov) or call us at (212) 435-4600 for assistance. Your email should include the RFP number, your firm name, email address, contact person, mailing address, and phone number.

It is currently anticipated that proposals shall be due by 2:00 PM on October 18, 2017 or as otherwise indicated in the document. Proposals must have the RFP Number and full legal firm name clearly indicated on the outside package.

Send Proposal(s) to: The Port Authority of New York and New Jersey, Procurement Department, 4 WTC, 150 Greenwich Street, 21st Floor, New York, NY 10007, Attention: RFP/Proposal Custodian. \*\*SEE RFP DOCUMENT FOR SPECIFIC DELIVERY INSTRUCTIONS\*\*

A VALID PHOTO ID IS REQUIRED TO GAIN ACCESS INTO THE BUILDING, IF YOU ARE HAND DELIVERING YOUR PROPOSAL.



Three hat styles from Kangol modeled in 1969. The 149-year-old hat maker has grown famous for providing hats for celebrities.

## For Kangol Hats, a Costly Move to U.S.

After shifting production back home, Bollman Hat has struggled to lower costs and find skilled workers. One plus is shorter shipping times.

By MICHELLE MA

Kangol hats are best known for covering the heads of celebrities like Samuel L. Jackson, Gwen Stefani and LL Cool J. But last year, they generated buzz for landing a new hot spot: an American factory.

**Bollman Hat Co.**, the British brand's American maker, used a Kickstarter campaign to help move production from Guangzhou, China, to Adamstown, Pa., about 60 miles from Philadelphia.

The 149-year-old hat maker, which already made some styles in the U.S., hired 20 workers and now makes about a quarter of its Kangol hats in its hometown. At a time when American manufacturers are under pressure to "reshore" their overseas operations back to the U.S. and labor costs are on the rise in China, Bollman predicted its move would win plaudits for creating jobs at home without hurting its bottom line.

"We make decisions with our heads and our hearts," said Chief Executive Don Rongione. The son of a Phil-

adelphia overcoat cutter, Mr. Rongione said his father taught him "the importance of buying and wearing things made in this country."

But the company has struggled to turn a profit on its knitted Kangol hats made in Adamstown. Producing a hat in Adamstown costs 1.28 times more than in China, including international shipping. That is in part because U.S. workers are paid \$15.50 an hour on average, six times what their Chinese peers earned.

Finding American workers as fast and skilled as their Chinese counterparts has also proved challenging. U.S. employees are slower at certain tasks, such as joining the seams at the back of the caps. "Linkers" in Adamstown complete such work on 200 to 250 hats a day, compared with 350 to 400 by Chinese linkers.

"It takes time for you to do a very good, quality hat," said Veronica DeLeon, a 42-year-old Kangol machine operator who started as a linker.

To address the skills gap, Bollman has invested in

training. Using some of the \$78,450 it received in two grants from Pennsylvania for the initiative, the hat maker brought in four experts to teach new hires how to use the Kangol machines, including two people from England who had worked with the original equipment.

The custom-made machines are particularly difficult to master. Ms. DeLeon said she spent about three months learning how to operate the equipment. But she added: "I love the challenge."

Productivity and efficiency have improved over time, but Bollman continues to have a hard time finding candidates. Two linking positions remain open. "You don't find people with these skills in the marketplace," Mr. Rongione said.

Harry Moser, president of the Reshoring Initiative, an organization that promotes bringing manufacturing jobs back to the U.S., said Bollman's hiring challenges are specific to the company and wouldn't necessarily be faced by other firms moving operations to America. Last year, reshoring and foreign

direct investment led to a net gain of 27,000 manufacturing jobs, according to data compiled by the Reshoring Initiative.

Companies that have shifted to American factories, however, say they have encountered hurdles, particularly around hiring and high production costs.

Todd Shelton, an East Rutherford, N.J., clothing manufacturer, brought production of his eponymous brand's classic all-American styles to the U.S. from China in 2006.

In 2012, he decided to move all manufacturing in-house.

Recently, when looking for an entry-level sewing operator, he wasn't able to find a viable candidate. After a three-month search, he eventually redistributed the work among existing employees.

The lack of skilled workers interested in manufacturing is "a massive concern" for Mr. Shelton.

Manufacturing workers "can't just zone out on Facebook" but are committed to a task all day. "It's a difficult job," he said.

# GLOBAL STARTUP SHOWCASE

SIX FINALISTS  
THREE MINUTES  
ONE AUDIENCE FAVORITE

**FINALISTS:**

**FRANCISCO AGUILAR**

CEO, Bounce Imaging

**OMER BAR-YOHAY**

Co-Founder and CEO, Eviation

**FLORIAN BENEJEAN**

Co-Founder and CTO, my Jomo

**CATHERINE BENTLEY**

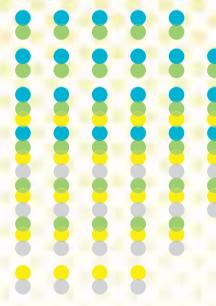
Co-Founder, KinTrans Inc.

**BETSY MCHUGH**

Founder and CEO, HurdL Inc.

**DAVID SCOTT**

Founder and CEO, Laughly



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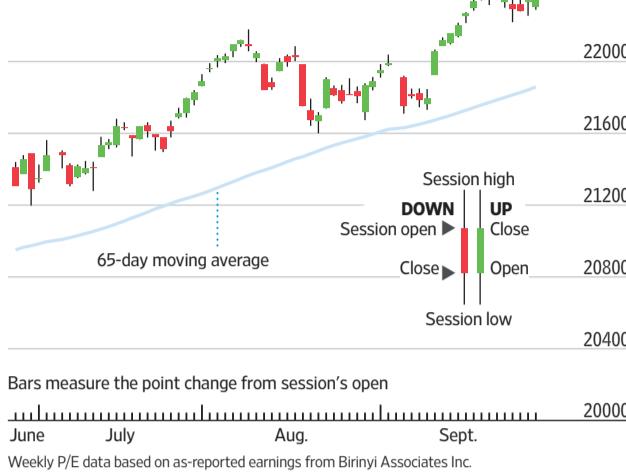
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## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**22381.20** ▲ 40.49, or 0.18%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
June July Aug. Sept. 20000

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index

**2510.06** ▲ 3.02, or 0.12%  
High, low, open and close for each trading day of the past three months.



June July Aug. Sept. 2375

#### Nasdaq Composite Index

**6453.45** ▲ 0.19, or 0.003%  
High, low, open and close for each trading day of the past three months.



July Aug. Sept. 5900

#### 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	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	Standard & Poor's	500 Index	MidCap 400	SmallCap 600
<b>22381.20</b>	22394.74	22288.97	<b>22381.20</b>	40.49	<span style="color: green;">▲ 0.18%</span>	22412.59	17888.28	<b>23.4</b>	13.3	<b>9.4</b>	22394.74	22162.50
<b>9886.82</b>	9903.70	9819.75	<b>9886.82</b>	44.83	<span style="color: green;">▲ 0.46%</span>	9886.82	7967.02	<b>23.8</b>	9.3	<b>5.2</b>	9903.70	9751.60
<b>723.79</b>	725.16	716.62	<b>723.79</b>	1.57	<span style="color: green;">▲ 0.22%</span>	754.80	625.44	<b>7.5</b>	9.7	<b>9.7</b>	725.16	716.62
<b>26058.55</b>	26061.87	25969.79	<b>26058.55</b>	33.60	<span style="color: green;">▲ 0.13%</span>	26058.55	21514.15	<b>16.9</b>	12.0	<b>8.2</b>	26061.87	25969.79
<b>675.77</b>	675.91	671.98	<b>675.77</b>	1.07	<span style="color: green;">▲ 0.16%</span>	675.77	521.59	<b>23.9</b>	12.3	<b>9.0</b>	675.91	671.98

#### Nasdaq Stock Market

Nasdaq Composite	6453.45	0.19	<span style="color: green;">▲ 0.00%</span>	6461.32	5046.37	<b>22.5</b>	19.9	<b>12.7</b>				
Nasdaq 100	5939.22	5908.62	<b>5933.07</b>	-4.72	<span style="color: red;">-0.08%</span>	6004.38	4660.46	<b>22.6</b>	22.0	<b>13.5</b>	5939.22	5908.62

#### Standard & Poor's

500 Index	2510.81	2502.93	<b>2510.06</b>	3.02	<span style="color: green;">▲ 0.12%</span>	2510.06	2085.18	<b>16.7</b>	12.1	<b>8.2</b>	2510.81	2502.93
MidCap 400	1793.78	1782.22	<b>1793.63</b>	3.47	<span style="color: green;">▲ 0.19%</span>	1793.63	1476.68	<b>16.5</b>	8.0	<b>9.0</b>	1793.78	1782.22
SmallCap 600	902.52	894.26	<b>901.95</b>	2.37	<span style="color: green;">▲ 0.26%</span>	901.95	703.64	<b>20.4</b>	7.6	<b>11.9</b>	902.52	894.26

#### Other Indexes

Russell 2000	1489.35	1478.20	<b>1488.79</b>	3.97	<span style="color: green;">▲ 0.27%</span>	1488.79	1156.89	<b>20.3</b>	9.7	<b>10.0</b>	1489.35	1478.20	
NYSE Composite	12183.67	12142.98	<b>12179.33</b>	21.68	<span style="color: green;">▲ 0.18%</span>	12179.33	10289.35	<b>14.4</b>	10.2	<b>4.1</b>	12183.67	12142.98	
Value Line	538.19	535.68	<b>538.17</b>	0.54	<span style="color: green;">▲ 0.10%</span>	538.17	455.65	<b>12.3</b>	6.3	<b>3.7</b>	538.19	535.68	
NYSE Arca Biotech	4195.20	4140.76	<b>4181.80</b>	21.43	<span style="color: green;">▲ 0.52%</span>	4181.80	4232.90	2834.14	<b>25.5</b>	36.0	<b>10.2</b>	4195.20	4140.76
NYSE Arca Pharma	544.76	541.85	<b>542.23</b>	1.65	<span style="color: green;">▲ 0.30%</span>	542.23	549.20	463.78	<b>6.5</b>	12.6	<b>0.4</b>	544.76	541.85
KBW Bank	98.86	97.87	<b>98.69</b>	0.13	<span style="color: green;">▲ 0.14%</span>	98.69	99.33	69.71	<b>41.6</b>	7.5	<b>11.0</b>	98.86	97.87
PHLX® Gold/Silver	86.02	84.75	<b>85.69</b>	0.94	<span style="color: green;">▲ 1.11%</span>	85.69	96.72	73.03	<b>-9.8</b>	8.7	<b>0.7</b>	86.02	84.75
PHLX® Oil Service	143.53	140.85	<b>141.56</b>	-0.17	<span style="color: red;">-0.12%</span>	141.56	192.66	117.79	<b>-12.1</b>	-23.0	<b>-19.5</b>	143.53	140.85
PHLX® Semiconductor	1162.08	1149.08	<b>1161.69</b>	8.69	<span style="color: green;">▲ 0.75%</span>	1161.69	1164.98	802.88	<b>41.2</b>	28.2	<b>21.8</b>	1162.08	1149.08
CBOE Volatility	10.13	9.55	<b>9.55</b>	-0.32	<span style="color: red;">-3.24%</span>	9.55	22.51	9.36	<b>-31.9</b>	-32.0	<b>-13.7</b>	10.13	9.55

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	7,383.0	250.32	-0.03	<b>-0.01</b>	250.44	249.85	
Van Eck Vectors Gold Miner	GDX	6,644.4	23.19	0.03	<b>0.13</b>	23.19	23.07	
Bank of America	BAC	5,544.1	25.46	0.01	<b>0.04</b>	25.50	25.39	
iShares MSCI Emg Markets	EEM	5,111.3	44.35	0.05	<b>0.11</b>	44.35	44.17	
Ford Motor	F	3,855.0	11.96	...		11.98	11.95	
Intel	INTC	3,083.8	37.89	0.06	<b>0.16</b>	37.93	37.54	
Newell Brands	NWL	2,530.8	41.78	-0.17	<b>-0.41</b>	41.95	41.50	
Calpine	CPN	2,447.3	14.77	-0.01	<b>-0.08</b>	14.78	14.75	

Source: SIX Financial Information; WSJ Market Data Group

#### Trading Diary

Volume, Advancers, Decliners

## COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

### Futures Contracts

#### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2.9085	2.9700	2.9080	2.9625	0.0505	3,405	
Oct 2.9255 2.9900 2.9050 <b>2.9810</b> 0.0515 178,510							
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	128.10	128.00	127.70	128.50	1.40	6,131	
Dec 128.50 129.60 128.40 <b>128.70</b> 0.90 428,428							
Feb'18 128.90 129.30 128.60 <b>129.20</b> 0.90 53,310							
<b>April</b> 129.10 129.90 128.40 <b>129.80</b> 0.90 10,827							
Jun 129.90 130.30 129.40 <b>130.70</b> 0.90 10,330							
Dec 131.00 131.90 130.10 <b>132.30</b> 0.60 10,813							
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	927.90	931.15	924.10	927.85	2.35	29,825	
March'18 921.80 931.00 920.35 <b>922.80</b> 1.95 1,101							
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	921.30	924.60	914.00 <b>921.00</b> -0.50 4,724				
Oct 921.30 924.60 914.00 <b>921.00</b> -0.50 4,724							
Jan'18 924.40 929.40 918.10 <b>925.70</b> 0.20 62,689							
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	16.750	16.830	16.655 <b>16.773</b> 0.020 918				
Dec 16.780 16.925 16.705 <b>16.847</b> 0.020 146,207							
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	52.05	52.86	51.22 <b>51.56</b> -0.58 50,544				
Dec 52.35 53.11 51.51 <b>51.87</b> -0.56 345,946							
Jan'18 52.50 53.27 51.74 <b>52.09</b> -0.54 216,832							
March 52.57 53.34 51.90 <b>52.24</b> -0.52 198,001							
June 52.43 53.09 51.70 <b>52.08</b> -0.51 187,077							
Dec 51.86 52.39 51.14 <b>51.55</b> -0.49 251,204							
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.	1.8301	1.8522	1.8201 <b>1.8320</b> -0.043 14,074				
Nov 1.8246 1.8451 1.8121 <b>1.8243</b> -0.047 135,305							
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1.6365	1.6498	1.6186 <b>1.6318</b> -0.222 17,061				
Oct 1.6065 1.6290 1.5956 <b>1.6148</b> -0.072 154,646							
<b>Natural Gas (NYM)</b> -10,000 MMBtu's; \$ per MMBtu.	3.059	3.081	3.001 <b>3.017</b> -0.04 309,975				
Dec 3.223 3.239 3.168 <b>3.184</b> -0.04 124,676							
Jan'18 3.329 3.350 3.284 <b>3.298</b> -0.03 155,271							
Feb 3.331 3.352 3.291 <b>3.304</b> -0.03 35,476							
March 3.286 3.304 3.246 <b>3.258</b> -0.09 123,327							
April 2.952 2.971 2.936 <b>2.947</b> -0.09 123,252							

#### Contract

Open High hilo Low Settle Chg Open interest

#### Agriculture Futures

<b>Corn (CBT)</b> -5,000 bu.; cents per bu.	16.38	16.39	16.37	16.37	... 4,852	
Dec 16.37 16.43 16.25 <b>16.29</b> -0.05 4,580						
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.	2,013	2,031	1,974	1,980	-35 136,023	
Oct 2,014 2,025 1,974 <b>1,980</b> -31 62,308						
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.	129.45	129.70	127.50	128.50	-85 102,538	
Dec 129.45 131.15 131.10 <b>132.10</b> -85 42,557						
<b>Sugar-World (ICE-US)</b> -37,500 lbs.; cents per lb.	13.10	13.25	13.05	13.23	.15 27,515	
March'18 13.80 14.00 13.77 <b>13.95</b> .12 424,394						
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.	20.00	20.00	19.70	20.00	-.05 2,993	
Nov 20.02 20.27 20.00 <b>20.27</b> -.34 2,993						
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.	69.11	69.30	68.80	69.60	.32 120	
Dec 68.70 69.30 68.26 <b>68.97</b> .32 133,007						
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.	149.95	151.20	146.30 <b>147.00</b> -2.95 5,366			
Jan'18 149.40 150.50 146.45 <b>147.00</b> -2.70 1,744						

#### Interest Rate Futures

<b>Treasury Bonds (CBT)</b> -\$100,000; pts 32nds of 100%	152-290	153-040	152-010	152-250	-5.0 720,058	
Dec 151-090 151-270 150-029 <b>151-200</b> -5.0 52						
<b>Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	125-135	125-180	125-020	125-175	3.5 3,194,304	
Dec 125-020 125-075 124-245 <b>125-075</b> 4.0 913						
<b>5 Yr. Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	117-295	118-022	117-255 <b>118-020</b> 3.2 12,635			
Sept 117-177 117-217 117-125 <b>117-212</b> 3.2 2,983,630						
<b>2 Yr. Treasury Notes (CBT)</b> -\$200,000; pts 32nds of 100%	108-015	108-032	108-010 <b>108-037</b> 1.2 8,646			
Dec 107-277 107-295 107-260 <b>107-292</b> 1.7 1,606,253						
<b>30 Day Federal Funds (CBT)</b> -\$5,000,000; 100-day avg.	98.845	98.848	98.845 <b>98.845</b> ... 97,626			
Jan'18 98.670 98.685 98.660 <b>98.680</b> .10 339,658						
<b>10 Yr. Det. Int. Rate Swaps (CBT)</b> -\$100,000; pts 32nds of 100%	101.344	101.547	101.250 <b>101.547</b> -.031 28,604			
Dec 101.250 101.547 101.250 <b>101.547</b> -.031 28,604						
<b>1 Month Libor (CME)</b> -\$3,000,000; pts of 100%	98.7650	98.7650	98.7600 <b>98.7600</b> .0025 1,213			
Oct 98.6100 98.6100 98.6125 <b>98.6125</b> .0150 937						
<b>Eurodollar (CME)</b> -\$1,000,000; pts of 100%	98.6475	98.6500	98.6425 <b>98.6500</b> .0075 168,412			
Dec 98.5050 98.5250 98.4900 <b>98.5200</b> .0200 1,990,716						
March'18 98.3950 98.4200 98.3800 <b>98.4150</b> .0250 1,280,351						
Dec 98.1400 98.1750 98.1150 <b>98.1650</b> .0300 1,535,394						

#### Currency Futures

<b>Japanese Yen (CME)</b> -\$12,500,000; \$ per 100%	.8872	.8908	.8840 <b>.8902</b> .0023 1,360	
Dec .8897 8,940 .8865 <b>.8928</b> .0023 211,824				
<b>Canadian Dollar (CME)</b> -\$AD				

# BIGGEST 1,000 STOCKS

## WSJ.com/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.  
 NS-NYSE bankruptcy.  
 v-Trading halted on primary market.  
 w-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. on the previous day.

Thursday, September 28, 2017

NYSE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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	Stock	Sym	Close	Net Chg																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
ABB	ABW	46.60	0.09	AECOM	ACM	37.01	-0.03	AES	AES	11.05	-0.05	Aflac	AFL	82.18	-0.48	AGCO	AGCO	73.49	0.47	AT&T	T	39.04	0.27	AbbVie	ABBV	83.64	1.49	Accenture	ACN	136.32	-0.32	AcuityBrands	AcuityBrands	168.13	-0.55	Adient	ADNT	84.10	-0.07	AdvanceAuto	AAuto	99.59	0.10	AdvSemiEngg	ASX	6.05	0.04	Aegon	AEG	5.85	0.03	AerCap	AER	50.65	0.62	Acterna	AET	157.30	0.39	AffiliatedMrgs	AMG	189.39	0.94	AigilentTechs	AIG	63.98	-0.41	AigilicEagle	AEM	45.61	0.52	Aigraduate	AGR	107.90	0.86	AlaskaPower	APD	151.04	0.24	AlaskaAir	ALK	75.87	0.77	Albemarle	ALB	132.32	2.30	Alcoa	AIA	44.06	1.01	AlexanderRealEst	ARE	117.48	0.74	Allibaba	BABA	170.24	-0.75	Allegheny	AY	549.27	-0.27	Alliion	ALL	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	AllianceBernstein	ADB	24.35	-0.10	AllianEnergy	LEN	41.70	0.12	Allstate	ALL	91.29	0.50	AllyFinancial	ALLY	23.89	0.06	AlticeUSA	ATUS	27.00	-0.85	Altis	MO	64.19	-0.22	Altria	MO	59.27	-0.22	Allegion	ALLE	85.76	0.43	Allergan	AGN	204.08	-0.42	AllianceData	ADD	220.61	0.57	Alliance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## BANKING & FINANCE

# Investors See Opportunity in Italy

Worry over debt and coming vote keeps bond yields elevated, attracting wagers

BY MIKE BIRD

With France's and Germany's elections out of the way, investors are gearing up for perhaps Europe's most important vote—Italy's.

For some money managers, the threat of a populist upset in the eurozone's most debt-laden and slowest-expanding major economy is a greater risk than any other election this year.

But that risk, in part, means that Italian government debt offers higher returns than its peers, presenting an attractive bet for some investors.

Italy's parliamentary elections must be conducted no later than May 2018, and some senior Italian lawmakers see them happening just before then.

"Italian politics is a byword for uncertainty, and that's par-

has proposed a referendum on Italy's euro membership as a last resort if Rome can't win fiscal concessions from the European Union, roughly tying with the governing center-left Democratic Party. The idea that populist movements in countries such as Italy, France or the Netherlands can gain power and take their countries out of the eurozone has spooked investors.

In Italy, support for the euro is low. A poll released by the European Commission on support for the currency union in May found 58% of Italians favored the common currency, the lowest proportion of any eurozone nation.

But none of this has stopped some investors from dipping back into Italian government bonds, as they hunt for yield amid a collapse in returns on everything from German government bonds to European junk debt.

The Bank of America Merrill Lynch euro high-yield index, covering corporate bonds rated below BBB, offers an annual return of 2.3%, barely above the 2.1% offered by 10-year Italian bonds.

"Italy just looks cheap next to other investment-grade credit," said Myles Bradshaw, head of global aggregate fixed income at asset manager Amundi, who holds a larger share of debt from Italy, Spain and Portugal than indexes would suggest. "The economy is turning round, and it's got potential."

Though Italy's economic growth is slower than that of many of its neighbors, GDP expansion accelerated to 1.5% year over year during the second quarter, its fastest pace in six years.

Andrea Iannelli, fixed-income investment director at Fidelity International, said that on a relative-value basis Italian government bonds offer value.

"They're one of the most liquid government-bond markets in Europe," he said, pointing out that a deep futures market would allow him to hedge risks if volatility rises.

European Central Bank President Mario Draghi's 2012 promise that he would do "whatever it takes" to save the euro sent bonds from southern Europe's troubled economies trading higher since then. But Italian bonds have lagged behind, providing more ballast to the opinion that they are relatively cheap.

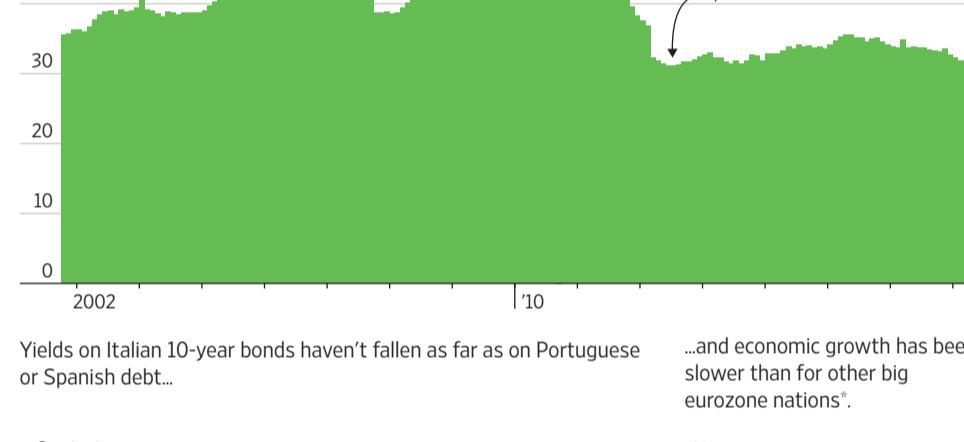
Then, there is the politics. Opinion polls put the populist 5 Star Movement, which



The 5 Star Movement has proposed a vote on euro membership if Italy can't win EU concessions.

### Behind the Curve

Foreign investors still hold a smaller share of Italian government debt than before Europe's sovereign-debt crisis.



Yields on Italian 10-year bonds haven't fallen as far as on Portuguese or Spanish debt...



THE WALL STREET JOURNAL.

'Italian politics is a byword for uncertainty,' says Charlie Diebel.

ticularly true if you look at the parties involved this time and their policies," said Charlie Diebel, head of developed market rates at Aviva Investors, an asset-management firm. "The potential havoc it can wreak has always made it the biggest of the three elections."

In recent years, global investors have shied away from Italy. Nonresidents own about 32% of Italy's outstanding government bonds, down from 44% in the summer of 2010, before the worst of Europe's sovereign-debt crisis unfolded. That compares with 48% for Germany and 52% for France.

Investors see many problems. Italy's public debt level is nearly 135% of its gross domestic product, compared with a regional average of just below 90%. Domestic banks still haven't really opened their wallets, with a mountain of bad debts still to be resolved.

Then, there is the politics.

Opinion polls put the populist 5 Star Movement, which

# White House Backed Freezing Sale Of Chicago Exchange to Chinese Group

By DAVE MICHAELS

WASHINGTON—The Securities and Exchange Commission's chairman made the decision to freeze his staff's plan to approve the sale of the Chicago Stock Exchange to a Chinese-led group after consulting about the subject with the White House, people familiar with the matter said.

SEC Chairman Jay Clayton, who has been under pressure from lawmakers from both parties to block the deal, put a hold on his staff's plan to approve the \$20 million sale on Aug. 9, the day it was presented to him, these people said.

The chairman's move to halt the approval was a rare case of commissioners blocking their staff's decision. Mr. Clayton, a Trump appointee who took over the independent agency in May, was caught off guard by the move to approve the deal, the people said.

Officials at the White House, which has clashed with China on trade, urged Mr. Clayton to pause the SEC staff's approval, the people said.

A spokesman for Mr. Clayton declined to comment. Natalie Strom, a White House spokeswoman, said the Trump administration respects the SEC's independence. "The White House does not direct the actions of the SEC," she said.

The freeze means the three-member commission—Mr. Clayton, an independent; Michael Piwowar, a Republican; and Kara Stein, a Democrat—will have to vote on the sale. It isn't clear when a vote might occur, and the SEC could still clear the transaction if at least two commissioners vote for it. Mr. Clayton hasn't aired his position,

and he could still vote to approve the deal despite holding up his staff's initial plan.

Executives at the Chicago exchange have been disappointed by the slow pace of the SEC's review, which has exposed them to political criticism and stalled their access to capital from new investors. CHX Holdings Inc., the company that owns the exchange, said the deal would permit the exchange to pursue a strategy of listing Chinese companies and smaller U.S. firms on their market.

"This is a strategic partnership that would bring international financial business to the United States, not some secret plot to get control of a stock exchange," said John Kerin, CHX's chief executive officer. "We are trying to be competitive in the global capital formation mar-

ket, and it really shouldn't be this difficult from a regulatory perspective."

The SEC's review of the deal continues. The regulator last week asked the exchange to provide answers to about a dozen detailed questions, including the source of money that both Chinese and U.S. investors are using to fund their stakes, other people familiar with the matter said.

The SEC gave the exchange until Monday to provide answers, these people said.

Political opposition to the Chinese takeover of the 135-year-old Chicago exchange has turned a market that had become an afterthought among traders—it handles less than 0.5% of U.S. stock-trading volume—into a lightning rod for politicians.

Sen. Jon Tester (D., Mont.) pressed Mr. Clayton at a Senate Banking Committee hearing Tuesday to reject the deal. "I hope your review would come back negative in that regard," Mr. Tester said, referring to the future vote by the three commissioners.

At the same hearing, which mainly focused on the recent hack of the SEC's electronic-filing system, Sen. Tim Scott (R., S.C.) lauded Mr. Clayton for "pumping the brakes" on his staff's desire to approve the sale.

Chinese conglomerate Chongqing Casin Enterprise Group Co.—which is seeking to buy 20% of CHX Holdings Inc., with other Chinese and U.S. investors buying the rest—said it is independent of the Chinese government.

European Union on clearing-house supervision remains in place.

Britain's exit from the EU has thrown the U.S.-EU supervisory agreement into doubt as the EU considers forcing London-based clearinghouses that do a large chunk of business in euros to move to the Continent.

The agreement, reached last year, allows U.S. entities such as CME Group Inc. and Intercontinental Exchange Inc. to do business with European banks while adhering to U.S. regulatory standards.

Clearinghouses are entities designed to help prevent a marketwide collapse by ensuring either party in a derivatives transaction gets paid if the other side falters.

—Gabriel T. Rubin



Max Shriner, a 10-year-old from Westchester County, N.Y., used Stockpile to buy fractional shares of Microsoft.

## Startup Helps Children Play the Stock Market

By AKANE OTANI

A Fidelity International-backed venture-capital fund is betting on a startup that aims to persuade children and young adults to buy pieces of big-name stocks at their local retail chain.

Stockpile Inc. said it raised \$30 million in Series B funding—its latest round of fundraising—led by Fidelity International Ltd.'s proprietary investment arm, Eight Roads Ventures.

Stockpile, based in Palo Alto, Calif., enables investors who may not be able to afford to buy stocks that trade for hundreds of dollars a share to own fractional shares in more than 1,000 companies and funds.

It is the latest show of support for Stockpile, which in 2015 drew in \$15 million of funding with the help of investors including "That '70s Show" alumna Ashton Kutcher.

The company made its debut in retailers including Kmart and Office Depot Inc. in the fall of 2015, selling gift

cards that allowed recipients to buy fractions of big-name stocks such as Apple Inc., Coca-Cola Co. and Berkshire Hathaway Inc. After registering the gift card with Stockpile, the recipient becomes an investor—albeit, possibly, a very small one.

A gift card worth \$50, for instance, could get an investor about two-thirds of a share of Microsoft Corp., which closed Thursday at \$73.87, less than a third of a share of Facebook Inc., which closed at \$168.73, or about 5% of a share of Amazon.com Inc., which closed at \$956.40.

Max Shriner, a 10-year-old from Westchester County, N.Y., said he created a Stockpile account last year after receiving some gift cards for Christmas.

Max said he is invested in Microsoft, Tesla Inc. and Walt Disney Co., among other firms, although his favorite publicly traded company at the moment, he said, is probably Take-Two Interactive Software Inc.—the distributor of video-games including "NBA 2K18," "Sid Meier's Civilization VI" and "BioShock."

Officials at the White House, which has clashed with China on trade, urged Mr. Clayton to pause the SEC staff's approval, the people said.

A spokesman for Mr. Clayton declined to comment. Natalie Strom, a White House spokeswoman, said the Trump administration respects the SEC's independence. "The White House does not direct the actions of the SEC," she said.

The freeze means the three-member commission—Mr. Clayton, an independent; Michael Piwowar, a Republican; and Kara Stein, a Democrat—will have to vote on the sale. It isn't clear when a vote might occur, and the SEC could still clear the transaction if at least two commissioners vote for it. Mr. Clayton hasn't aired his position,

and he could still vote to approve the deal despite holding up his staff's initial plan.

Executives at the Chicago exchange have been disappointed by the slow pace of the SEC's review, which has exposed them to political criticism and stalled their access to capital from new investors. CHX Holdings Inc., the company that owns the exchange, said the deal would permit the exchange to pursue a strategy of listing Chinese companies and smaller U.S. firms on their market.

"This is a strategic partnership that would bring international financial business to the United States, not some secret plot to get control of a stock exchange," said John Kerin, CHX's chief executive officer. "We are trying to be competitive in the global capital formation mar-

ket, and it really shouldn't be this difficult from a regulatory perspective."

The SEC's review of the deal continues. The regulator last week asked the exchange to provide answers to about a dozen detailed questions, including the source of money that both Chinese and U.S. investors are using to fund their stakes, other people familiar with the matter said.

The SEC gave the exchange until Monday to provide answers, these people said.

Political opposition to the Chinese takeover of the 135-year-old Chicago exchange has turned a market that had become an afterthought among traders—it handles less than 0.5% of U.S. stock-trading volume—into a lightning rod for politicians.

Sen. Jon Tester (D., Mont.) pressed Mr. Clayton at a Senate Banking Committee hearing Tuesday to reject the deal. "I hope your review would come back negative in that regard," Mr. Tester said, referring to the future vote by the three commissioners.

At the same hearing, which mainly focused on the recent hack of the SEC's electronic-filing system, Sen. Tim Scott (R., S.C.) lauded Mr. Clayton for "pumping the brakes" on his staff's desire to approve the sale.

—Gabriel T. Rubin

## MARKETS

# Dollar Declines Against Peers

By CHELSEY DULANEY

The dollar stalled Thursday as investors parsed the details of Republicans' plans for a U.S. tax-code overhaul.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, slipped 0.3% to 86.27.

The dollar had jumped to its highest level in over a month on Wednesday as investors grew more optimistic about the prospect for U.S. interest-rate rises and tax cuts.

Republican leaders on

## 0.3%

The drop in the WSJ Dollar Index on Thursday, to 86.27

Wednesday released their plans for overhauling the U.S. tax code, proposing sharply reduced tax rates on businesses and many individuals. Analysts said the release of the plan initially drove the dollar higher. But caution set in Thursday, weighing on the U.S. currency, as investors digested details of the proposal.

"After all the focus on U.S. tax reforms yesterday, the pause in the U.S. dollar rally reflects perhaps investors taking a second look at proposals and wondering...how the massive tax cuts will be financed," said analysts at Scotiabank in a research note.

According to an estimate from the Committee for a Responsible Federal Budget, the framework calls for about \$5.8 trillion in tax cuts over a decade and includes about \$3.6 trillion in revenue-raising provisions; that leaves a net cut of \$2.2 trillion.

In other currencies, the euro rebounded 0.4% to \$1.1788. The currency has been dragged lower this week by Sunday's German election results, which showed Chancellor Angela Merkel's conservative alliance losing ground to the nationalist Alternative for Germany party.



The yuan hit a 17-month high against the U.S. dollar on Sept. 8. Special-force police officers performed Wednesday at a rally for the coming Communist Party congress.

# Yuan Falls Again on Policy Shift

By SAUMYA VAISHAMPAYAN

The Chinese yuan continued to drop against the U.S. dollar Thursday, extending a reversal in fortune this month that shows how vulnerable the currency remains to policy changes from Beijing.

The yuan fell 0.5% against the dollar in Asia trading. It was down 0.2% on the day by late New York trading, bringing its declines over the past three weeks to 2.6%—nearly half of the gains the Chinese currency had previously made versus the dollar this year.

Despite a solid start to the month, the yuan has dropped 1.1% against the dollar in September, putting it on course for its first monthly fall since April. One dollar bought 6.66 yuan in late-afternoon New York trading Thursday.

The yuan's downturn has come at a sensitive time for

the Chinese authorities. The Communist Party is gearing up for a twice-a-decade congress in October that will help mold China's power structure in coming years. Many investors had expected the yuan to give up some of its gains this autumn, but only after that event was over.

Two key factors lie behind the yuan's decline since it hit a 17-month high against the dollar on Sept. 8.

Soon after the yuan hit that high, the People's Bank of China ended measures it had earlier put in place to support the yuan, including a two-year-old rule that made it more expensive for traders to bet against the currency. That move was taken by analysts and investors as a sign that Chinese authorities were growing uncomfortable with the currency's ascent against

the dollar. A stronger yuan makes China's exports less competitive globally.

"It was quite an obvious turnaround in PBOC policy," said Ken Cheung, senior Asian foreign-exchange strategist at Mizuho Bank in Hong Kong.

Around the same time, the U.S. dollar started rebounding in global currency markets. The ICE Dollar Index, which measures the U.S. currency against six others, has advanced 1.9% since Sept. 8.

The dollar's recovery gained steam after Federal Reserve officials indicated they still expect to raise interest rates one more time this year and three times in 2018, despite recent weak inflation readings. The Republican Party's plan for overhauling the U.S. tax code, released Wednesday, has added to the dollar's advance.

Despite its September wilt-

ing, the yuan remains up 4.2% against the dollar this year; at its peak on Sept. 8, that gain was 7.5%. The yuan's value against a basket of its trading partners' currencies has also pulled back from an eight-month high hit Sept. 8.

"It's very obvious that the authorities are trying to slow down that appreciation," said Andy Ji, Asian currency and rates strategist at Commonwealth Bank of Australia in Singapore.

"The dollar strength is just the icing on the cake. It's perfect timing for them."

Since the Chinese yuan doesn't trade freely like the yen or euro, policy direction from Beijing has a large impact on its value. The central bank publishes a reference rate for the yuan each morning, also known as the fix, based in part on the yuan's value at the close of the pre-

vious trading day. The yuan is allowed to trade in a band around that rate.

In late May, the central bank gave itself more control over the yuan by adding what it calls a "countercyclical" factor into the fix.

Still, the yuan's latest gyrations show how hard it is for the central bank to wrangle investors' expectations for the currency. In recent days, domestic traders have started driving the yuan weaker once trading begins in the onshore market. The authorities, in turn, have sought to slow that move by guiding the yuan to stronger-than-expected levels against the dollar in the next day's fix.

"That's the problem with managing" the yuan, said Mr. Ji. "So much is dependent on what policy makers are trying to achieve, and there's so much second-guessing."

# McDonald's Pushes Up Blue Chips

By MICHAEL WURSTHORN

McDonald's led the Dow Jones Industrial Average higher Thursday, while the S&P 500 inched up to a fresh high.

Major U.S. stock indexes are poised to post solid gains for the month and the third quarter on Friday, as investors remain largely upbeat about the health of the U.S. economy and American companies. The Dow industrials are up 2% so far in September and are on track to log an eighth consecutive quarterly gain.

Thursday's session was relatively muted overall, as investors picked up shares in pockets of the market that had declined recently and assessed Republicans' proposal to overhaul the tax code, analysts said.

"It's likely we'll see some of that churning in a directionless market while the specifics of the [tax] legislation are debated," said Mike Allison, an Eaton Vance portfolio manager.

The Dow industrials rose 40.49 points, or 0.2%, to 22,381.20, while the S&P 500 added 3.02 points, or 0.1%, to 2510.06—its 38th record close of the year. The Nasdaq Composite added less than a point and closed at 6453.45.

McDonald's jumped \$3.44, or 2.2%, to \$157.49, accounting for more than half of the Dow industrials' gain. The fast-food chain's stock has been struggling this month, falling 1.6% so far, putting it on track for its first monthly decline since October of last year. The stock rallied Thursday after Longbow Research upgraded it to a "buy" from "neutral." McDonald's remains up 29%



A McDonald's in Bangkok. The fast-food chain accounted for over half of the Dow industrials' gain.

for the year so far.

Shares of material companies led the S&P 500 higher Thursday, rising 0.7% as several chemical companies and mining firms notched gains. Freeport-McMoRan was one of the leaders, up 42 cents, or 3%, to 14.42, while Eastman Chemical advanced 2.61, or 3%, to 89.96.

Utilities companies in the S&P 500 rose 0.3% after declining in seven of the previous eight sessions.

Some analysts and investors said they expect the tepid trading environment to continue until the earnings season kicks off in earnest next month, barring any geopolitical developments or major legislative changes.

That could lead to more so-called rotational trading throughout the market, as investors sell shares that have performed well this year and buy those that have lagged behind, they added.

"There's not a whole lot of follow-through on the rallies,"

## Climbing

Shares of chemical companies and miners were among Thursday's biggest gainers in U.S. stocks.



Source: FactSet

said Bruce Bittles, chief investment strategist at R.W. Baird. "It feels like we're trading in a range of just slightly higher every time."

The Stoxx Europe 600 rose 0.2%. Early Friday, Japan's Nikkei Stock Average was

# Treasurys Remain In a Holding Pattern

By DANIEL KRUGER

U.S. government bonds held steady as investors grappled with the implications of the Republican framework to over-

CREDIT MARKETS haul the tax code, which some said could spur growth and lead to larger budget deficits in the future.

The yield on the 10-year Treasury note settled at 2.309%, matching Wednesday's close. Yields rise when bond prices fall.

The plan unveiled by party leaders Wednesday would lower corporate tax rates, boosting earnings and making stocks more attractive, some analysts said.

The bill would also lower rates for many individuals, which proponents said would lead to more spending, increasing the pace of economic expansion.

That growth would lead to higher tax revenues, making up for the shortfall caused by the cuts, Republicans said.

"Any time you have tax reform that depends on growth to balance the budget," bond investors become skeptical, said Jim Vogel, head of interest-rate strategy at FTN Financial in Memphis, Tenn. "This could have budget-busting implications for Treasury supply over the next couple of years."

Analysts noted that tax reform is a complicated subject and that the plan will face an intensive negotiating process. Economists have disagreed over how much growth tax cuts are likely to generate, and said there is no clear evidence that cuts generate enough growth to offset their costs.

Economists also cautioned that the administration has

struggled to pass major legislative proposals, and that this framework could face opposition similar to that faced by the effort to overhaul health care.

Yet some investors said the upward momentum in yields may persist for several weeks, as the debate over the plan increases the market's understanding about how it affects the budget and the economy.

The 10-year yield has traded in a narrow range since March, as inflation has remained muted and fiscal policy proposals that were expected to spur growth have stalled.

## Treasury Auctions

The Treasury Department will auction \$78 billion in securities next week. Details (all with minimum denominations of \$100):

♦ Monday: \$42 billion in 13-week bills, a reopening of an issue first sold on Jan. 5, 2017, maturing Jan. 4, 2018. Cusip number: 912796LC1.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.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.

SEVEN-YEAR NOTES	
Applications	\$79,189,289,600
Accepted bids	\$31,483,105,600
"noncompetitively"	\$12,919,700
"Foreign noncompetitively"	\$0
Auction price (rate)	99.96745%
	(2.130%)
Interest rate	2.125%
Bids at clearing yield accepted	912828Y1
Cusip number	912828Y1

The notes, dated Oct. 2, 2017, mature on Sept. 30, 2024.

Riva Gold contributed to this article.

# MARKETS

# For Europe, A Bond That Binds Tight

BY MIKE BIRD

Amid renewed enthusiasm for eurozone integration, some officials are dusting off an old proposal for bonds that they believe could stem any risk of the bloc breaking up.

On Tuesday, French President Emmanuel Macron, a big cheerleader for greater European financial integration, called for a common eurozone budget managed by a European finance minister. Such moves are aimed at addressing some of the problems that led the threat of breakup during Europe's sovereign-debt crisis. Then, banks were left with portfolios of government bonds whose value had plummeted, a situation that threatened to drain confidence in the entire financial system.

Critics of further financial integration, particularly in Germany, have complained that a common budget would leave richer countries liable for their weaker eurozone peers' debts.

So, officials have looked for ways to dilute the risk of a sovereign default in a way that doesn't leave stronger economies on the hook.

A European Safe Bond, known as an ESBie, would package most eurozone government bonds into two parts, one of which would take on the risk of a country defaulting. That would reduce the riskiness of any individual sovereign bond within the pool.

What "it solves is the doom loop, whenever spreads for sovereign bonds went up, the banks that hold a lot of that

sovereign risk are suddenly exposed to a sharp rise in risk," said Markus Brunnermeier, a Princeton economics professor and one of the architects of the proposal.

Much will depend on the evolving relationship between the eurozone's two biggest players, Mr. Macron and Germany's Angela Merkel.

The European Commission, the EU's executive body, endorsed the idea in May.

Here's how it would work:

An investment vehicle would raise cash by selling the safe bonds, then use those funds to buy the debt that eurozone governments would still issue. The safe bonds would be packaged into junior and senior portions. The senior debt would make up 70% of the total issuance and would be as safe as German government bonds, according to its architects. The junior part would take the hit if a eurozone government stopped paying its creditors.

Eurozone banks are major buyers of their own country's sovereign bonds, creating a potential "doom loop" between bank and sovereign debt. When investors question the creditworthiness of a government, it threatens the assets of domestic banks, which further damages the perception of that country's creditworthiness, while sapping general confidence in the financial system.

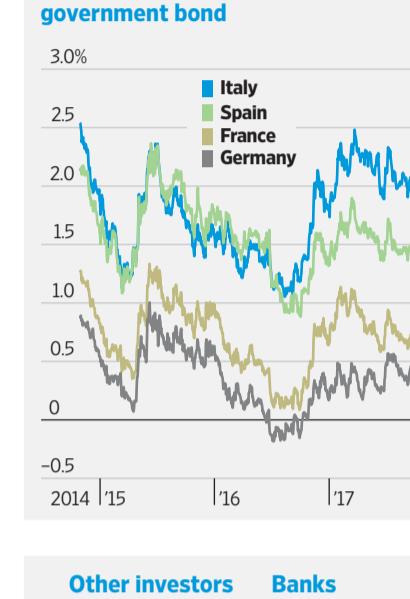
Owning safe bonds in place of debt from the country they are based in would leave banks less exposed to the creditworthiness of a single nation.

## Continental Reboot

Italian government bond prices are declining, sending up yields, ahead of a key election (please see story on page B10). The selloff highlights a structural weakness of debt markets revealed by the 2008 crisis: the 'doom loop,' in which declining market perceptions of sovereign creditworthiness fuel a retreat from bank shares and a reduction in lending that hits the economy. Now, investors and policy makers are studying plans that could break this cycle, including a proposed securitization process that would create European Safe Bonds (details below).

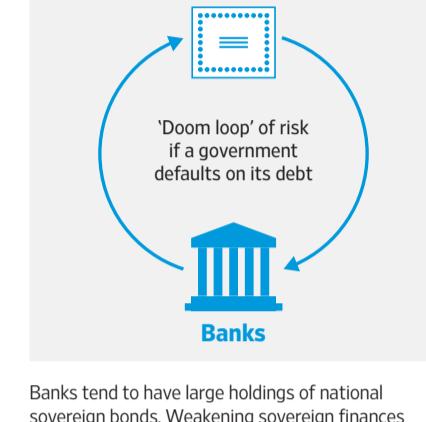
General government gross debt, in trillions of euros\*

Italy	€2.2
France	€2.1
Germany	€2.1
Spain	€1.1

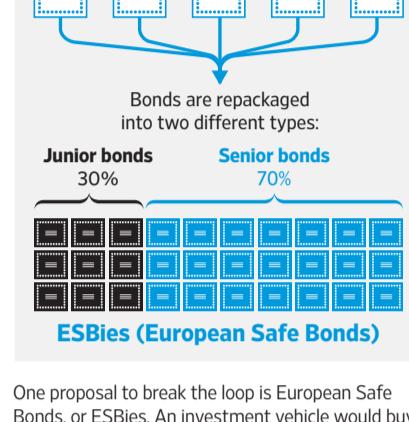


Domestic bank holdings

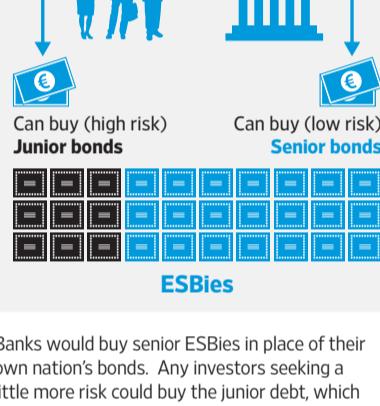
Italy	62%
Spain	53%
France	46%
Germany <sup>†</sup>	44%



Banks tend to have large holdings of national sovereign bonds. Weakening sovereign finances can create a 'doom loop' in which declining bond prices reduce bank solvency, hitting lending and impairing economic performance, further undermining sovereign finances.



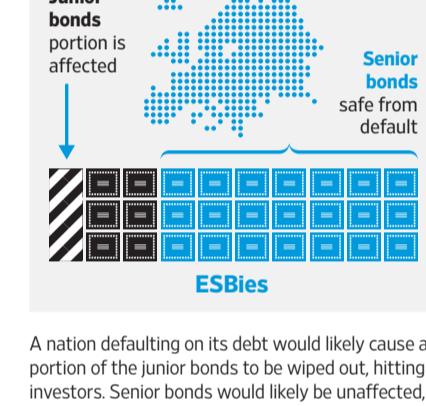
One proposal to break the loop is European Safe Bonds, or ESBies. An investment vehicle would buy national bonds from around Europe and repack them into ultrasafe 'senior' bonds and riskier but higher-yielding 'junior' debt.



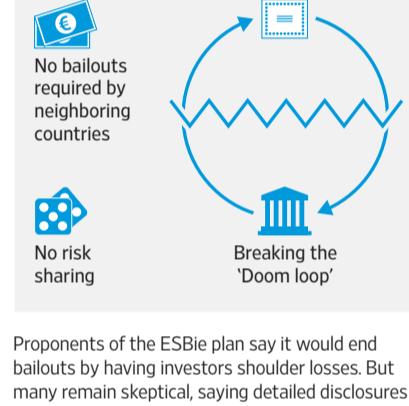
Banks would buy senior ESBies in place of their own nation's bonds. Any investors seeking a little more risk could buy the junior debt, which would have higher yields.

\*€1 trillion=\$1.17 trillion <sup>†</sup>Until 1990 former territory of the Federal Republic of Germany

Sources: Eurostat (general government gross debt, domestic bank holdings); Tradeweb (yields); European Systemic Risk Board (diagram)



A nation defaulting on its debt would likely cause a portion of the junior bonds to be wiped out, hitting investors. Senior bonds would likely be unaffected, reducing the systemic impact of a given default.



Proponents of the ESBie plan say it would end bailouts by having investors shoulder losses. But many remain skeptical, saying detailed disclosures and a clear political mandate remain lacking.

THE WALL STREET JOURNAL.

## HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS & COMMENTARY

[WSJ.com/Heard](http://WSJ.com/Heard)

# Oil Prices Receive a Helping Hand

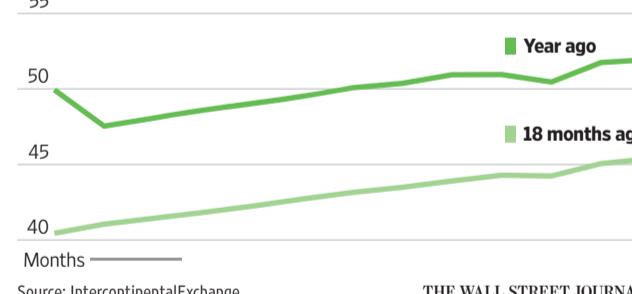
These days oil traders don't get their hands dirty, except perhaps in the figurative sense. A recent shift in the financial market for oil provides insights into the physical market and could boost oil prices beyond the normal impact of supply and demand.

Brent, the global crude benchmark, is now in a bull market and also in backwardation—futures contracts expiring in later months are cheaper than nearby months. On Thursday, the October contract fetched \$57.20, or \$1.76 a barrel more than the one expiring in October 2018.

That makes sense. Users are typically willing to pay a little bit extra to be sure they get possession of a critical commodity. That pattern hadn't been the case as oil prices tumbled and then languished at low levels in the three years following the summer 2014 peak. For example, 18 months ago Brent futures expiring in a year were nearly \$5 a barrel more expensive than the front month—a situation called

### Sell High, Buy Low

Term structure of Brent crude futures



contango.

The fact that commercial crude and refined-product inventories surged to a record in the past three years while contango existed isn't a coincidence. Futures curves can act like the tail wagging the dog. By making physical crude cheap relative to futures, contango subsidizes stockpiling. Record inventories drive down prices.

At an extreme, contango creates a guaranteed profit

though it creates an incentive for oil traders to dump physical barrels and buy futures instead. Less inventory and more futures buying are good for prices.

Between July 2014 and July 2016, generally a period of contango, the International Energy Agency reported that commercial crude and refined-product inventories rose by 439 million barrels to over 3.1 billion. By July 2017 that had fallen by 89 million barrels.

The shift from contango to backwardation could push oil prices higher still because it could attract more passive investors, who can profit from buying and rolling over futures contracts as they expire. Under contango, they lose a bit of money every month, all else being equal. Before the relatively recent flood of money into passive commodity investments, backwardation was more common.

The futures market has a story to tell and it is music to producers' ears.

—Spencer Jakab

## OVERHEARD

Do you have a friend called Adam? And are they awesome? **HNA Group**, the Chinese conglomerate that has been busy making big investments in companies including **Anthony Scaramucci's SkyBridge Capital**, would like to know.

In a somewhat bizarre tweet from its official Twitter account late Tuesday, HNA asked its followers to "Tag your friend Adam so that he/she can start a new day with good vibes!"

It is surely no coincidence that HNA's chief executive is named **Adam Tan**. Mr. Tan and his company have come under scrutiny this year after a two-year multibillion-dollar shopping spree. The Chinese government is trying to curb the company's activity as part of its efforts to stem capital outflows. U.S. regulators, meanwhile, are scrutinizing deals such as the SkyBridge acquisition.

With that kind of pressure mounting, maybe it is little wonder Mr. Tan needs a confidence boost.

## This State Is Taking On Drugmakers

One state is trying to do something about rising drug costs.

In a little-noticed request last week, the Massachusetts Medicaid system said it wants the right to refuse to reimburse for some drugs that have "limited or inadequate clinical efficacy."

And it gives a good reason: Prescription-drug costs have increased 13% a year since 2010.

Under current rules, the state is required to cover any drug for which the manufacturer participates in the federal Medicaid rebate program, which means it is getting the lowest available price.

State Medicaid systems spent a combined \$57 billion on prescription drugs in 2015 before those rebates are included.

Spending on the Massachusetts system, known as MassHealth, amounts to 40% of the state budget. Spending could rise in coming years as federal payments from the Affordable Care Act's Medicaid expansion wind down.

Most at risk are smaller companies with limited product offerings.

Then there is the risk that other states could follow suit.

The pharmaceutical industry is extremely effective at fighting back against government policies that hurt its profits, and it will have its say during the public comment period required before any decisions are made.

But state health systems can't handle a 13% annual growth in drug spending. The weight of that math will eventually cause even the strongest lobbying efforts to buckle.

—Charley Grant

# Action-Camera Maker GoPro Needs to Tame the Thrills

GoPro wants to be a little boring. For investors, that isn't such a bad thing.

The maker of Hero action cameras has been a thrill ride since it listed in 2014. But that thrill has mostly come on the way down.

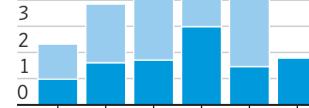
The lack of a new flagship product in late 2015 helped spark a selloff from which the stock has never fully recovered.

Then last year's launch of the Hero 5 was hit by production and supply issues. GoPro's camera shipments fell 26% in 2016—it's first annual decline ever.

The company seems to have learned from the experiences. New cameras for the

### Snap Shot

GoPro's camera shipments per year



coming holiday season were announced Thursday. They include a new flagship called the Hero 6.

The company said Thursday that its retail channels are already loaded for the

launch, while also trying to tame high expectations that have often bedeviled GoPro in the past.

"We are not shooting for the moon," CEO Nick Woodman told analysts Thursday.

Still, the new cameras need to sell well. GoPro typically generates more than 40% of its camera sales in the fourth quarter, and it has also projected ending this year with revenue up double-digit percentages from last year's slump.

Wall Street is projecting a 12% gain in overall sales for the year.

That looks achievable, with the help of the new devices announced Thursday.

The Hero 6 features built-in image stabilization and other enhancements that required GoPro to design its own image processor at the expense of its long-running relationship with Ambarella.

The Hero 6 was priced at \$499, which is \$100 more than the Hero 5, which GoPro says is still selling strong.

GoPro's stock price has jumped nearly 40% over the past two months.

That is a big run, though the price is still more than 30% below last year's level leading up to the Hero 5 launch.

It also helps that GoPro has been getting its house in

order. Inventory was slashed by 39% in the second quarter, and GoPro said that it expects to end the year with inventory levels about half the level of the same point last year.

Goldman Sachs Group also estimates the company's total operating expenses this year will be down about 30% from last year's levels,

thanks in part to layoffs and other cost-cutting moves. So while the stock may not have much room left for a liftoff, better operations should make for a smoother ride for investors who have had to deal with too many of the wrong kind of thrills.

—Dan Gallagher

Alice Waters on her  
childhood garden  
and her Berkeley  
bungalow **M6**



# MANSION

*Flexibility is the key to stability.*  
—John Wooden

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, September 29, 2017 | **M1**

## A Floor Plan Afraid of Commitment

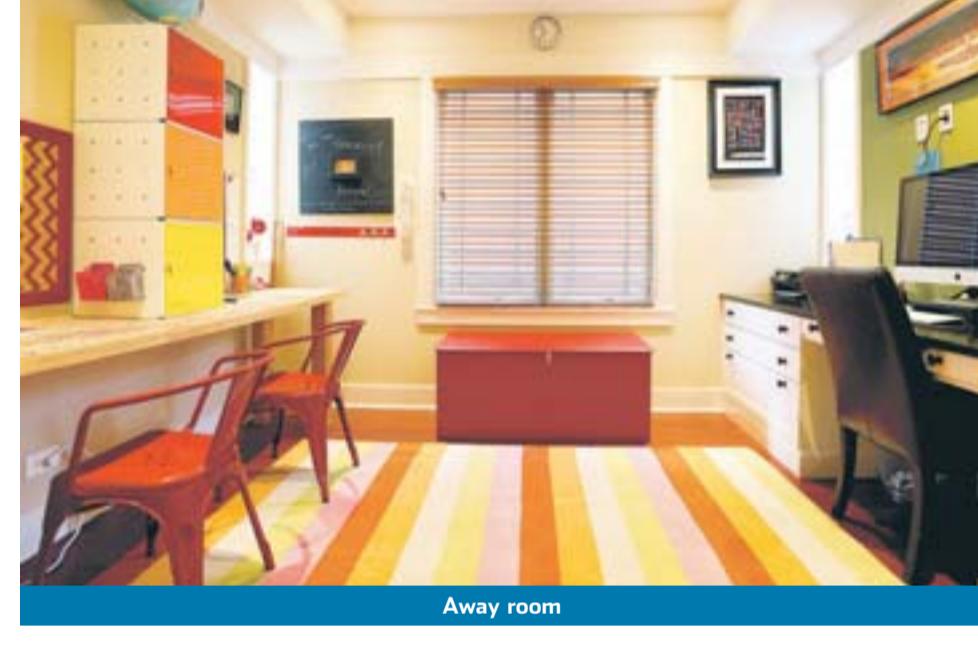
Real-estate agents and home builders see a resurgence in demand for bonus spaces that serve multiple purposes—from man cave to master bedroom to music room.



Library alcove / Dining space



Lounge / Guest room



KATRINA WITKAMP FOR THE WALL STREET JOURNAL (5)

**BONUS POINTS** In their Libertyville, Ill., home, Lisa Steinke and Matt Dannenfeldt, above, use an alcove off the living room as both a library and extra dining space, top left. A quiet space off the living room, bottom right, is called an 'away room,' where the children do their homework. A sofa converts into a bed for overnight guests. The couple bought the home in 2012 for \$750,000.

BY CECILIE ROHWEDDER

**SOMETIMES, THE UPSTAIRS SUITE** in Mike Stolarski's home in North Augusta, S.C., is an office. Sometimes it's a TV room, or an entertaining space for friends. Once a year, it's a bedroom rented to golf fans in town for the nearby Masters

Tournament. And in the future, it might become a game room, so there's space for a pool table.

When building their 4,200-square-foot, three-bedroom home, Mr. Stolarski, and his wife, Tracy, kept their options open. The design drew inspiration from a charming, 1892 bed-and-breakfast in Charleston, S.C. But their home had to accommodate 21st-century lifestyles, so they

asked the architect to include undesigned flex space equipped with ample square footage, electrical and plumbing for multiple uses now and in the future.

The Stolarskis—she's 56 years old and he's 47—own a medical-services company, Premier Shockwave, and moved into their \$1.4 million

Please turn to page M10

## BONJOUR, MONTREAL

Cranes bloom across the Canadian city's skyline as prices rise, homes sell and new luxury developments come on the market.

BY LEIGH KAMPING-CARDER

**FOR THE FIRST TIME** in years, Montreal is a seller's market.

Homes, particularly luxury condos, are selling in unprecedented numbers. Prices are inching upward. And Canada's second-largest city—long considered underdeveloped compared with Toronto and Vancouver—is seeing a burst of high-end development thanks to a booming economy and increased in-

Please turn to page M4



ON THE RISE Real-estate sales are setting records in Canada's second-largest city, and much of the gain is at the high end.

VALERIA BISMAR FOR THE WALL STREET JOURNAL

INSIDE

### \$25 MILLION

A Georgia quail-hunting estate, complete with dogs, hits the market **M2**



### SUBURBAN SPLENDOR

What Levittown looks like 70 years later **M3**



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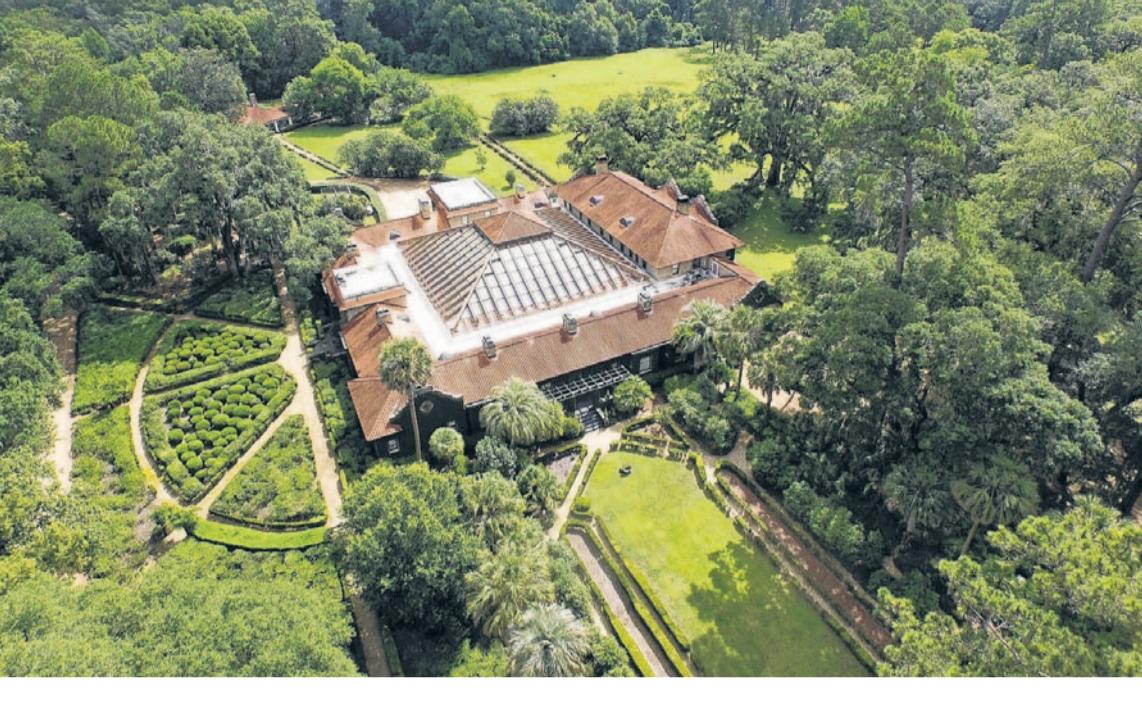
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## MANSION

## PRIVATE PROPERTIES

# Historic Quail-Hunting Estate For Sale

FROM TOP: ALICIA OSBORNE PHOTOGRAPHY; GEORGE PINENTE/GETTY IMAGES; PIETER ESTERSHORN



A Georgia quail-hunting estate that has been owned by the descendants of one of the founders of Western Union for well over a century is seeking \$25 million.

Called Millpond Plantation, the property is on the National Register of Historic Places. It covers 3,267 acres in Thomasville and includes a

26,000-square-foot, 10-bedroom Spanish Revival mansion. There is also a "manager's house," two 2,000-square-foot guest cottages, a variety of other homes for employees, a barn and a dog kennel, said listing agent Ben McCollum of the Wright Group in Thomasville. To aid in the hunt, 30 trained bird dogs, seven horses and

four mules are included. The sellers are Tod Sedgwick, 68, a former ambassador to the Slovak Republic, his three siblings and a first cousin. Their great-grandfather, Jeptha H. Wade, the grandson of one of the founders of Western Union, began buying acreage in the late 19th century to form a 10,000-acre estate,

Mr. Sedgwick said. Mr. Wade completed the mansion in 1908.

In the 1960s, the property was divided into three parts and left to various family members. Mr. Sedgwick, his siblings and cousin bought the acreage and house currently for sale from relatives, he said. Public records show that in 2004, the house sold for \$875,000 and surrounding acreage for just under \$14 million.

Millpond Plantation is in a region known as the Red Hills, which spans an area north of Tallahassee, Fla., up to Thomasville. Characterized by a grassy, hilly landscape, it is known for a number of quail-hunting estates and old-fashioned traditions, such as hunting via mule-drawn carriage.

Millpond is a few minutes from Thomasville, which Mr. Sedgwick characterized as a "friendly small town."

Mr. Sedgwick said the family is selling because the property costs over \$1 million a year to maintain and they doubt the next generation can take it on. A conservation easement prohibits subdividing the property, Mr. Sedgwick said.

After a lifetime spending Christmas at Millpond, "it's been a very emotional decision because we're all very attached to the place," Mr. Sedgwick said.

—Katy McLaughlin

## IT'S HIS LIFE: JON BON JOVI BUYS NEW YORK APARTMENT FOR \$18.94 MILLION

Rocker Jon Bon Jovi has paid \$18.94 million for an apartment at the Greenwich Lane condominium project in Manhattan's Greenwich Village, according to people familiar with the deal.

The 3,951-square-foot corner unit has sweeping views of lower Manhattan and the Hudson River through floor-to-ceiling windows and its own private terrace. The unit has four bedrooms, 4½ bathrooms, a 40-foot-long living room and an elevator that opens directly into the apartment, according to the listing.

In June, Mr. Bon Jovi listed a sprawling three-bedroom apartment at a nearby condominium project known as 150 Charles Street for



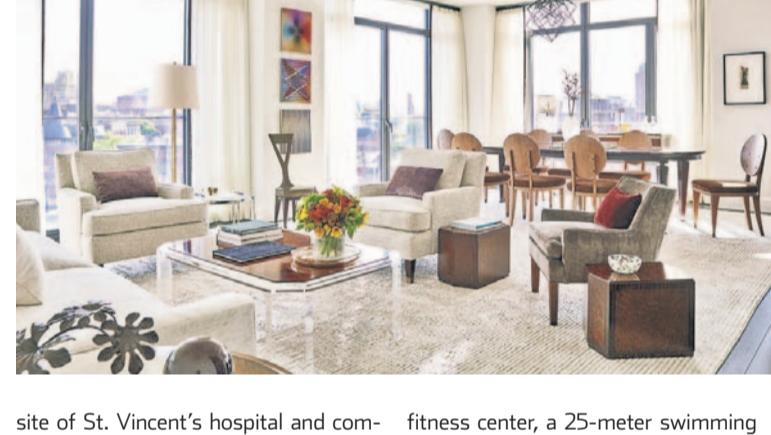
\$17.25 million, then reduced the price in July to \$15.95 million, the listing shows. He purchased that unit for \$12.88 million in 2015, records show.

He also previously lived in a penthouse apartment in Soho, which he sold to Austrian-American businessman Gerhard Andlinger for \$34 million in 2015.

A spokesperson for Mr. Bon Jovi didn't respond to a request for comment, nor did Greenwich

Lane developer, Rudin Management. Mr. Bon Jovi was represented by Robby Browne of the Corcoran Group, while Rudin was represented by Corcoran Sunshine Marketing Group.

Greenwich Lane is on the former



site of St. Vincent's hospital and comprises several new or renovated buildings on West 11th and West 12th streets on the east side of Seventh Avenue. Residents have access to a

fitness center, a 25-meter swimming pool and a 21-seat screening room.

Other residents of the building include former Starbucks CEO Howard Schultz.—Katherine Clarke



## JIM BELUSHI LISTS LOS ANGELES VILLA FOR \$38.5 MILLION

Actor Jim Belushi is listing his Italian-style villa in Los Angeles for \$38.5 million.

Last year, Mr. Belushi said he asked real-estate agent David Offer of Berkshire Hathaway HomeServices in Brentwood to "whisper list" the property for \$42 million. Mr. Offer said he tried to generate interest via word-of-mouth. The property is now officially listed with Hilton & Hyland's Bjorn Farrugia and Drew Fenton.

The property is 1 1/3 acres—a double lot in the enclave of Brentwood Park. Mr. Belushi bought the first lot in 2003 for \$4.2 million and the second in 2007 for \$8.3 million, according to public records. He tore down a house on the first lot and built a home more than 14,000 square feet in 2007.

Mr. Belushi said he imported tile from Italy, Morocco and Venezuela. The master bedroom includes hand-painted wallpaper and a giant closet and bathroom suite, where Mr. Belushi said his wife, Jennifer, "can disappear." The grounds include stone fountains, trellis-covered arbors and a 60-foot-long pool.

The large, flat lot makes the property unique, said Mr. Belushi, who declined to provide his age. "You feel like you're in another world," said the actor, whose credits include the film "Curly Sue" and television including "According to Jim" and "Saturday Night Live." He is the younger brother of the late comedic actor John Belushi.

Looking to downsize now that his two children are grown, Mr. Belushi said the couple owns another home in Brentwood, and may renovate it and move in, though "we're still debating." —Katy McLaughlin

## LARGE FORT WORTH RANCH SEEKS \$95 MILLION

A large ranch that borders the city limits of Fort Worth, Texas—and has been in the same family for five generations—is heading to market seeking \$95 million.

Known as Veale Ranch, the approximately 3,790-acre working cattle ranch is a "very rare" offering due to its size and location: The ranch gate is only 11 miles from downtown Fort Worth, said Bryan Pickens of Republic

Ranches, the listing agent. Mr. Pickens said the property could be maintained as a ranch, or could become a master-planned community with a capacity, if developed, for 33,000 residents.

The property has been in the Veale family since 1935, said Ward Veale, a rancher, a part-owner and a family member who lives on the ranch.

David Ekstrom, another part-owner and member of the Veale family who

also lives on the ranch, said the time was right for the family to sell.

"Mine and Ward's generation are ready to pass the management of the property on, but the next generation of our family are pursuing their own interests, from construction management to cybersecurity to social psychology," he said in an email. "I dread having to leave."

—Sarah Tilton



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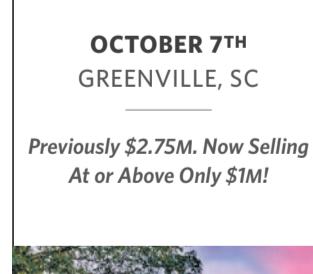
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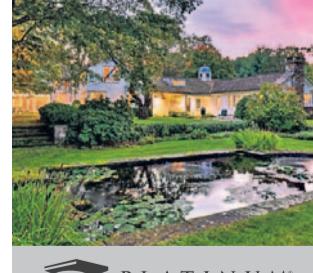
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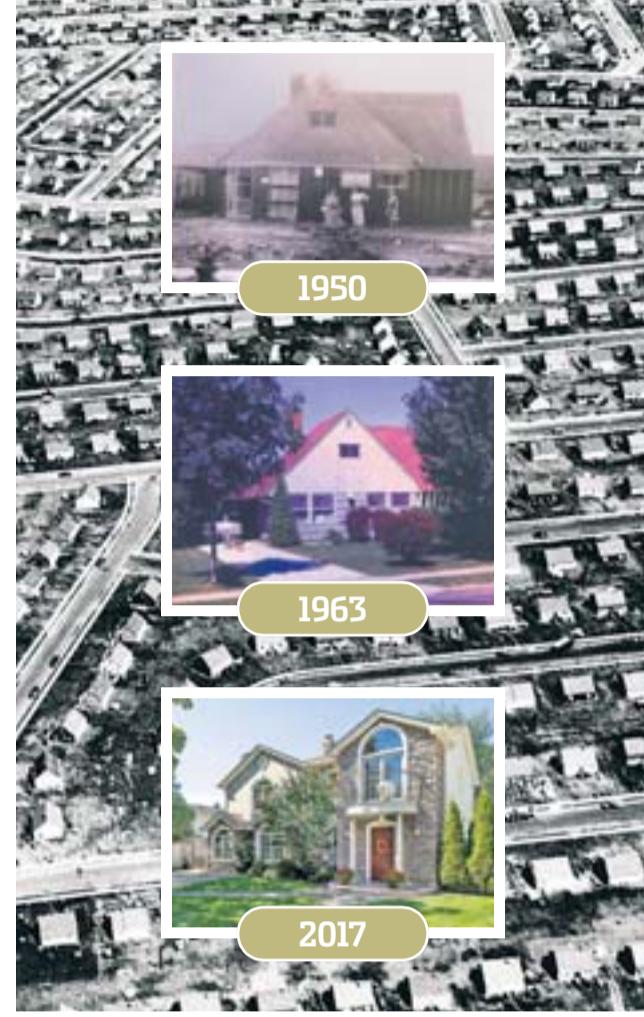
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## MANSION

### THE MARKET

# America's Iconic Suburb, 70 Years Later

Many of the mass-produced homes in Levittown, N.Y., have been gutted, redone, expanded or even razed



**TIME CHANGE** Jeff and Becky Moran bought their Levittown home for \$154,000 in 1994 and spent another \$200,000 on improvements in 2006. Above, the open-plan living room. Top right, the home through the years. Below right, the kitchen and Ms. Moran.

BY AMY GAMERMAN

**WHEN NEWLYWEDS** Jean and William Heacock moved into their new 800-square-foot home in 1950, it had four small rooms, a carport and a built-in television—just like every other house on its street in Levittown, N.Y., America's first planned suburb.

Today, that Levitt ranch home has morphed into a 2,700-square-foot Mediterranean-style villa with a wrought-iron balcony and a stone and stucco facade, thanks to a 2006 gut renovation by its current owner, Jeff Moran. Terracotta tile-work and 7-foot sandstone columns decorate the living room, and there are three new bedrooms upstairs, including a master suite with a cathedral ceiling. The total cost of the remodel was about \$200,000—or 25 times the home's original \$7,990 list price.

"We took the house down to the studs. I wanted to be more comfortable, I wanted to upgrade," said Mr. Moran, 65, who works for the state government. He said that he and his wife, Becky, a 61-year-old teaching assistant, became the home's third owners when they bought it for \$154,000 in 1994.

When Ms. Heacock and her husband took a nostalgic drive through their old neighborhood eight years ago, she didn't recognize her old home until she spotted the fire hydrant out front, a familiar landmark. "It's amazing," said Ms. Heacock, who is now 90. "You can hardly see the original house there—it's completely encased in the new house."

Seventy years ago, the first families moved into Levittown, N.Y.—a community of mass-produced homes built on a 6.9-square-mile chunk of Long Island once planted with onions and potatoes. Between 1947

and 1951, Levitt & Sons built 17,477 homes there. Since that time, most of Levitt's modest cookie-cutter houses have been remodeled and expanded beyond recognition.

"In the past seven or eight years, the prices have really skyrocketed," said Dara Crawford, a real-estate agent for Century 21 who has lived in Levittown since 1988.

"A lot of the houses are still on the original footprint, just gutted and completely redone," she said. "The family up the street knocked down the house and rebuilt it at 2,800 square feet—it's orange stucco, with a heated saltwater pool."

Average home listing prices in Levittown have

**The average list price of homes on the market is \$455,000, with about 5% of the listings priced over \$600,000.**

risen 5.4% in the past year, despite a 14.4% increase in supply, according to Realtor.com. (News Corp, owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.) The average list price of the 117 homes currently on the market is \$455,000, with about 5% of the listings priced over \$600,000.

A dilapidated Cape Cod-style house on Corncrib Lane was recently demolished to make way for a new four-bedroom spec house, with construction to begin this fall. It is now under contract for \$720,000, according to Chris Montalbano, an associate broker and partner in Realty Connect U.S.A., who represents the developer.

"The market is so vibrant

now, we sold it based on the plans," Mr. Montalbano said. "There's no inventory for new construction in Levittown—the buyers in this particular situation wanted to stay and keep their kids in the schools."

Levittown was the first of four planned suburban communities created by developer William Levitt. With affordable housing in short supply, Levittown touted a vision of quiet streets and well-kept lawns, along with new schools, swimming pools and shopping districts. Levittowns would later spring up in Pennsylvania, New Jersey and Puerto Rico.

The developer's marketing targeted service members returning from World War II. Veterans could buy the homes with no money down—but only if they were white. Levitt's restrictive covenants prevented sales or rentals to African-Americans. Those restrictions were later struck down.

The Nassau County community's proximity to New York City, as well as its affordability and schools, are drawing a diverse mix of home buyers now, according to Shehriar Islam, a real-estate agent with Coldwell Banker who moved to Levittown from Queens in 2015. "I'm a microcosm of what's going on with other buyers," Mr. Islam said. "When you go to open houses, 95% of the buyers are from the New York boroughs—it's much more diverse than it was seven years ago."

Other families have lived in Levittown for generations. Kevin Magnus, a 51-year-old former clerk at the New York Stock Exchange, bought his childhood home from his father in 2000.

"The house had plenty of potential—I came back here and blew this thing up," said Mr. Magnus, who spent a decade and over \$150,000 remodeling the house with his wife, Kathleen, 49.

They expanded the home from two bedrooms to five, put in a new kitchen, added a porch, and built a backyard gazebo with its own bar and television. When the Magnus's youngest daughter graduated from high school, they decided to sell. After seven days on the market and multiple bids, the home went into contract for \$670,000. "They gobbled it up," said Ms. Crawford, who had the listing.

"It's a good community—we have a lot of friends in Levittown," said Mr. Moran, who occasionally finds an onion growing in his backyard.



**RECENT SALE** Kevin Magnus bought and remodeled his childhood home, which is now under contract for \$670,000.



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## MANSION

# BONJOUR, MONTREAL

Continued from page M1  
terest from Chinese buyers  
and empty nesters.

A record-setting 13,764 homes sold in the Montreal metro area in the second quarter of 2017, an 8% increase over the same period a year ago, according to the Greater Montréal Real Estate Board. Condo sales jumped 17% to 4,487—a record for the second quarter in a row—and the median sales price increased 3% to 245,084 Canadian dollars, or \$196,312.

Much of the gain is at the high end: Sixty-five condos priced over C\$1 million, or \$801,000, sold in the first half of 2017, a 51% increase compared with the first half of 2016, according to Sotheby's International Realty Canada. At developer Daniel Revah's latest project, Le 1420 Boulevard Mont Royal, about 1,000 potential buyers registered on a teaser site in just over a month after pre-sales started in the spring, he said. The average asking price for the development's 200 apartments tops C\$1 million, or \$801,000, with penthouses asking C\$5.5 million, or \$4.41 million—high prices for Montreal.

Cranes are blooming across downtown. And more expensive projects are being built with gyms, indoor pools, built-in retail space and other perks designed to lure affluent families and downsizing baby boomers.

Sonia Ah-Kye, a 35-year-old anesthesiologist, and her husband Christopher Aguba, a 35-year-old application analyst, paid \$1.05 million for their three-bedroom apartment in late 2015, excited to live steps from restaurants, shops and their workplaces. But when the couple learned a baby was on the way, "all our priorities changed," Ms. Ah-Kye said. So they listed the 2,300-square-foot unit for \$1.24 million in March—about 18% more than they paid. They have since rejected several offers, content to wait for the right price, Ms. Ah-Kye said.

A historically French-speaking city, Montreal can feel more like Europe than North America. Old Montreal's twisty brick streets and brasserie patios evoke Paris. Street signs are in French. One of the skyline's most distinctive features is the green dome of St. Joseph's Oratory of Mount Royal, an imposing Catholic monument.

The city's history also explains its relative lack of real-estate development. In the 1970s, the rising popu-



**FRENCH TWIST** With its old twisty brick streets and brasserie patios, parts of the historically French-speaking city can feel more like Europe than North America. The green dome of Saint Joseph's Oratory of Mount Royal, top left; the Rio Tinto Alcan Planetarium near the Olympic Stadium, top right.

larity of the Quebec separatist movement, which supports the French-speaking province's independence from majority English-speaking Canada, prompted an exodus of English speakers and businesses, many of whom relocated to Toronto, enshrining that city as Canada's financial capital.

The movement has waxed and waned over the years. Recently, residents and businesses faced uncertainty in the lead-up to the 2014 provincial election, as the incumbent Parti Québécois, which ran candidates promoting separatism, faced the Quebec Liberal Party. The Liberals

prevailed, quelling fears of a referendum on the issue. An accompanying drop in oil prices also slowed the outflow of Quebec residents to oil-producing provinces, and a drop in the Canadian dollar and interest rates boosted the housing industry, said Robert Kavcic, a Toronto-based senior economist at BMO Capital Markets.

In July, Quebec's unem-

ployment rate fell to 5.8%, the lowest rate since Statistics Canada began tracking comparable data in 1976. Public-private partnerships are investing in infrastructure, including the revamped Champlain Bridge and McGill University Health Centre's new hospital complex.

A younger generation has embraced bilingualism, a shift from decades of language-related tension. Most people in the city speak both French and English, making it less daunting for foreigners to invest. While foreign buyers account for less than 2% of home purchases in the Montreal metro area, the number was up 37% in the first quarter of 2017 versus the same period in 2016, according to the Canadian Mortgage and Housing Corporation.

Air China launched the city's first direct flight to China in 2015 with its non-stop route to Beijing, and in February Air Canada introduced a direct flight to Shanghai. And attention has turned to Montreal after provincial governments imposed a 15% foreign-buyer tax on residential sales in Toronto and Vancouver.

One of the city's most am-

bitious projects under construction is the Four Seasons Hotel and Private Residences Montreal. "There's a bit of a void in the marketplace" at the ultraluxury end, said Andrew Lutfy, chairman of Carboneo, the developer.

The \$200 million development will include 210,000 square feet of luxury retail and dining, 166 hotel rooms and 18 residences ranging from 2,886 to 6,910 square feet and priced from about \$2.8 million to \$12 million—



**IN THE BLACK** Sonia Ah-Kye and Christopher Aguba listed their unit for 19% more than they paid.



**SELLING BUT STAYING**

Stephen Kucer and Rona Katz are selling their home, left, for \$1.28 million.

bubble? No, unlikely. But the market is strong," said Amy Assaad of Royal LePage Heritage, who is listing Ms. Ah-Kye's home.

Stephen Kucer, a 57-year-old engineer at a building-products manufacturer, and Rona Katz listed their house in February for \$1.27 million.

The couple moved into the 3,200-square-foot home about 15 years ago, but their two daughters are grown and their son might move out next year. The family rarely uses the formal living and dining rooms or extra bedrooms, said Ms. Katz, 56, a digital-content manager.

"The upward pressure on the price in Montreal is much more modest when compared with the same dynamic in Toronto and Vancouver," said Sotheby's president and CEO Brad Henderson.

"Are you going to have a



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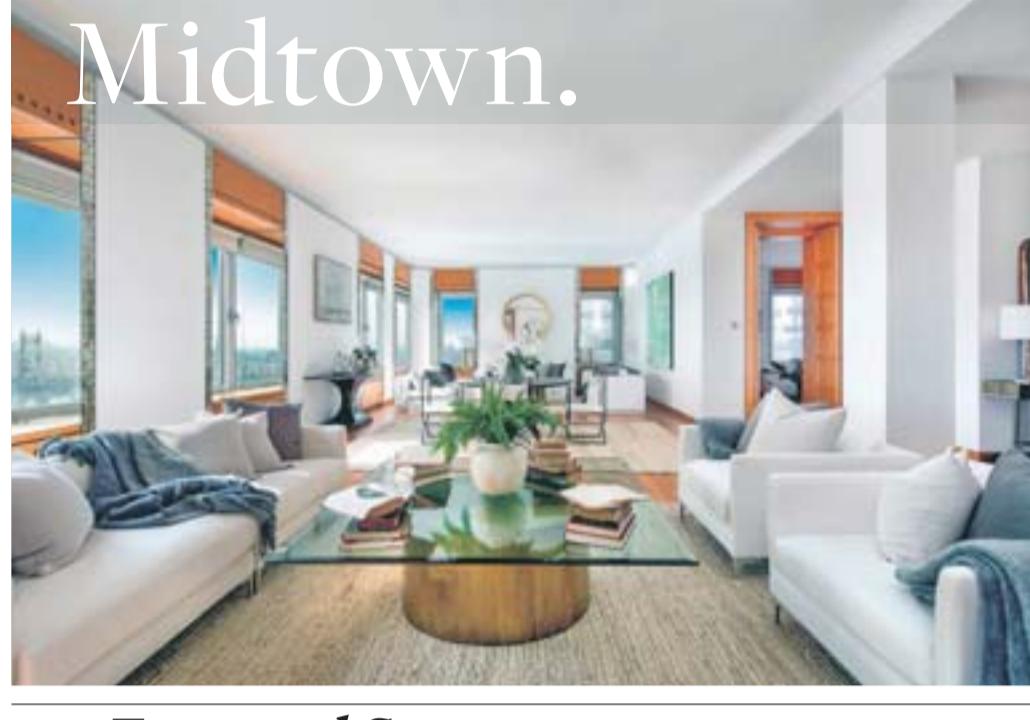
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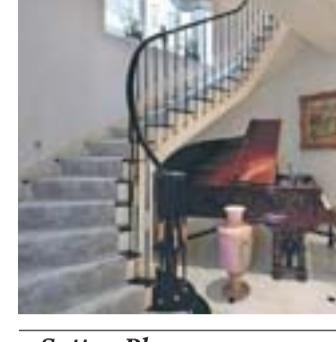
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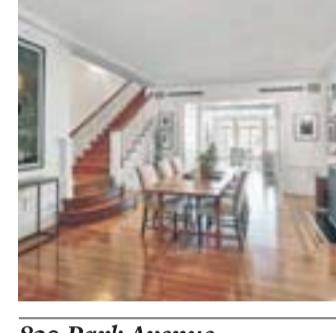
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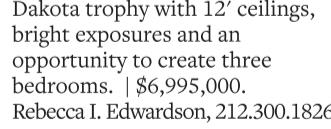


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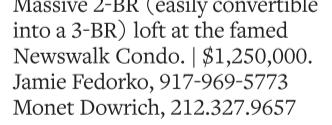


### Brooklyn.



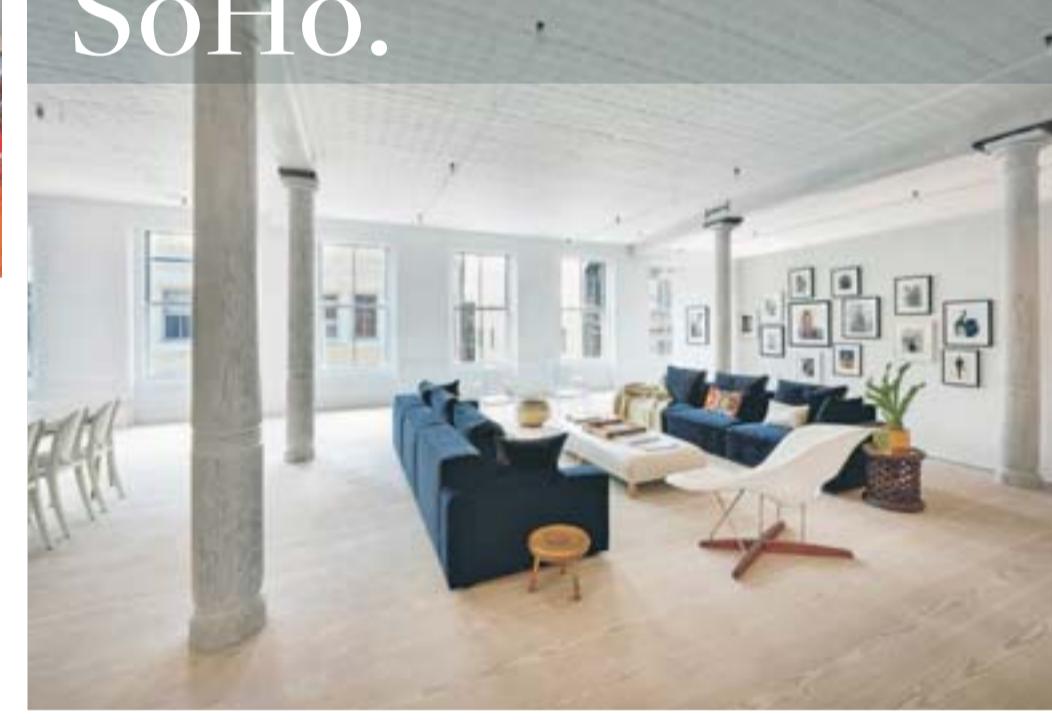
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## MANSION

### ANNOTATED ROOM

# A Design in Search of a Homeowner

This condo in New York's One57 building was designed to lure a buyer; a three-way sofa maximizes views



**NEW YORK INTERIOR DESIGNER** Jamie Drake was hired to create a luxurious living room for nobody in particular.

His client was Extell Development Co., the company behind One57, an exclusive Manhattan condo building that overlooks Central Park. To lure prospective buyers, Extell asked Mr. Drake, of New York-based Drake/Anderson, to design and furnish a roughly 4,200-square-foot model apartment. The budget: over \$1 million.

"They wanted something geared toward a global market," said Mr. Drake, "something sophisticated and urban, but not so bland that it would be boring."

Located on the 58th floor, the three-bedroom, 3½-bathroom apartment's main feature is the view of Central Park, Mr. Drake said.

The project took about three months, after which a buyer paid \$24.5 million for the apartment, with most of Mr. Drake's furnishings included, according to the developer. Here are some of the elements in the living room. Prices are approximate and vary based on size and materials.

—Beth DeCarbo

#### 1. HAVE A SEAT

To anchor the roughly 30-by-40-foot room, Mr. Drake designed a "capacious sofa" that faces three ways: toward the TV, Central Park, and a cocktail/conversation area in the foreground.

The sofa was upholstered by Peruvian Touch with Romo fabric.

**Price:** \$24,300

#### 2. LIGHT TOUCH

To illuminate the seating area, Mr. Drake chose three matching crystal-rod floor lamps. The classic design of these

Dennis Miller Associates fixtures is low-key so they won't distract from other furnishings.

**Price:** \$4,800 each

#### 3. SOFT LANDING

Two upholstered Montaigne chairs, designed by Mr. Drake and sold through Theodore Alexander, face the conversation area and feature gilded wood legs.

**Price:** \$3,450 each

#### 4. DROP-OFF SPOTS

For color contrast, two bronze drum tables from DLV De-

signs are placed toward the ends of the sofa.

**Price:** \$5,800 each

#### 5. SHINY SURFACE

A custom cocktail table, a Drake/Anderson design made by Andy's Marble Works, is topped with richly veined Calacatta marble.

**Price:** \$12,150

#### 6. FINE DINING

A Halo chandelier from Roll & Hill hangs over the dining table and has four rings of brass and LED lights.

**Price:** \$19,000

#### 7. CORNERED

A piano anchors the south side of the room as a message of how entertaining could take place here. "Coney Island," a 2009 Larry Poons painting, hangs behind the piano. It measures almost 9 feet long and was selected to create a "visual destination in the corner," Mr. Drake said.

The painting and an abstract sculpture were borrowed from Danese/Corey, a Manhattan gallery. The artwork wasn't included in the sale.

**Price:** \$125,000 for the Poons painting



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## MANSION

HOUSE CALL | ALICE WATERS

# A Chef Grows in a Backyard Garden

The pioneer of California cuisine began with a banana milkshake; morning light in her Berkeley bungalow

I think my father really wanted a boy. I was the second oldest of four girls, so I slipped into that role. When I was 6, Mickey Mantle was my hero, and I played baseball with neighborhood boys every day after school.

I also loved cowboy songs. They were sad and comforting, and gave voice to my early feelings about love and loneliness. I watched cowboy shows on TV and even had a cowboy outfit that I wore proudly in a Christmas photo while my sisters were in dresses.



never canned anything. Everything we ate was fresh.

My mother, Marge, was completely devoted to us. She didn't police us. She held us a lot and patted our backs and attended to our needs. She was incredibly kind.

Later she told me that she had a breakdown after my youngest sister, Susan, was born. I think she was overwhelmed.

During her brief depression, Hope, her closest friend from college, came to help. Hope had lived in France, so she had a worldly air about her.

One of my first experiences in the kitchen was making a banana milkshake. We had one of those cookbooks for children, which had simple recipes. We didn't have many sweets at home. My mother was a health-food advocate in the 1950s and ahead of her time.

After ninth grade, we moved to Michigan City, Ind. My father had been transferred to nearby Chicago, and we lived blocks from Lake Michigan, which had quite a social scene in the summer. I hated leaving Chatham, but my new life included the beach and a wild, teenage life. I liked hanging out with boys and became rather good at seduction.

In 1961, when I finished my junior year, my father was promoted to a senior position in Los Angeles.

Our first house was on Passaic Avenue in Chatham, N.J. The house was built in the late 1800s and still had a coal furnace. I shared a cozy bedroom upstairs with my older sister, Ellen. The ceiling was pitched, and I loved hearing rain on the roof.

When I was little, Ellen and I played outside a lot in the garden, where I first developed a connection to nature. Our garden was long and narrow, and I remember the fragrant taste of strawberries that I picked out there.

My father, Charles, was an incredible gardener. He had studied agricultural engineering in college and knew how to organize plants neatly and get them to thrive. He was a human-resources psychologist for Prudential Insurance in Newark, N.J., and a tireless worker.

When I was 5, we moved into a new house on Van Doren Avenue. It was white with green shutters. In our smaller garden, we just had room for tomatoes, peppers and corn. To their credit, my parents

studying in France. That's when everything changed.

I was supposed to attend the Sorbonne but I never went to class. Instead, we met two boys who taught us how to eat and where. Paris and the culture of beauty captivated me.

France in 1965 was a slow-food nation with a set of values: Lunch lasted two hours, ingredients were fresh and meals were emotional, savoring experiences. I was madly in love with the country.

When I returned to Berkeley, I declared my major in French cultural studies. After college, I returned to France and traveled throughout Europe. I began to dream about opening a restaurant.

In 1971, I opened Chez Panisse in Berkeley. My approach was to use fresh, organic ingredients from local markets.

Today, I live near the restaurant in a two-bedroom, 1½-story gray bungalow built in 1908. The kitchen was small when I moved in 34 years ago, just before my daughter, Fanny, was born. I expanded the kitchen by removing the back porch.

The kitchen now has a large fireplace and wood oven on one side, and a big copper sink and stove on the other.

In the morning, I love to sit by the fireplace sipping coffee from one of my café au lait bowls. Sometimes I stare out at my redwood tree and think back to Paris, where I figured out who I was.

—As told to Marc Myers

MAARTEN DE BOER/CONTOUR BY GETTY IMAGES (PORTRAIT); ALICE WATERS (HISTORICAL)



WILD ONE Alice Waters in California in January, above, and left, in her cowboy outfit with her sisters, around 1950, at home in Chatham, N.J.

We moved into a contemporary tract house in Sherman Oaks that didn't have much of a garden. I hated it there.

When I graduated from high school, my parents could only afford the University of California at

Santa Barbara. In my sophomore year, I was tossed out of my sorority for drinking. I decided to transfer to UC Berkeley.

At Berkeley in '64, my friend Sara and I chose to spend the spring semester of our junior year

Alice Waters, 73, is a chef and owner of Chez Panisse restaurant in Berkeley, Calif., where she pioneered California cuisine and the organic-food movement. She is the author of 13 books, most recently "Coming to My Senses," a memoir (Clarkson Potter).

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## Land, Ranch & Recreational Properties

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# Trophy Ranches Make Investments Fun Again

PURCHASERS OF LUXURY RANCHES HAVE AN EYE ON RECREATION AS WELL AS RESALE VALUE

By Tonie Auer

Luxury ranch sales tend to have two things in common, regardless of whether they're in Oregon or Texas: they're all about the recreational and investment opportunities of the land. A great example is the recent sale of the 1,442-acre Las Chimeneas Creek Ranch along the Texas-Mexico border in Deep South Texas. It is an "old school" hunting and recreational ranch, home to some of the largest native dark-antlered bucks in the region.

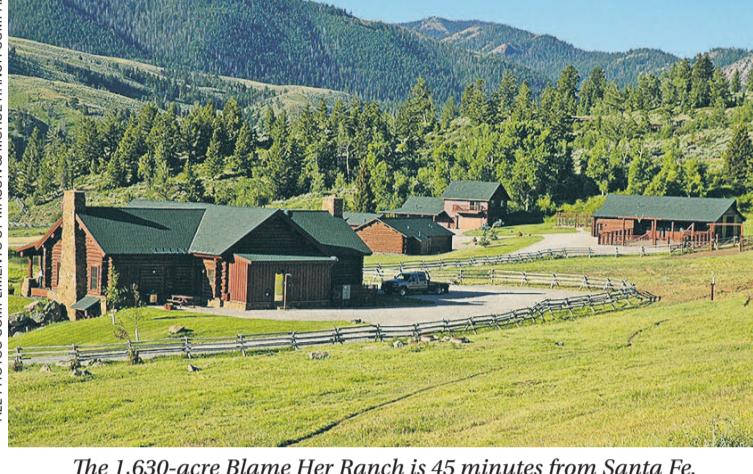
"The purchases [of properties like this one] are for both investment and recreation," says Texas Ranch Sales owner-broker Sheldon Grothaus of Hondo, Texas. "The primary reason for the purchase was recreation, but they kept in mind when choosing the right place that at some point it could possibly be sold. It had to be something that would fit the need for the family's recreational needs, plus it should continue to appreciate in value."

### RANCH TRENDS

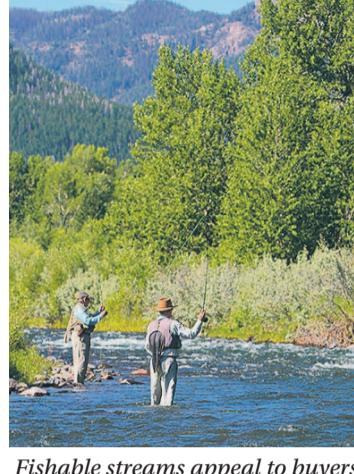
Location and access are often the first attributes considered by a buyer, he says. Some of the amenities trending in luxury ranch properties include, but aren't limited to, live water like rivers, lakes and creeks; private airstrips; grand hunting lodges; and healthy pastures and native brush. These are all variables depending on if you need grazing land or a hunting environment, Mr. Grothaus says.

He also recently closed on a 1,815-acre ranch west of San

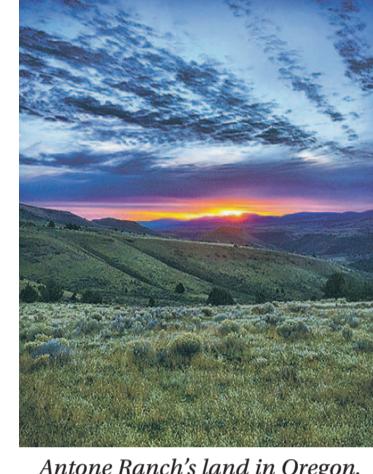
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The 1,630-acre Blame Her Ranch is 45 minutes from Santa Fe.



Fishable streams appeal to buyers.



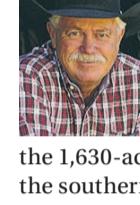
Antone Ranch's land in Oregon.

Antonio in Medina County. It has a highly improved turnkey hunting and cattle ranch with a 2,400-square-foot owner's home, pool and cabana, and other improvements. The ranch features one mile of Hondo Creek with permanent water backed up by a concrete dam. Featuring a fishing lake with boat dock and fishing pier, the land boasts excellent hunting of whitetail deer, dove, quail and turkey.

Demand for large trophy ranches is high for those with the financial means, with more demand than we've seen in recent years. These properties offer some of America's most natural beauty, and attributes similar to our National Parks, but in your own private setting.

"With limited supply and strong demand, prices tend to increase over time," says Glenwood

Springs, Colo.-based Mason & Morse Ranch Company managing broker Bart Miller, ALC (left).

 The company's associate broker, Robb Van Pelt (left), has several prime examples on the market, including

the 1,630-acre Blame Her Ranch at the southernmost tip of Glorieta Mesa, 45 minutes from Santa Fe, New Mexico. With an asking price of \$7 million, the ranch's entire western edge is adjacent to the 1.6 million acre Santa Fe National Forest. There are pastures, ponds, and hunting opportunities for both mule deer and elk.

### IRRIGATED LAND

Mr. Van Pelt is also marketing the Antone Ranch about 100 miles east of Bend, Oregon for \$75 million. This recreational ranch features almost 37,000 deeded acres in a large private block with exceptional water resources including live water creeks, numerous fishing lakes and irrigated lands. The ranch has 10 miles bordering the Ochoco

National Forest with an 85 acre lake providing recreational opportunities ranging from water-skiing to trout fishing. The property features multiple homes, a paved runway designed for business class jets and an extensive pine forest of almost 11,000 acres. It also has great hunting for elk, deer and antelope.

"There is a pent-up demand triggering a lot of activity for big investors, even with oil prices down historically right now," Mr. Miller says. "In the late 1990s and into the early 2000s, there was a lot of money floating around and the bigger the ranch, the better the status. When the recession hit, a lot of people took a big hit financially and the investment market for trophy ranches declined for a few years.

## "WATER IS A BIG DRAW FOR FISHING-AND-HUNTING RECREATION."

Fast forward to last year and the election and people were focused on that and just pausing. Now, it is a fairly active and hot market."

"Most of the investors buying these ranches are using money from successful business investments and buying the property for recreation and relaxing, as well as for wealth diversification," Mr. Miller says. "Water is a big draw for fishing and hunting recreation. Most of these properties are used and enjoyed and then sold when families are ready to move on. You can put \$100 million in the stock market and that's good, but you can't use it for recreation like you can with land or a fishable stream."

Tonie Auer is a freelance property writer.

The Wall Street Journal news organization was not involved in the creation of this content

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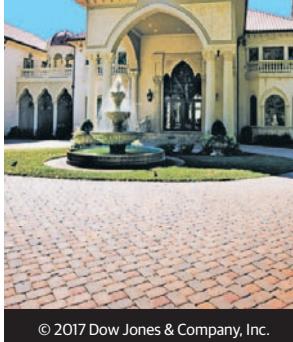
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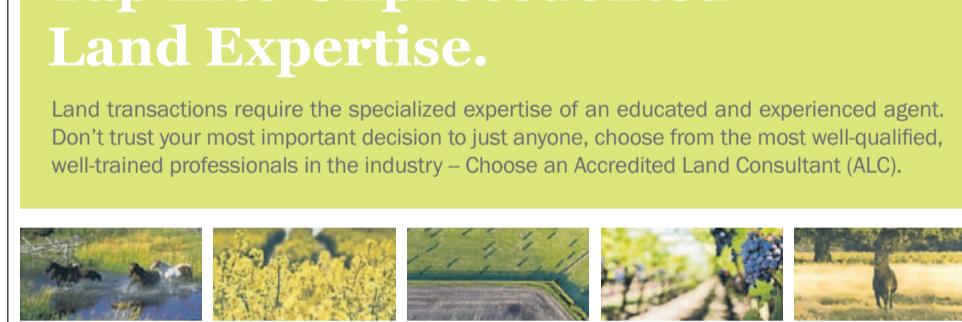
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## MANSION

## RELATIVE VALUES

## WHERE THEY ARE SWIMMING IN LUXURY

Three properties for sale in Florida, North Carolina and California that feature elaborate indoor aquariums



CHRISTOPH HITZ



LARRY MARCHANT PHOTOGRAPHY (2)

**\$8.9 million**

Gulf Breeze, Fla.

Four bedrooms, seven bathrooms, one half-bath

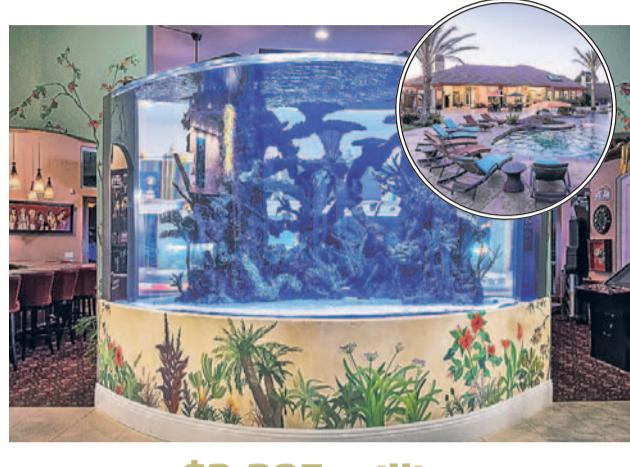
This 11,700-square-foot home is located in a gated community on four deep-water lots totaling 1.8 acres, with 450 feet of waterfront, a dock and a boat slip. The Italian villa-style home has a 1,200 gallon floor-to-ceiling circular fish tank and a celestial mural in its aquarium room. The home, built in 2003, has 13-foot ceilings, a wine cellar and a 2,200-square-foot master suite. Agent: Robert Kingry, Holley Properties

**\$7.4 million**

Durham, N.C.

Five bedrooms, six bathrooms, three half-baths

Built in 2006, Wisteria, named for the flowers on the property, is 13,978 square feet on 12.5 acres. It has a saltwater aquarium that can be seen from underwater in the heated indoor pool, from atop a glass floor, or from the theater room. The home, which has a slate roof and copper gutters, has a four-sided fireplace, thick mahogany doors and a wine cellar. Agent: Mollie Owen, Hodge & Kittrell Sotheby's International Realty

**\$2.295 million**

Paso Robles, Calif.

Four bedrooms, four bathrooms

This 5,300 square-foot solar-powered home is on 10 acres in Wine Country. It has a 3,000-gallon saltwater aquarium built by Acrylic Tank Manufacturing of Las Vegas—of the reality show “Tanked”—and a 500-gallon aquarium. The property also has a saltwater pool, a barn and a chicken coop. Agent: Lizette Mizelle-Belmonte, Home & Ranch Sotheby's International Realty

—Stacey Altherr

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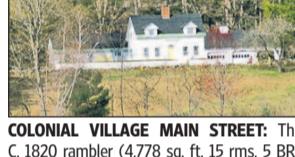
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Enjoy a fantastic Livingston location from this gorgeous 10-bedroom, 11 bath 20,000 sq. ft. estate home with superior chef's kitchen, swimming pool and racquetball court. \$6,000,000

Jodi B. Rubenstein / Joanne Parker Lantz & Ellen Gorkin, Broker Sales Assoc./Sales Assoc.  
C. 973.699.4388 | O. 973.376.2453



**WESTON, MASSACHUSETTS**  
Gorgeous Brick Front Colonial estate in desirable Weston Country Club, with pond views, 17 rooms, 5 bedrooms, open floor plan, custom kitchen, patio, plus finished 3rd floor and lower level playroom. \$4,850,000

Kathryn Alphas-Richlen, Sales Associate  
C. 781.507.1650



**GREENWICH, CONNECTICUT**  
Four acres at Andrews Farms. European-inspired Chateau has wrought iron stairs, marble floors, turrets, six fireplaces, new gym, two masters. Gunite pool, spa, terraces. \$4,675,000

Tamar Lurie, Sales Associate  
C. 203.536.6953



**WESTON, MASSACHUSETTS**  
Gorgeous custom home set on 1.38 acres offering 5 bedrooms, library, gourmet kitchen, stone fireplace, hardwoods, pool and spa, wine cellar, 2017 roof, and 3-car garage. \$3,499,000

Holly Ritchie & Stephen Ritchie, Sales Associates  
H. 617.877.2460 | S. 617.549.6600



**BRANFORD, CONNECTICUT**  
Stony Creek Waterfront. Dramatic 7500 sq. ft. Contemporary Smart House. Thimble Isle views, elevator, art studio, exercise room, media room, sandy beach, 3 car garage. 75 mi to NYC. \$3,490,000

Joe Piscitelli, Sales Associate  
C. 203.982.3511



**BEDFORD, NEW YORK**  
Stone estate house w/extraordinary detail, imported French vanilla marble, mahogany millwork, Rutt kitchen. Over 5 acres, guest house, tiered terrace, infinity pool, pond. \$3,250,000

Cindy Gayle, Associate Real Estate Broker  
C. 914.261.8077 | O. 914.234.3647



**BROOKLINE, MASSACHUSETTS**  
Elegant Georgian Revival home set in historic Cottage Farm district offering 16 rooms, 5 bedrooms, 4.5 baths, cook's kitchen, game room, home theatre, and wine cellar. \$3,195,000

Melinda Sarkis & Suzanne Troyer, Sales Associates  
M. 617.943.8333 | S. 617.852.7806



**SOUTH END, BOSTON, MASSACHUSETTS**  
New parlor and garden duplex near Union Park with 3 bedrooms, 3.5 baths, chef's kitchen, rear deck, gas fireplace, security, private patio, and 2 rental parking spaces. \$3,050,000

Rob Kilgore, Broker  
C. 617.504.7814



**WESTPORT, CONNECTICUT**  
Energy Star-rated, modern masterpiece by award-winning firm Sellers/Lathrop. Folding glass doors. Quality Henrybuilt kitchen. Pr. gardens. Saugatuck River views/dock. \$2,950,000

Emily Gordon, Sales Associate  
C. 203.451.6432



**NEWTON, MASSACHUSETTS**  
Renovated Colonial Revival home with formal and informal rooms, 3 levels, built-ins, classic details, gourmet kitchen, 5 bedrooms, garage with workshop, patio, and pool. \$2,800,000

D. 617.974.0404 | J. 617.899.2111



**IRVINGTON, NEW YORK**  
Exquisite English Arts & Crafts home beautifully renovated to accommodate today's modern living. Chef's kitchen, guest house & pool/spa on 1.25 acres, approx. 36 mins. to NYC. \$2,795,000

Therese Militana Valvano, Associate Real Estate Broker  
C. 914.715.2715 | O. 914.693.5476



**IRVINGTON, NEW YORK**  
Beautifully renovated Colonial offers gourmet kitchen, 5 bedrooms & 4.5 baths. Fabulous master suite, playroom & 3-car garage. Lush property w/pond views & barn. Close to NYC. \$2,698,000

Therese Militana Valvano, Associate Real Estate Broker  
C. 914.715.2715 | O. 914.693.5476



**NEWTON, MASSACHUSETTS**  
Exquisite 2-year young home set on 17,540 corner lot with 11 rooms, 5 bedrooms, chef's kitchen, Brazilian teak floors, detailed moldings, solar panels, and 2-car garage. \$2,549,000

Jamie Genser, Sales Associate  
C. 617.515.5152



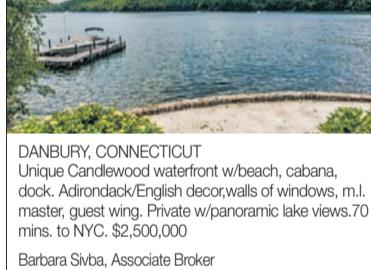
**GREENWICH, CONNECTICUT**  
Sunny direct waterfront townhome, completely renovated. Smart home technology, gorgeous chef's kitchen, private elevator & decks w/sensational views of Long Island Sound. \$2,500,000

Suzanne Armstrong & Patricia Ekwall, Sales Associates  
S. 203.253.3952 | P. 203.918.9339



**WENHAM, MASSACHUSETTS**  
Shingle style home set atop 6.23 acres with in-ground pool, gourmet kitchen, 4 fireplaces, patio, windowed halls, 5 bedrooms, screened porch, plus barn with paddocks. \$2,500,000

John Farrell & Cindy Farrell, Sales Associates  
J. 978.578.5203 | C. 978.468.4180



**DANBURY, CONNECTICUT**  
Unique Candlewood waterfront w/beach, cabana, dock, Adirondack/English decor, walls of windows, m.l. master, guest wing. Private w/panoramic lake views. 70 mins. to NYC. \$2,500,000

Barbara Sivba, Associate Broker  
C. 203.667.4336



**PINES LAKE, WAYNE, NEW JERSEY**  
Nested along a private lakefront cove, this home with many amenities also has a gourmet kitchen, multi-room master suite and features fabulous waterfront views plus a dock. \$2,450,000

Carole "Lynn" Brescia, Broker Sales Associate  
C. 201.848.3202 | O. 201.891.6700



**WABAN, MASSACHUSETTS**  
New Contemporary Colonial smart home with 12 rooms, superb craftsmanship, gourmet kitchen, 5 bedrooms, 5.5 baths, 3 fireplaces, playroom, patio, mudroom, and garage. \$2,388,000

Jeff Groper, Sales Associate  
C. 617.240.8000



**DOBBS FERRY, NEW YORK**  
Seasonal Hudson River Views! 14-room Colonial w/archways, great details, renovated chef's kitchen/baths. Private 1.73 acres, pool, terrace, close to NYC. 740iphantAve.com \$2,350,000

Therese Militana Valvano, Associate Real Estate Broker  
C. 914.715.2715 | O. 914.693.5476



**WINCHESTER, MASSACHUSETTS**  
Custom Shingle-style residence offering 2 master suites, chef's kitchen, open spaces, Pella windows and doors, cherry built-ins, radiant heated wood floors, and patio. \$2,350,000

Peggy Otis, Sales Associate  
C. 781.704.1382



**NEEDHAM, MASSACHUSETTS**  
Magnificent custom estate in coveted neighborhood, 12 rooms, 5 bedrooms, 4 fireplaces, rich architectural details, exquisite master suite with balcony, lush grounds & pool. \$2,295,000

Roger Komins, Realtor  
C. 617.510.1100



**IRVINGTON, NEW YORK**  
An exceptional six-bedroom c. 1850 Victorian with ten-foot ceilings, abundant sunlight, lovely period millwork. On nearly one pastoral acre with carriage/horse barn. \$2,100,000

Rebekah FloRito, Real Estate Salesperson  
C. 914.523.5951 | O. 914.693.5476



**MENDHAM, NEW JERSEY**  
This English County Manor on 5.2 acres offers 5 bedrooms, each with en-suite bath & walk-in closet. Elegant main rooms feature built-ins, archways, moldings & French doors. \$1,850,000

Tawnya Kabnick, Sales Associate  
C. 973.723.5700 | O. 973.543.2552



**WINCHESTER, MASSACHUSETTS**  
Meticulously restored 1871 Mansard with 6 bedrooms, grand living room, country chic kitchen, library with built-ins, wine cellar, spectacular rose garden, and lush lawns. \$1,799,000

Lynne Lowenstein, Broker Associate  
C. 781.603.6260



**GUILFORD, CONNECTICUT**  
Beach, boating, tennis! Waterfront enthusiasts' high/dry 1.66A. Main house w/priv. beach house. Featuring built-ins, 16' ceilings, Joshua Cove views. Near village/Yale. \$1,797,000

Joe Piscitelli, Sales Associate  
C. 203.982.5311



**BROOKFIELD, CONNECTICUT**  
2013 West Exposed Candlewood Lakefront offers great room, chef's kitchen, Trex deck, m.l master, guest, office & finished W.O. lower level. Deck, dock, deep water harbor. \$1,795,000

Barbara Sivba, Associate Broker  
C. 203.667.4336



**WILTON, CONNECTICUT**  
Six acres, gardens, Gunite pool. Elegant 1929 home with period details, 4 fpl., 6 bedrooms, 5.2 baths. Fresh paint & updated chef's kitchen. 1 mile top schools/NYC train. \$1,725,000

Frank Altese, Sales Associate  
C. 917.402.3956



**ORANGE, CONNECTICUT**  
Marcel Breuer Mid Century Modern home. In CT on 5+ acres. Designed with 5 bedrooms and nearly 4000 square feet. Pristine condition. Tennis court, gardens and patios. \$1,600,000

Barbara Lehrer, Sales Associate  
C. 203.640.6407



**LYME, CONNECTICUT**  
Steps to Hamborg Cove, Private park like setting on 8.25 acres, w/Frank Lloyd Wright style contemporary home, freeform stone pool, boat slip in Cove Landing Marina. \$1,499,000

Mary McDonald, Sales Associate  
C. 860.227.3812



**NORTHPORT, NEW YORK**  
The ultra-fine details like turreted rooms, wrought iron railings, stained glass dome, & arched doorways are just the beginning of this fairytale stone & stucco estate. \$1,499,000

## MANSION

# A FLOOR PLAN AFRAID OF COMMITMENT

Continued from page M1  
home in January.

Home builders and designers are seeing a resurgence in demand for flexible-living spaces, also called bonus rooms or multipurpose rooms. In ultracompetitive real-estate markets, flex rooms that serve multiple purposes appeal to buyers looking to trade up for more space but unable to afford the extra square footage.

At the same time, younger home buyers see flex rooms as a way to customize their homes. And baby boomers, hoping to age in place, are asking for flex rooms that could someday be a main-floor master bedroom or a suite for a live-in health aide.

Forward-looking home designers now plan for all those stages.

"I ask clients how long they see themselves living in the house," says Dan Sater, whose Bonita Springs, Fla., firm designed the Stolarskis' home. "I talk to them about spaces that may have a changing purpose over time and create the provisions so they can easily be changed." If a future function requires a wall to be removed, for instance, Mr. Sater ensures it isn't a structural wall to begin with. Mr. Sater's own home includes a multipurpose room that the family uses as a music room. Just in case, Mr. Sater installed enough wiring to turn it into a second home office or guest room if needed by aging parents.

Of the 20 top-selling floor plans on [houseplans.com](http://houseplans.com), 13 include bonus rooms, even though only 14% of all the plans on the overall site have designated bonus or flex rooms. Flex rooms are typically located off the entry hall, near the main living space and a bathroom, so they can easily morph into bedrooms down the road. Sometimes, a flex space is located above the garage to be used as a home theater, in-law suite or bunk room for grandchildren—or all of them in succession.

Leaving the label off the space helps with sales and resale, they say, because it lets buyers assign their own.

"When you name it 'dining room,' they will always see it as a dining room; they will never get it out of their mind," says Mark Matthis, co-owner of House Plan Gallery, a home-design firm in Hattiesburg, Miss. "We have found that labeling this type of area as flex space on our floor plans best allows homeowners to decide how a particular space can be used to fit their specific family's needs."

In their Libertyville, Ill., home, Lisa Steinke and Matt Dannenfeldt wanted a dining room—just not all the time. When they bought their four-bedroom, 2,500-square-foot house for \$750,000 in 2012, they were drawn to a library alcove off the main living area that could fit all of Ms. Steinke's books but become a dining space if there were too many guests to fit in the eat-in kitchen.

Ms. Steinke, a 44-year-old novelist, and Mr. Dannenfeldt, 43, who owns a logistics company, also like another space in their home that the architect, Sarah Susanka, calls the "away room." It's a 9-by-12-foot ground-floor retreat off the main living area where the couple's three children go to do homework. For occasional guests, the room has a built-in wall bed and small closet. In the powder room across the hall, a pocket door hides a shower.

"We all have spaces in our homes that are rarely used, such as a guest bedroom or formal dining room," says Ms. Susanka, architect and author of a book series called "The Not So Big House." "I love spaces that do double duty."

The couple is planning to move back to California, Ms. Steinke's home state, where their daughter wants to attend college. The family has listed their Libertyville home for \$950,000, and marketing materials tout the home's main-floor flex room and its potential for "maximizing room space through flexible options."

Daryl Weil, 67, persuaded her husband, a 76-year-old former newspaper executive, to change their lifestyle and surroundings before they were too old to enjoy them. They chose to remain in Paradise Valley, Ariz., but traded their traditional-style home of 25 years for a light-filled, contemporary house—with rooms that are ready to change functions in the future.

Constructed by Scottsdale, Ariz.-based builder Cullum Homes, the Weil house is configured so that if either spouse became ill one day, he or she could move from the first-floor master bed-



**VERSATILITY** Tracy and Mike Stolarski, top left, on the porch of their home in North Augusta, S.C., above. Upstairs, the home has a space that serves as an office and TV room, below. A closet is available when guests stay over, left and there's even a hidden storage compartment used mainly as play space for nieces, below left.



Office / TV room / Guest room / Playroom

RAYMOND MCCREA-JONES FOR THE WALL STREET JOURNAL (5)



**FORWARD THINKING** Daryl and Chip Weil, top right, at their new home in Paradise Valley, Ariz. Above, one of the cats lounges in the living room. If either spouse became ill one day, a live-in caregiver would move into what is currently Ms. Weil's home office, below left, and the spouse would take an upstairs guest room, below right. Doorways are extra wide to enable the use of a wheelchair, and the home has a built-in elevator, below center.



Home office / Caregiver's quarters



Guest room / Master bedroom



MARK LIPCZYNSKI FOR THE WALL STREET JOURNAL (6)

room to an upstairs guest room. A live-in caregiver would then move into what is currently Ms. Weil's home office, which has a full bathroom. For now, the Weils live only with their two cats, Bobby and Pearl, but they made additional arrangements for aging at home, including an elevator and extra-wide doorways to accommodate a wheelchair. Including modifications, which added \$400,000 to the cost, the couple paid \$3 million to build the 4,400-square-foot, five-bedroom house and moved in late last year.

"I was thinking about getting older and the maladies one looks toward," says Ms. Weil, a retired interior designer. "I have been for-

ward-looking with the design."

Cullum Homes project architect Lindsay Cullum Colwell says the firm is incorporating flex spaces in homes throughout the luxury development, called the Village at Mountain Shadows. An optional daylight basement, its website says, gives homeowners the flexibility "to add a game room, wine cellar, children's play area, additional bedrooms, home gym or extra storage."

Flexibility helps young homeowners who are unsure of a growing family's needs. When Jacob and Rita Barker from Greenville, S.C., started looking at house plans in 2014, Ms. Barker was pregnant with their third child, James, and the couple didn't know how the

kids would want to room. Would sisters Madeline and Eliza share a bedroom? Would the children want a play room or play in their own rooms? Would their preferences change as they grew up?

The Barkers chose a floor plan by Home Patterns, a home-design firm in Hastings-on-Hudson, N.Y. The owner, Brooks Ballard, says he includes a flex room in 80% of the plans he sells online.

"A few years ago, people started to not want to pay for a formal living room, but builders still wanted to build the square footage," he says. "The flex room is the room that has replaced the formal living room."

In the Barkers' 3,100-square-

foot, five-bedroom home, an upper-level playroom might someday turn into a bedroom if the girls want more privacy. Mr. Barker, a marketing strategist at Clemson University, and Ms. Barker, a 38-year-old environmental lawyer, use the ground-floor flex room as their master bedroom to be near their 15-year-old dog, Marley, who has trouble climbing the stairs. The original master bedroom upstairs is currently used as the girls' dance studio in their \$350,000 house, says Mr. Barker, 43.

"Especially for us as a young family, building a house for the first time, not really knowing where life was going to take us, flexibility was huge," he says.